

Subject matter: Credit and Collection Management	Identification: PO-TESSOUR-02 Version: 00
Board of Directors: Shared Services Directorate	Published on: 11/12/2017
Linked standards:	Review: 11/12/2019

1. Goal

The purpose of this policy is to establish guidelines for the Company's Credit and Collection Management, and should reflect the principles and guidelines for financial performance, aimed at mitigating risks. TOTVS is committed to compliance with applicable legislation, as well as the Company's Bylaws and the TOTVS Code of Ethics and Conduct. It seeks, with this Policy, that all TOTVERS are committed to responsible management, and for this reason, the granting of credit and collection activities are activities that must be known and spread.

2. Reach

This policy applies to the TOTVS Group (Matrix, Branches, Own Units, Subsidiaries and Subsidiary Companies). Compliance with these guidelines is mandatory and reflects Corporate Governance on the topics of Credit and Collection Management.

3. Definitions

Credit risk: it is the exposure to delinquency in the granting of long-term sales, which may not be avoided, but prevented or controlled through the credit analysis.

Credit analysis: carried out by the Treasury Department, defining the conditions of sale with credit risk, according to its evaluation of the customer's payment capacity and level of exposure taken by TOTVS;

Credit Granting: long-term sales made available to an individual or company.

Propensation for Payment: metrics used to identify clients more likely to react favorably to collection actions in the event of late payment of their obligations. This identification is possible from the cross-examination of information, which produces a history of the client, demonstrating their financial behavior. Knowing the client's profile provides subsidies, mainly for granting credit and for collection.

Information provider for credit decision: a private company, responsible for gathering information, assessing profiles of physical and / or legal persons, developing market analysis and research.

Basket of Events: corresponds to the restrictions linked to the client at a given moment, for example: required bankruptcy, search and seizure action, protest, PEFIN, among others.

4. Guidelines

The financial guidelines for credit management and collection are of extreme relevance and strategic character of the Company.

Therefore, the limits of the applicable legislation, Statutes and Code of Ethics and Conduct TOTVS are observed, besides the following aspects:

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- Customer's financial history with TOTVS and / or the market;
- Meeting the strategic risk limit of the company;
- Propensity of the customer to pay;
- TOTVS segmentation of the customer portfolio;
- Good financial practices in decisions and collegial responsibility for credit and collection positions;
- Isonomic treatment and secrecy of information resulting from consultations and analyses;
- Traceability of information, analyses and approval lines;
- Phasing and independence in the stages of concession, definition of credit limits and installments;
- It is the responsibility of the TOTVS Management to verify the adherence of the Policy to the result derived from its financing operations.

Macroeconomic aspects, unexpected events and socio-political conjuncture, among others, may be motivating changes in the criteria for granting and defining the Propensation for Payment and should be implemented by Management in order to ensure the effectiveness of the principles presented herein and the Financial Stability of TOTVS.

4.1. Credit analysis

The credit analysis is performed through a systemic process, which uses internal and market information, for the customer's framework, concession and credit limit and installment, defined from the Company's acceptance of credit risks.

In addition to the criteria defined above, the credit analysis observes, in a segregated way, the risk profile of the sale of Hardware, Software, Services, observing the assets involved and related guarantees.

4.1.1. Credit Granting

The granting of credit has the purpose of releasing or not the sale in installments in the acquisition of products and / or services. All forward sales transactions must follow the routines and credit granting procedures established as a result of this policy.

From the identification of the customer, a *score* which determines the release or not of the forward sale. The *score* considers the following criteria:

- a) Company Record Data;
- b) Branch and Sector of activities;
- c) Company Size;
- d) Negative situations;
- e) Overdue Debts;
- f) Basket of relevant Events.

In addition, for customers of the active base, the credit granting must consider the payment history.

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4.1.2. Credit Concession - Limit and Installment

The step of granting a limit and installment determines the amount to be financed and the payment condition available to customers. The analysis considers at least the following criteria:

- a) Presumed Billing;
- b) Company Size;
- c) Overdue Debts;
- d) Basket of relevant Events;
- e) *Score* of Collection;
- f) Number of active creditors;
- g) Number of creditors regularized;
- h) Liquidity;
- i) Solvency;
- j) Debt;

The limits and installment granting processes are based on the "Suggested Limit" and "Payment Propensity", metrics developed by the Company information provider for a credit decision, which takes into account market indicators, assessing each client's ability to settle their obligations. Accordingly, under this policy, clients with financial constraints, predisposition to default or changes in their corporate structure, are evaluated, and may be directed to approval lines.

Tools of objective analysis support the routines and processes, forming the set of rules that determine the approval or not of the credit analyzed by the Treasury / Credit.

4.2. Collection

The TOTVS group's client portfolio has a segmentation based on the internal classification and the propensity to pay each customer, and for each segment, specific actions of collection in different moments, in order to maximize the effectiveness and the result of the application of the same.

The performance of the collection teams must aim to receive the balance due from the client. The measures taken in each activity should be verifiable and evidential and all dealings with clients should be documented.

Negotiations in the process of recovery are allowed provided they meet pre-established criteria and the system of allocations. The collections in the pre-legal and legal stages are carried out by own and / or contracted companies, with specific and adequate technical knowledge, in order to minimize legal risks.

TOTVS is committed to the quality of customer service, guided by respect and appropriate treatment. Even if in the event of default, it is necessary to ensure fair and adequate treatment.

4.2.1. Collection Actions

The application of the actions will be based on a rules of actions, linked to the internal segmentation of the client and the propensity to pay, in order to enhance the success of the negotiation, as follows:

- a) Sending electronic mail (email);

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- b) Message Sending (SMS);
- c) Collection via telephone;
- d) Submission of a Negative situation letter;
- e) Negative situation;
- f) Sending of collection slips;
- g) Support blockage;
- h) System lock;
- i) Notice of project suspension;
- j) Project suspension;
- k) Notice of contract cancellation;
- l) Contract cancellation.

5. Exclusive attributions

Treasury and Collection Areas

- Define credit granting modeling;
- Define billing rule;
- Implement processes and controls;
- Refer to the Compliance area, in established standards, for review and publication of controls, documents and procedures;
- Keep this Policy current.

Internal Controls, Risks and Compliance

- Review, submit and approve this Policy;
- Create and validate reports of risks involved;
- Monitor the internal controls of the areas involved.

Technical Advisory Committee to the Board of Directors - Audit Committee

- Establish and approve credit and collection statements.

Board of Directors and Executive Board

- Approve credit and collection policies.

6. Consequence management

In case of non-compliance with this Policy, appropriate consequence management measures will be adopted to deal with non-compliance.

7. Management Actions

In order to facilitate the management process of the operational risks involved, measures will be taken to control credit granting, as well as prior validations of changes in credit rules.

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8. Handling of Exceptions

Any and all exceptions to this policy must be approved by the Company's Financial Vice Presidency.

9. Approvals (document):

Name / Position	Description
Fabricio Hermann Francischetti Treasury Manager	Elaboration
Cristian Rodrigues Porto Director, Shared Services Center	Elaboration
Andre Rizk Legal Officer	Review
Silvio Roberto Reis de Menezes Director, Ombudsman, RCC, Processes, Risks and Compliance	Review
Gilsomar Maia Sebastião Executive Vice President of Finance	Review / Recommendation
Audit Committee	Recommendation
Board of Directors	Approval