
POLICY ON RELATED PARTY TRANSACTIONS

OF

TOTVS S.A.

Approved at the Meeting of the
Board of Directors of TOTVS S.A.

held on
March 16, 2017

Policy on Related Party Transactions of TOTVS S.A.

I – Introduction

1. The Board of Directors of TOTVS S.A. (“TOTVS”) has decided to establish through this Policy procedures that help ensure that Transactions between Related Parties and TOTVS or its subsidiaries are conducted in the best interest of TOTVS and its subsidiaries, as applicable, and are grounded on the principles of transparency and commutativity. Similarly, this Policy aims to prevent and manage situations of potential conflict of interests during Transactions involving such Related Parties.

II - Definitions

COMPANY TOTVS S.A. or its direct or indirect subsidiaries.

Related Party

3. In accordance with applicable regulations and the Bylaws of TOTVS, for the purposes of this Policy a Related Party is the person or entity that is related to the COMPANY in the following circumstances:

- (a) A person, or his/her family member, is related to the COMPANY if such person:
 - (i) has full or shared control of the COMPANY;
 - (ii) has significant influence over the COMPANY; or
 - (iii) is a member of the key management personnel of the COMPANY or of its parent company.

- (b) An entity is considered related to the COMPANY in any of the following conditions:
 - (i) the entity and the COMPANY are part of the same business group (which means that the parent company and each of its subsidiaries are interrelated, and entities under common control are interrelated);
 - (ii) the entity is an affiliate or joint venture of the COMPANY (or an affiliate or joint venture pertaining to the same business group as the COMPANY);
 - (iii) the entity and the COMPANY are under joint control (joint venture) by a third entity;
 - (iv) the entity is under joint control (joint venture) of a third entity to which the COMPANY is affiliated;
 - (v) the entity is a post-employment benefit plan whose beneficiaries are employees of both entities, the COMPANY and the other entity related thereto;
 - (vi) the entity is controlled, fully or jointly, by a person identified in letter (a);
 - (vii) a person identified in letter (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or parent company of the entity); or
 - (viii) the entity or any other member of its group, provides services to the key management personnel of the COMPANY or its parent company.

4. In the context of this Policy and the Bylaws of TOTVS, the following are not Related Parties of

the COMPANY: (i) entities that only have a manager or other member of its key management personnel in common with the COMPANY, or simply because a member of the COMPANY's key management personnel exercises significant influence on the other entity. (ii) wholly-owned subsidiaries of the COMPANY.

Close family members of a person

5. Close family members of a person are those who can be expected to influence or be influenced by such person in their dealings with the COMPANY and include:

- (a) the person's children, spouse or partner;
- (b) the children of the person's spouse or partner;
- (c) dependents of the person, the person's spouse or partner;
- (d) other 1st degree relatives; or
- (e) any person living with the person or who is economically dependent on the person.

Key management personnel

6. Key management personnel are those who have the authority and responsibility for planning, directing and controlling the activities of the COMPANY, directly or indirectly, including any manager (whether executive or otherwise).

Significant influence

7. Significant influence is the power to participate in financial and operational decisions of an entity, but without individual or joint control of such policies.

Related Party Transaction

8. Related Party Transaction is the transfer of assets, rights, resources, services or obligations, directly or indirectly, between the COMPANY and a Related Party, regardless of whether of any consideration in return is charged.

III – Procedures, Principles and Approvals

Identification of potential Related Party Transactions

9. Each of the key management personnel shall complete annually a questionnaire designed to collect information about the parties related thereto, in accordance with the definitions in this Policy, and about any transaction between them and the COMPANY that comes to their knowledge, and must obtain any relevant information from their close family members and managers of related entities, as applicable.

10. The Risks and Compliance Department of TOTVS will maintain an updated record with the identification of key management personnel and their Related Parties, which should be consulted by those responsible for transactions before their conclusion, in order to assess whether such transaction could be considered a Related Party Transaction.

11. The key management personnel of the COMPANY will be instructed, and periodically guided, about their obligation to inform the Risks and Compliance Department regarding any potential transaction between the COMPANY and a Related Party of their knowledge.

12. Any person may report a transaction they become aware of that could eventually be considered a Related Party Transaction. The Risks and Compliance Department, jointly with the Legal Department, must issue an opinion to determine whether such transaction is in fact a Related Party Transaction governed by this policy.

13. Each Related Party Transaction that is reported to the Risks and Compliance Department shall contain the information necessary for its analysis, as well as evidence and opinion of the manager in charge that (a) there are clearly demonstrable reasons, from the Company's business viewpoint, for the Related Party Transaction to take place, and (b) the transaction is carried out in terms that are at least as favorable to the COMPANY as those usually available in the market or those offered to, or by, a third-party not related to the COMPANY in equivalent circumstances, also considering the costs of monitoring them by the COMPANY.

14. Each potential Related Party Transaction reported to the Risks and Compliance Department will be analyzed by the Legal Department, which will issue a report determining whether the transaction is in fact a Related Party Transaction governed by this Policy.

Formalization

15. Related Party Transactions must be executed in writing, specifying the main characteristics and conditions, such as price, deadlines, guarantees, conditions for rescission, responsibility for payment of taxes and obtaining licenses, among others. These characteristics shall also expressly include the possibility of termination by the COMPANY of any Related Party Transaction of continuous execution, under conditions equivalent to those established in agreements with non-related parties.

Approval

16. The managers and employees of the COMPANY shall observe the existing ordinary flow for negotiation, analysis and approval of transactions within the COMPANY, and shall not interfere so as to influence the engagement of Related Parties in a breach of such flow.

17. Subject to the exception mentioned in item 18 below, each Related Party Transaction shall be submitted to the Board of Directors for approval, in accordance with the Bylaws of TOTVS. As such, the transaction shall first be submitted to the Audit Committee of TOTVS, accompanied by a report from the Legal Department, which will analyze whether the guidelines of this Policy were observed in the process regarding the transaction that will be submitted to the Board of Directors.

18. The Board of Directors, by its own will or based on a recommendation from the Audit Committee, may determine that the transaction, due to its relevance or other characteristics, be examined by a special independent committee that is set up to deliberate on the matter pursuant to CVM Guidance Update 35 ("Special Committee").

19. The Board of Directors or its members, as well as the Audit Committee and its members, at their discretion, shall have access to all the documents pertaining to Related Party Transactions, including any reports or technical opinions received by them.

20. The Board of Directors shall determine the content and format of the information deemed necessary for its decision regarding a Related Party Transaction (observing the provisions in this Policy), which shall be delivered along with the call notice for the meeting in which the transaction will be submitted for analysis.

21. The Board of Directors may approve the Related Party Transaction if it concludes, in good faith, that the transaction is fair and in the interest of the COMPANY.

22. The Board of Directors, at its sole discretion, may condition the approval of the Related Party Transaction on alterations it deems necessary for the transaction to be concluded fairly and in the interest of the COMPANY.

Annual Review

23. The Board of Directors, supported by the Audit Committee, will annually analyze all contracts or any other type of transaction on a continued basis between the COMPANY and its Related Parties to verify whether it is in the Company's interest that such transactions continue and, if applicable, to determine that the Executive Board to terminate such contracts or renegotiate them.

Approval of Related Party Transactions that shall be submitted to the shareholders meeting by legal requirement

24. In case of Related Party Transaction that shall be approved in the shareholders meeting by legal requirement, such transaction shall be examined by a Special Committee.

Impediment

25. For situations in which Related Party Transactions require approval under the terms of this Policy, any person involved in the approval process that has potential personal advantage or conflict of interest with the decision to be made shall declare himself/herself impeded, explaining his/her involvement in the transaction and, if requested, providing details about the transaction and the parties involved. Such impediment shall be recorded in the minutes of the meeting of the corporate body that votes on the transaction and said person shall step aside from any discussions and resolutions.

IV - Criteria for approval of Related Party Transactions

26. While analyzing Related Party Transactions, the Board of Directors and the Audit Committee shall consider the following factors, among others, deemed relevant for analyzing a specific transaction:

- (a) If there are clearly demonstrable reasons, from the COMPANY's business viewpoint, for the Related Party Transaction to be carried out;
- (b) if the transaction is carried out in terms that are at least as favorable to the COMPANY as those usually available in the market or those offered to, or by, a third-party not related to the COMPANY in equivalent circumstances, also considering the costs of monitoring them by the COMPANY;
- (c) The results of assessments made or opinions issued by expert and independent firms, if any;
- (d) Whether or not a bidding process for such transaction was held and its outcome;
- (e) The pricing methodology used and other possible alternatives for pricing the transaction; and
- (f) The extent of the Related Party's interest in the transaction, taking into account the transaction amount, the financial situation of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the continuous nature of the transaction, as well as other aspects deemed relevant.

27. During the process of approval of Related Party Transactions, the Board of Directors and the Audit Committee shall analyze the following information, in addition to other information deemed relevant for analyzing a specific transaction:

- (a) Terms of the transaction;
- (b) Interest of the Related Party and the impact of approval of the transaction on its dedication to TOTVS;
- (c) Purpose and timing of the transaction;
- (d) Whether the COMPANY is a party to the transaction, and if not, the nature of its participation in the transaction;
- (e) If the transaction involves divestment of an asset, a description of the asset, including the acquisition date and its book value or deemed cost;
- (f) Information on potential counterparties in the transaction;
- (g) Approximate financial amount of the transaction, as well as the value of the Related Party's interest in the transaction;
- (h) Description of any provisions or limitations imposed on the COMPANY as a result of executing the transaction;
- (i) Whether the transaction involves any potential reputational risk for the COMPANY; and
- (j) Any other information that may be relevant for shareholders and investors in light of the circumstances of any specific transaction.

V - Related Party Transactions that have not been submitted to the procedures of this Policy

28. If the managers or employees become aware of any Related Party Transaction that has not been submitted to the procedures of this Policy prior to its consummation, the transaction shall be submitted to the Board of Directors for analysis after being examined by the Audit Committee. The Board shall conduct the analysis pursuant to this Policy and shall also consider all the options available to the COMPANY, including the ratification, amendment or termination of the transaction.

29. The Board of Directors shall also examine the facts and circumstances related to the failure to submit the transaction for approval pursuant to this Policy and shall take all measures it deems appropriate, while ensuring the effectiveness of the Policy.

VI - Related Party Transactions exempt from the procedures of this Policy

30. The following are not subject to the procedures of this Policy: fixed and variable compensation, share-based compensation and other benefits granted to the members of the Company's Board of Directors and Board of Executive Officers, provided the total amount has been approved in a Shareholders Meeting, in accordance with Federal Law 6,404/76, or the Board of Directors, as applicable.

31. The rules in this Policy shall also not apply to transactions between the COMPANY and any company whose capital is, directly or indirectly, fully owned by the COMPANY.

VII - Breach of the provisions of this Policy

32. Any breach of the provisions of this Policy that comes to the knowledge of management shall result in the adoption of appropriate measures to ensure the effectiveness of this Policy, and shall also be reported to the Audit Committee.

VIII - Disclosure of Related Party Transactions

33. Pursuant to Article 247 of Federal Law 6,404/76, the rules issued by the Securities and Exchange Commission of Brazil and the Regulations of the Novo Mercado Listing Segment of the São Paulo Stock Exchange (BM&FBovespa), TOTVS shall disclose Related Party Transactions, providing sufficient details to identify the Related Party and all the essential conditions for such transactions. The disclosure of this information shall be made, clearly and accurately, in the notes to the financial statements of TOTVS, in accordance with applicable accounting standards, as well as through the Reference Form of TOTVS, pursuant to CVM Instruction 480/09.

34. This Policy was approved at the Meeting of the Board of Directors of TOTVS held on March 16, 2017.