

# General Shareholders' Meeting Manual 2018



Information on:

**the Ordinary and Extraordinary General  
Shareholders' Meeting  
April 05<sup>th</sup>, 2018**

Time: 10am

Location: Avenida Braz Leme, 1,000 - São Paulo (SP)



## SUMMARY

1. MESSAGE FROM THE CHAIRMAN.....	3
2. SHAREHOLDER'S MEETING AGENDA.....	5
3. GUIDENCE FOR PARTICIPATION .....	9
3.1. DATE, TIME AND LOCATION .....	9
3.2. GENERAL INFORMATION .....	10
4. LINKS OF INTEREST.....	13

# 1. MESSAGE FROM THE CHAIRMAN

São Paulo, March 05<sup>th</sup>, 2018

Dear Shareholder,

Strategic vision, continuous investment in innovation and advances in governance were among the main subjects addressed by TOTVS this year. The economic and political challenges that marked 2017 demanded greater discipline and rigor from the Company in its commitment to creating value for shareholders, ethics in business and valuing human capital. The scenario in Brazil made us stronger and there are clear signs that the country is recovering its breath. Through our solutions, companies of diverse sizes and sectors boosted their productivity and, consequently, overcame the recent turbulent periods.

In 2017, TOTVS returned to the growth trajectory. Net revenue grew organically by 2.0%, driven by the 34.3% increase in subscription revenue, which already accounts for 20.7% of total software revenue. This growth in subscription is the result of the digital journey that TOTVS has been pursuing and which is increasingly transforming it into a Subscription Company. This growth also reflects some of TOTVS' key differentials: its distribution capacity, strong footprint in the SMB market and broad expertise and penetration in the Brazilian market.

The year 2017 was also marked by significant advances in the three pillars of the TOTVS Digital Journey. During the year, we strengthened the Culture and Environment pillar with the migration to the new head office in São Paulo, which brings together almost 3,000 people in a single location. The new head office is a technological campus spanning more than 21,000 square meters, specially designed for TOTVS and inspired by the working environment at leading technology companies around the world.

With regard to the Processes and Service pillar, we made advance in the use of agile development and project management methodologies. Finally, in the Offering and Portfolio pillar, the year 2017 was marked by the launch of our artificial intelligence platform (Carol) and iDEXO. Carol is designed to expand analytical capacity and to speed up decision-making in a business environment marked by ever-increasing volume of information. iDEXO is an institute whose mission is to connect startups, entrepreneurs and developers with large companies pursuing new business solutions by leveraging TOTVS platforms and tools.

In 2017, we also improved our governance practices, revising, formulating and publishing diverse TOTVS policies, all available on the Investor Relations website ([www.ri.com.br](http://www.ri.com.br)). We also conducted an in-depth review of our map of strategic risks, which involved top leaders across the company. At the same time, the Board of Directors continued to support management in its digital transformation journey.

Pedro Moreira Salles, who made significant contribution to TOTVS as director in the last 12 years, especially as head of the Personnel and Compensation Committee, left the company. In his place, the Governance and Designation Committee suggested the name of Claudia Elisa Soares, who has vast experience with people – the core asset of TOTVS. Claudia was nominated by the Board to serve the

remainder of the term and was later elected at the Extraordinary Shareholders Meeting held in December 2017. Our sincere thanks to Pedro for his valuable contribution during these years.

In 2018, we will remain focused on the success of our clients, with the mission of “Simplifying the Business World,” supporting our clients in the digital journey, offering the best business solutions for companies of all sizes and segments.

Thus, I invite the shareholders to read this manual, which details the matters to be discussed at the Ordinary and Extraordinary General Shareholders’ Meeting on April 05<sup>th</sup>, 2018.

Sincerely,

Pedro Luiz Barreiros Passos

## 2. SHAREHOLDER'S MEETING AGENDA

### MATTERS OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

#### In the Ordinary General Shareholder's Meeting

- (i) **To receive the management accounts, examine, discuss and vote on the financial statements of the Company for the fiscal year ended December 31, 2017.**

*We propose approval, without any reservations, of the management accounts and the financial statements for the fiscal year 2017, as disclosed on February 7, 2018, on the websites of the Securities and Exchange Commission of Brazil ("CVM") and B3 S.A. - Brasil, Bolsa, Balcão ("B3"), through the Periodical Information System (IPE), and published on February 8, 2018, in the State Register of São Paulo and the newspaper Valor Econômico ("Financial Statements").*

*Pursuant to article 9, III, of CVM Instruction 481/09, of December 17, 2009 ("CVM Instruction 481/09"), the executive officers' comments on the financial situation of the Company are detailed in APPENDIX I in the management proposal.*

- (ii) **To deliberate on the capital budget for the purposes of article 196 of Federal Law 6,404/76.**

*As detailed in APPENDIX II in the management proposal, we propose profit retention in the amount of R\$32,543,093.51, to fund the Company's plan for investments in 2018 in expansion projects, asset acquisitions and strategic initiatives ("Investment Plan"). The total amount to be allocated for the investment plan proposed by the Board of Executive Officers is R\$56,754,024.68, and will be paid from the Profit Retention Reserve and the Company's own funds generated by its operations.*

- (iii) **To deliberate on the allocation of net income from the year and on the distribution of dividends, as per the proposal detailed in APPENDIX III in the management proposal.**

- (iv) **To approve the number of members of the Board of Directors, pursuant to paragraph 3, article 16, of the Bylaws of the Company.**

*Pursuant to CVM/SEP Circular No. 02/2018, the definition of the number of members of the Board of Directors must be the subject of deliberation when the Bylaws provide for a minimum and maximum number of directors. According to paragraph 3 of article 16 of the Bylaws of the Company, its Board of Directors will be composed of a minimum of five (5) and a maximum of nine (9) members, elected and removable by the Shareholders Meeting, with a unified term of office of two (2) years and reelection allowed. Thus, the Management of the Company proposes the election of nine (9) members to the Board of Directors, of which will be eight (8) Independent Directors, as per the definition in the Novo Mercado Regulation of B3.*

- (v) **To deliberate on the election of members of the Board of Directors:**

*The Management, with recommendation from the Governance and Designation Committee, supports the election of the following candidates:*

- (i) *Claudia Elisa de Pinho Soares;*
- (ii) *Gilberto Mifano;*
- (iii) *Guilherme Stocco Filho;*
- (iv) *Laércio José de Lucena Cosentino;*
- (v) *Maria Letícia de Freitas Costa;*
- (vi) *Mauro Gentile Rodrigues Da Cunha;*
- (vii) *Paulo Sergio Caputo;*
- (viii) *Pedro Luiz Barreiros Passos;*
- (ix) *Wolney Edirley Gonçalves Betiol.*

*The term of office of the new members to be elected to the Board of Directors will end at the 2020 Annual Shareholders Meeting.*

*APPENDIX IV in the management proposal contains information about the aforementioned candidates, pursuant to article 10 of CVM Instruction 481/09.*

**(vi) To fix the overall annual compensation of members of the Board of Directors and the Board of Executive Officers for fiscal year 2018.**

*We propose that the overall compensation of managers for fiscal year 2018 be fixed at the total amount of R\$31,540,284.56.*

*We also inform that at the Ordinary Shareholders' Meeting held on April 20, 2017, was approved an overall compensation limit for the managers in the amount of thirty million, thirty-six thousand, six hundred and sixty-four one reais and eighty-five cents (R\$30,036,661.85), and the total amount of nineteen million, five hundred ninety-one thousand, six hundred and sixty-one reais and eighty-four centavos (R\$19,591,410.84). The difference between the approved and effectively paid is mainly due to the lower variable compensation resulting from the non-achievement of certain corporate targets in the period.*

*The necessary information for adequate analysis of the management compensation proposal, pursuant to article 12 of CVM Instruction 481/09, is detailed in APPENDIX V in the management proposal.*

**In the Extraordinary General Shareholder's Meeting**

**(i) To deliberate on the proposal to increase the capital by capitalizing the profit retention reserve and consequent amendment to the head paragraph of article 5 of the Bylaws of the Company.**

*Due to investments made in 2017, the Management proposes that the capital stock be increased by fifty-one million, three hundred eighty-seven thousand, seven hundred ninety-six reais and one centavo (R\$51,387,796.01), without the issue of new shares, by capitalizing the profit retention reserve resulting from the capital budget, with the consequent amendment to the head paragraph of article 5 of the Bylaws of the Company, which will have the following wording:*



**“Article 5** - The Company’s corporate capital fully subscribed and paid in is one billion, forty-one million, two hundred twenty-eight thousand, five hundred sixty-four reais and forty-three centavos (R\$1,041,228,564.43), divided into one hundred sixty-five million, six hundred thirty-seven thousand, seven hundred twenty-seven (165,637,727) registered, book-entry common shares, without par value.”

*APPENDIX VI in the management proposal contains detailed information about the proposed capital increase.*

*APPENDICES VII and VIII in the management proposal outline the proposed amendments to the Bylaws of the Company.*

**(ii) To approve the amendment of the Bylaws of the Company in order to adapt it to the requirements under the Regulation of the Novo Mercado special listing segment of B3, considering that it came into force on January 2, 2018, pursuant to the Management Proposal detailed in APPENDICES VII and VIII.**

**(iii) To approve the restatement of the Bylaws of the Company to include the amendments proposed in items (i) and (ii) above, those that are approved.**

**(iv) To approve the amendment to the current Share-Based Incentive and Retention Plan approved at the extraordinary shareholders meeting of the Company held on December 15, 2015 (“Incentive Plan”), pursuant to the Management Proposal detailed in APPENDICES X and XI. The information required under Article 13 of CVM Instruction 481/09 is included in Appendix IX.**

*Management proposes to improve the "Incentive Plan" defined and approved in 2015 to improve its concepts and make it more effective and simple by focusing on the most critical aspects. As such, the aim is for the plan to effectively meet its goals: (i) be an instrument of long-term engagement and retention; (ii) generate long-term value and consistent legacies for shareholders; (iii) promote the feeling of ownership and shield employees from high impact in the current business and in the strategy/operations of the company in the medium and long terms; and (iv) mitigate the continuity and governance risks.*

*As such, this proposal contains the following amendments: (i) to delink the investment of annual bonus of Employees in shares of the Company for eligibility to the Incentive Plan; (ii) to deliver to eligible Employees a number of restricted shares to be freely fixed by the Board of Directors as per the individual evaluation criteria and performance of each Employee; (iii) for the “Shareholders Program”, require eligible Employees to hold, in a continuous and uninterrupted manner, the equivalent of 12 salaries in TOTVS shares on the date of grant; (ii) for the “Shareholders Program”, remove the lockup of one additional year after the vesting period..*

**(v) To approve the grant of restricted shares to key executives of the Company under the Incentive Plan, pursuant to the Management Proposal.**

*The Management proposes the approval of grant by the Board of Directors to determined key executives of the Company, members of the Board of Executive Officers, in connection with the Incentive Plan, to retain and align the interests of these executives, a lot of two hundred fifty-six thousand, six hundred ninety-three (256,693)*

*restricted shares currently in treasury, corresponding to 0.1549725% of the capital stock, within the limit established in the Incentive Plan, subject to the same terms and conditions regarding the reference price and vesting period, which ends on January 1, 2020.*

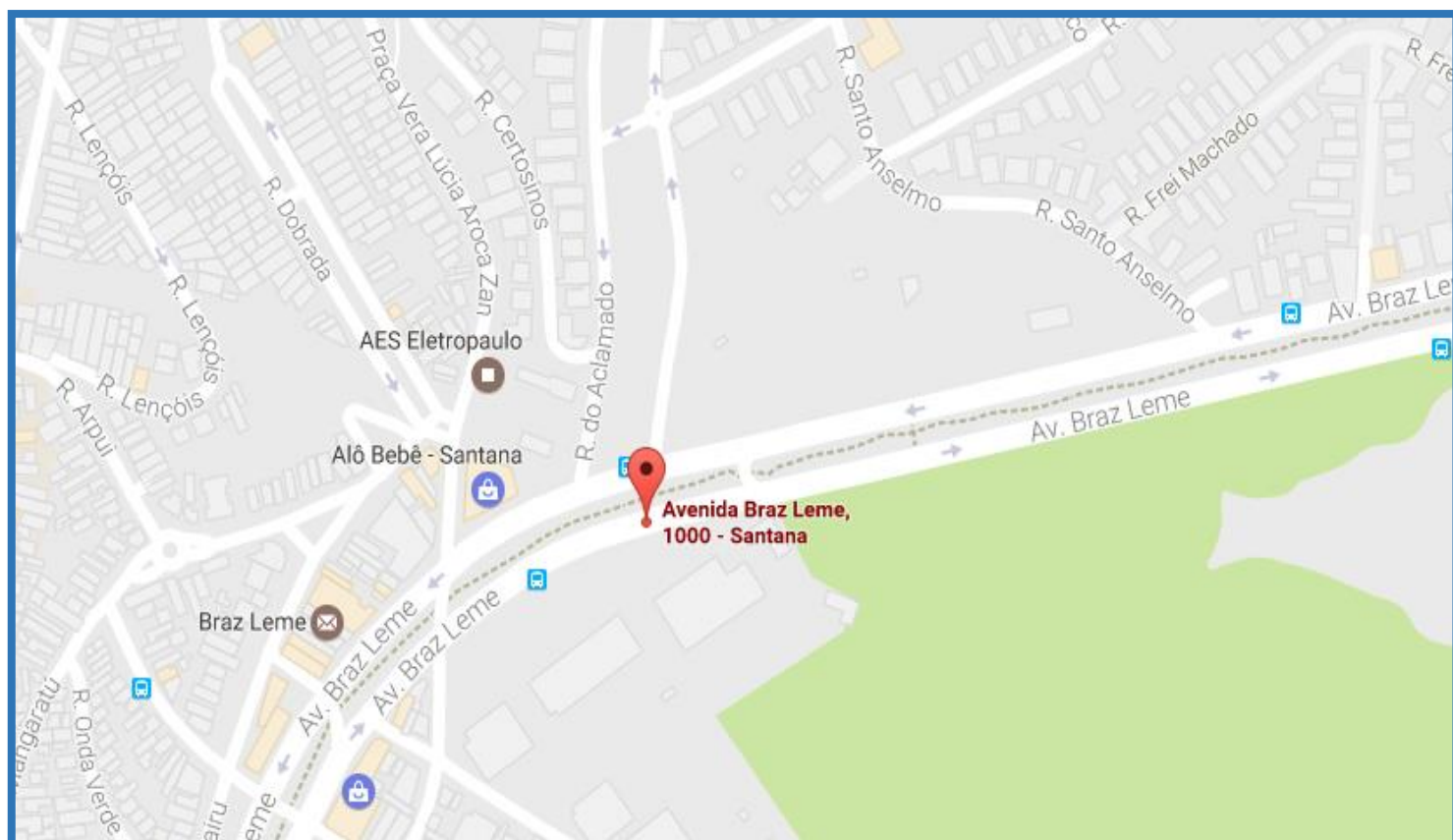


## 3. GUIDANCE FOR PARTICIPATION

### 3.1. DATE, TIME AND LOCATION

**DATE AND TIME:** April 05, 2018, at 10am. It's recommended that the shareholders arrive 30 minutes earlier than the indicated time.

**LOCATION:** TOTVS Campus - Avenida Braz Leme, 1000, Santana, São Paulo (SP).



## 3.2. GENERAL INFORMATION

### ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDER'S MEETING:

#### **GENERAL INFORMATION:**

Pursuant to Article 132 of Law 6,404/76, the corporations should hold the Annual Ordinary General Meeting within four months after the end of the fiscal year. TOTVS's fiscal year begins on January 1 and ends on December 31 of each year. Thus, each year, the company has to conduct the Annual General Meeting until April 30.

Furthermore, on an exceptional basis, the shareholders should deliberate in the same General Meeting: (i) to deliberate on the proposal to increase the capital by capitalizing the profit retention reserve and the consequent amendment to the head paragraph of article 5 of the Bylaws of the Company; (ii) to approve the amendment of the Bylaws of the Company to adapt them to the requirements of the Regulations of the Novo Mercado of B3 S.A. – Brasil, Bolsa, Balcão ("B3"), given that they came into force on January 2, 2018; (iii) to approve the restatement of the Bylaws of the Company to include the amendments proposed in items (i) and (ii), those that are approved; (iv) to approve the amendment of the Share-based Incentive and Retention Plan, approved at the Shareholders Meeting held on December 15, 2015 ("Incentive Plan"); and (v) to approve the grant of restricted shares to key executives of the Company under the Incentive Plan, pursuant to the Management Proposal.

Thus, the General Meeting of April 05, 2018 will be an Ordinary and Extraordinary General Shareholders' Meeting.

#### **REQUIRED DOCUMENTATION:**

Pursuant to Article 10, paragraph 5 of the Company's By-Laws, the Shareholders shall submit the following documentation, with at least 48 (forty eight) hours in advance of the Meeting, in addition to the identity card and/or applicable corporate documents evidencing legal authority, as the case may be: (i) certificate issued by the depositary institution within 5 (five) days before the date of the Meeting; (ii) proxy with the grantor's notarized signature; and/or (iii) in the case of Shareholders whose shares are held in fungible custody, a statement containing the relevant shareholder ownership interest, issued by the competent body.

#### **REMOTE VOTING FORM:**

The Company will also enable the shareholder to exercise his right to vote by remote voting form. Shareholders holding shares issued by the Company that are deposited in a central depository may transmit the voting instructions to complete the Remote Voting Form through their respective custodian agents, if they provide this type of service.

Banco Itaú, a stock exchange bookkeeping of TOTVS, through an electronic platform, may also carry out the collection and transmission of voting instructions. For this, the shareholder must register on the Itaú Securities Services Assembleia Digital on the following website: <https://www.itaubr.com.br/securitiesservices/assembleiadigital/>.

Furthermore, the shareholder who opts to exercise his right to vote remotely, by sending directly to the Company, shall forward the following documents to Avenida Braz Leme, 1000, city of São Paulo, State of São Paulo, Brazil, to the Investor Relations Office:

- (i) *physical form of the Remote Voting Form related to the General Meeting meeting duly completed, initialed and signed; and*
- (ii) *certified copy of the following documents:*

For individuals:

- *identity document with a picture of the shareholder;*

For legal entities:

- *latest bylaws or consolidated social contract and the corporate documents proving the legal representation of the shareholder; and*
- *Identity document with a picture of the legal representative.*

For investment funds:

- *the latest consolidated regulation of the fund;*
- *latest bylaws or consolidated social contract of its director or manager, as the case may be, observing the voting policy of the fund, and corporate documents proving the powers of representation; and*
- *Identity document with a picture of the legal representative.*

In relation to the documents indicated in items i and ii above, the Company requests, as the case may be, notarization and consularisation (with the exception of alternative procedures that may be admitted under international agreements or conventions).

The Remote Voting Ballot, accompanied by the respective documentation, will be considered only if received by the Company, fully completed, up to 7 days before the date of the Meeting. Pursuant to Article 21-U of CVM Instruction 481, the Company will notify the shareholder if the documents received are sufficient for the vote to be considered valid, or the procedures and deadlines for eventual rectification or resubmission, if necessary.

### **ON-LINE VOTE:**

The Company does not currently provide electronic system for reception of Remote Voting Forms or of remote participation.

**QUORUM:**

The orders of the Ordinary General Shareholders' Meeting shall be installed on first call with the presence of shareholders representing at least 1/4 (one-fourth) of the capital with the right of vote.

The orders of the Extraordinary General Shareholders' Meeting shall be installed on first call with the presence of shareholders representing at least 2/3 (two-thirds) of the capital with the right of vote.

**SUPPORT MATERIAL FOR THE GENERAL MEETING:**

Documents related to the matters to be discussed in the Meeting, including those documents required by the CVM Instruction 481/2009, are available to the Shareholders at the Company's head offices and on the Investor Relations website (<http://www.totvs.com/ir>), as well as on the CVM and B3 websites.

## 4. LINKS OF INTEREST

- INVESTOR RELATIONS WEBSITE:  
<http://ir.totvs.com/enu>
- FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS:  
[http://ir.totvs.com/enu/3067/TOTVSDFP2017\\_finalEnglish.pdf](http://ir.totvs.com/enu/3067/TOTVSDFP2017_finalEnglish.pdf)
- CALL NOTICE:  
[http://ri.totvs.com.br/enu/3109/Edital%20de%20Convocao%20AGOE18\\_ENG.pdf](http://ri.totvs.com.br/enu/3109/Edital%20de%20Convocao%20AGOE18_ENG.pdf)
- MANAGEMENT PROPOSAL:  
[http://ri.totvs.com.br/enu/3111/Proposta%20da%20Administracao%20AGOE%202018\\_ENG\\_versao%20final.pdf](http://ri.totvs.com.br/enu/3111/Proposta%20da%20Administracao%20AGOE%202018_ENG_versao%20final.pdf)
- REMOTE VOTING FORM:  
[http://ri.totvs.com.br/enu/3106/BoletimCVM\\_incls.pdf](http://ri.totvs.com.br/enu/3106/BoletimCVM_incls.pdf)