

## INCENTIVE PLAN

### SHARE BASED INCENTIVE AND RETENTION PLAN

#### 1 DEFINITIONS:

“**Shares**” means the common shares issued by the Company.

“**Restricted Shares**” means the common shares issued by the Company that will be delivered to the Participant, strictly on the terms and conditions provided on this Plan and on the Agreement.

“**Bonus**” means the effective variable compensation received by the Company’s employee arising from Profit Sharing Plans, or by the statutory administrator, as bonus, in accordance with the Company’s variable compensation policy.

“**Gross Target Bonus**” means the maximum compensation amount that may be received by employees or administrators of the Company, pursuant to the respective relation and position, as Profit Sharing Plans or as compensation to statutory administrator, such as provided by the Company, which will serve as reference for the calculation of the number of Restricted Shares to be granted as the matching of the Company within the Shareholders Program, in accordance with Section 3.3(i) of this Plan.

“**CLT**” means the Consolidated Labor Laws (*Consolidação das Leis do Trabalho*).

“**Board of Directors**” means the Company’s Board of Directors.

“**Agreement**” means the Agreement for the Granting of Shares and Other Covenants, approved by the Board of Directors, to be entered into between the Company and each Participant.

“**Company**” means TOTVS S.A.

“**Termination**” means any act or fact that terminates the legal relation of the Participant with the Company, except in cases of retirement by the Brazilian Institute of Social Security due to permanent disability, death or court decision of absence due to disappearance of the Participant. Termination includes, among others, the situation of voluntary termination or non reelection as statutory officer without employment relation and the termination of employment agreement, for any reason, with or without cause, by any party.

“**Participants**” means the employees and administrators of the Company that are deemed as key-employees of the Company, nominated by the Board of Directors to participate in Plan.

“**Grace Period**” means the Grace Period of the Shareholders Program and the Grace Period of the Regular Program, jointly.

**“Grace Period of the Shareholders Program”** means regarding the Shareholders Program, the grace period of 3 years, as of the moment that the Participant notifies the Company regarding the acquisition of Shares of the Company with resources received in each year as Bonus, pursuant to Section 3.1., after which the Participant acquires the right to become owner of the Restricted Shares and the Company will be obligated to transfer to the Participant the Restricted Shares in accordance with the Agreement.

**“Grace Period of the Regular Program”** means the grace period of 3 years, related to the Regular Program, as of which the Company will be obligated to transfer to the Participant the Restricted Shares in accordance with the Agreement.

**“Lock-Up Period of the Shares of the Bonus”** means the 2-year period as of the moment that the Participant notifies the Company regarding the acquisition of Shares of the Company with resources received in each year as Bonus, pursuant to Section 3.1., during which the Participant will not be allowed to sale, lease, encumber or offer in guaranty the such Shares.

**“Lock-Up Period of the Restricted Shares of the Shareholders Program”** means the 1-year period as of the moment that the Participant of the Shareholders Program becomes owner of the Restricted Shares (after the end of the Grace Period of the Shareholders Program), during which the Participant of the Shareholders Program will not be allowed to sale, lease, encumber or offer in guaranty the such Shares.

**“Plan”** means this Share Based Incentive and Retention Plan.

**“Pool of the Gross Target Bonus”** means the pool constituted by the sum of the third parts of each Gross Target Bonus attributable to each Participant, being such pool used as base for the determination of the number of Restricted Shares that may be granted Within the Shareholders Program, in accordance with Section 3.3(ii) of this Plan.

**“Shareholders Program”** means a part of this Plan, for which may be invited to participate, by election made by the Company’s Board of Directors based on the evaluation, of both the Company’s employees under the CLT regime, as well as the Company’s statutory administrators, who have invested in the Regular Program upon 100% of the net amount received as Bonus, related to the result of the prior year, for acquisition of Shares pursuant to this Plan.

**“Regular Program”** means a part of this Plan, for which, both the Company’s employees under the CLT regime, as well as the Company’s statutory administrators, will be eligible, provided that they invest 50% or 100% of the net amount received as Bonus, related to the result of the prior year, for acquisition of Shares pursuant to this Plan.

## 2 PURPOSES OF THE PLAN

The Plan has as its purpose: (i) determine the rules to allow the Participants to receive the Shares free of charge; (ii) increase the alignment, on the mid and long term, of the Participants interest with the interests of the shareholders, amplifying the notion of ownership and commitment of the Participant through the concept of investment and

risk; and (iii) strengthen the incentives for the retention and stability of the Participants, on the long term, within the context of a publicly-held corporation.

### 3 GENERAL MECHANISM OF THE PLAN

**3.1 Investment by the Participant.** To be entitled to receive the Company's Restricted Shares, the Participant must acquire Shares in the market, with the use of resources corresponding to 50% or 100% of the net amount received as Bonus, related to the prior year.

**3.2 Company's Matching Within the Regular Program.** Upon the acquisition of the Company's Shares by the Participant pursuant to Section 3.1 above, and after the notification to the Company of such acquisition, the Company shall grant to the Participant the right to receive the Restricted Shares, subject to the Lock-Up Period of the Shares Acquired Upon the Investment of the Bonus and the Grace Period of the Regular Program, as follows:

(i) If the Participant has used 50% of the net amount of its Bonus in the acquisition of the Shares, the Company will deliver to the Participant the number of Restricted Shares of the Regular Program that, in gross numbers (*i.e.* before the deductions referred in Section 3.2.1), calculated based on the price criteria set forth in Section 8.2, will correspond to 100% of the gross amount paid in the prior year as Bonus.

(ii) If the Participant has used 100% of the net amount of its Bonus in the acquisition of the Shares, the Company will deliver to the Participant the number of Restricted Shares of the Regular Program that, in gross numbers (*i.e.* before the deductions referred in Section 3.2.1), calculated based on the price criteria set forth in Section 8.2, will correspond to 150% of the gross amount paid in the prior year as Bonus;

**3.2.1** The Participants and the Company will enter into an Agreement that shall provide the amount of Restricted Shares of the respective Participant, determined by the mechanism of matching described in section 3.2, and decreased in the amount corresponding to the total value of the retained income tax, social security contributions and of the labor charges potentially due.

**3.2.2** The Participants shall have the right to receive the Restricted Shares of the Regular Program and the Company shall be obligated to transfer such Restricted Shares of the Regular Program at the end of the Grace Period of the Regular Program, in accordance with the procedures to be determined in the Agreement. During the Grace Period of the Regular Program, the Participants will not be entitled to receive dividends, or interest on net equity, related to the Restricted Shares.

**3.2.3** Regarding the Shares acquired pursuant to Section 3.1 above, the Agreement will provide as a condition to the right of the Participant to receive the

Restricted Shares pursuant to this Section 3.2 that the Shares of the Bonus shall be subject to the Lock-Up Period of the Shares of the Bonus.

**3.3 Company's Matching Within the Shareholders Program.** Upon the acquisition of the Company's Shares by the Participant with resources corresponding to 100% of the net amount received as Bonus, related to the result of the prior year, pursuant to Section 3.1 above, and after the notification to the Company of such acquisition, the Board of Directors may invite the Participant to join the Shareholders Program, upon which the Company will grant him the right to receive the Restricted Shares, in accordance with the terms and conditions of this Plan and of the Agreement, subject to the Lock-Up Period of the Shares of the Bonus, the Grace Period of the Shareholders Program and the Lock-Up Period of the Restricted Shares of the Shareholders Program, as follows:

(i) the Board of Directors will grant to the Participant a number of Restricted Shares of the Shareholders Program that, in gross amount (before the deductions referred in Section 3.3.1) will correspond to  $\frac{2}{3}$  of the Gross Target Bonus set forth for such Participant multiplied by the percentage of achievement of individual goals by the Participant on the prior year to the granting, as provided in the Agreement and which compliance must be verified by the Company; and

(ii) subject to the evaluation criteria, the Board of Directors may grant to the Participant, in addition, a number of Restricted Shares of the Shareholders Program that will correspond to a part or the totality of the Pool of the Gross Target Bonus, with the deduction of the levied taxes, without the need to observe any proportion among the Participants.

**3.3.1** The Participants and the Company will enter into an Agreement that shall provide the amount of Restricted Shares of the Shareholders Program of the respective Participant, determined by the mechanism of matching described in section 3.3, decreased in the amount corresponding to the total value of the retained income tax, social security contributions and of the labor charges potentially due.

**3.3.2** The Participants shall have the right to receive the Restricted Shares of the Shareholders Program and the Company shall be obligated to transfer such Restricted Shares of the Shareholders Program at the end of the Grace Period of the Shareholders Program. Notwithstanding, the Restricted Shares of the Shareholders Program shall be subject to the Lock-Up Period of the Restricted Shares of the Shareholders Program. During the Grace Period of the Shareholders Program, the Participants will not be entitled to receive dividends, or interest on net equity, related to the Restricted Shares.

**3.3.3** Regarding the Shares acquired pursuant to Section 3.1 above, the Agreement will provide as a condition to the right of the Participant to receive the Restricted Shares pursuant to this Section 3.2 that the Shares of the Bonus shall be subject to the Lock-Up Period of the Shares of the Bonus.

#### **4 MANAGEMENT OF THE PLAN**

**4.1** This Plan will be managed by the Company's Board of Directors, which shall have full powers to manage and govern it, having, among others, the necessary powers to:

- (i) decide about any and all acts related to the management of this Plan, and to govern and apply the general rules set forth herein;
- (ii) choose, among the eligible individuals to participate in this Plan, those that will participate in a certain year, subject to the quantitative limit provided in Section 7;
- (iii) resolve on the acquisition of common shares by the Company, as necessary for the fulfillment of this Plan;
- (iv) approve the Agreement to be entered into between the Company and each of the Participants;
- (v) modify the Grace Periods, the Lock-Up Period, as well as the other terms and conditions of the Agreement, provided that the rights of the Participants arising from, or related to this Plan are not jeopardized, being excluded from such restriction potential changes made by the Board of Directors due to amendments in the applicable laws;
- (vi) analyze exceptional cases arising of, or related to, this Plan; and
- (vii) settle doubts related to the interpretation of the general rules provided in this Plan and decide on the omissions.

#### **5 PARTICIPANTS OF THE PLAN AND DISTRIBUTION OF THE RESTRICTED SHARES**

**5.1** The employees and the administrators deemed as key-employees by the Company are eligible to the Plan. The Board of Directors shall nominate, among the eligible, the Participants, as well as approve the distribution of the Restricted Shares, within the Regular Program or the Shareholders Program.

#### **6 AGREEMENT OF GRANTING OF RESTRICTED SHARES**

**6.1** The Board of Directors will determine the terms and conditions of each Agreement to be entered into between the Company and each Participant, subject to the terms and conditions of this Plan.

**6.2** The Company's obligation to transfer the Restricted Shares within this Plan shall be (i) subject to the execution of the Agreement with each of the Participants, (ii) subject to the maintenance of the employment and/or statutory relation, as applicable, of each Participant with the Company until the end of the Grace Period as applicable, (iii) the commitment of the amount of Bonus by the Participants, as provided in this Plan.

## **7 QUANTITATIVE LIMIT**

**7.1** The maximum amount of Restricted shares that may be granted in accordance with this Plan shall be limited to Restricted Shares corresponding to 5.68% of the Company's corporate capital.

**7.2** The Shares, currently held in treasury or that may be acquired by the Company for such purpose, shall be used for the liquidation of the Restricted Shares, in accordance with the applicable rules. Alternatively, the Company may choose to make the payment related to the Restricted Shares in cash, subject to the price criteria set forth in section 8.2.

**7.2.1** If the Company chooses to make the payment of the Restricted Shares of the Shareholders Program in cash, the Participant shall use the amount received to acquire shares in the market and the Company shall apply to such shares the Lock-Up Period of the Restricted Shares of the Shareholders Program.

## **8 PRICE FOR THE GRANTING OF THE RESTRICTED SHARES**

**8.1** The granting of the Restricted Shares will be made free of charge to the Participants, provided that in accordance with the terms of this Plan, specially the Grace Periods and, regarding the Shareholders Program, the rules of each Agreement.

**8.2** The reference price of the Restricted Shares, for the purposes of the Plan, shall be the average closing price of the Company's shares in the 30 auctions prior to the granting.

**8.3** The number, kind and class of the Restricted Shares in the Agreement will be adjusted in the form deemed appropriate by the Board of Directors in view of (i) change in the structure of the Company's capital; (ii) share bonus, split or reverse split of shares conducted by the Company; or (iii) any corporate reorganizations, recapitalizations, amalgamations, mergers, exchange of Shares, spin off, liquidation or dissolution involving the Company.

## **9 TRANSFER OF RESTRICTED SHARES**

**9.1** Subject to the maintenance of the employment and/or statutory relation, as applicable, of the Participant with the Company until the end of the applicable Grace Period and, related to the Shareholders Program, the rules of each Agreement, the Restricted Shares shall be transferred by the Company to the Participant within 30 days of the end of the Grace Period, as applicable, as well as the terms of the Agreement.

## **10 NON INTERFERENCE IN THE EMPLOYMENT OR STATUTORY RELATION**

No provision of this Plan may be interpreted as a creation of rights to the Participants employees and/or statutory, as applicable, besides those inherited to the Restricted Shares, nor will grant rights to the Participants related to the guarantee of maintenance as employee and/or statutory officer of the Company or will interfere in any form with the Company's right, subject to the legal conditions and those of the

employment or management agreement (related to the statutory Participants without employment relation), to terminate at any time the relationship with the Participant.

## **11 TERMINATION**

- 11.1** In case of Termination of the Participant by its decision at any time during the Grace Periods, the Participant will no longer be entitled to receive the Restricted Shares related to the Company's Matching such as provided in Sections 3.2 and 3.3. Notwithstanding, the Participant shall keep the right of ownership over the potential Restricted Shares of the Shareholders Program that are already owned by the Participant due to the end of the Grace Periods, being subject, however, to the full compliance of the Lock-Up Period of the Restricted Shares of the Shareholders Program.
- 11.2** In case of Termination of the Participant by decision of the Company without cause: (i) if the Participant is beneficiary of the Regular Program, the Participant shall be entitled to receive half of the Restricted Shares of the Regular Program if the time limit of more than 2 years of the Grace Period of the Regular Program has elapsed; (ii) if the Participant is beneficiary of the Shareholders Program, the Participant shall be entitled to receive half of the Restricted Shares related to the Shareholders Program, if the time limit of more than 2 years of the Grace Period of the Shareholders Program has elapsed and will lose the right to receive all other Restricted Shares of the Shareholders Program.
- 11.3** In case of Termination of the Participant with cause, the Participant shall lose the right to receive all the Restricted Shares that have not been transferred until the Termination, regardless of the program applicable to the Participant.

## **12 DEATH, DISAPPEARANCE OR PERMANENT DISABILITY**

- 12.1** In the event of death, disappearance or permanent disability of the Participant, all Grace Periods and Lock-Up Periods shall be deemed early terminated, at the time of the death, disappearance or disability of the Participant.

## **13 SCOPE OF THE RIGHTS OF THE PARTICIPANT**

No Participant shall have any rights or privileges of shareholder of the Company until the date of the transfer of the Restricted Shares to the Participants.

## **14 DIVIDENDS AND GRATIFICATIONS**

- 14.1** The Restricted Shares, will only be entitled to dividends, interest on net equity and other earnings (fully, in the same conditions of the other shareholders of the Company) declared by the Company as of the date of the effective transfer of ownership of the Restricted Shares to the Participants.
- 14.2** The Shares acquired with the investment of the Bonus of the Participant shall grant all the rights to the receipt of dividends, interest on net equity, gratifications and rights of first refusal in the subscription of capital increases, etc. inherited to them.

**15 TERM AND TERMINATION OF THE PLAN**

The Plan shall become effective, for a 10-year term, as of its approval by the General Meeting of the Company.

**16 ADDITIONAL PROVISIONS**

**16.1** Any right to receive the Restricted Shares pursuant to this Plan is subject to all terms and conditions provided herein, which shall prevail in case of inconsistency over the provisions of any agreement or document mention in this Plan.

**16.2** The Board of Directors, in the Company's interest and of its shareholders, may cancel or suspend the Plan, or, modify the conditions of the Plan, provided that it does not change the related basic principles, specially the maximum limits for the transfer of shares and the methodology for the calculation of the prices of the shares, approved by the General Meeting. The General Meeting, may also, approve a new share based incentive and retention plan, including for purposes of allowing the acquisition of shares that exceed the maximum thresholds set forth in the Plan.

**16.3** The Board of Directors may also set forth a special treatment for certain situations during the term of the Plan, provided that the rights already granted to the Participants are not jeopardized, nor the basic principles of the Plan. Such treatment shall not be deemed as a precedent that may be requested by other Participants.

**16.4** The omitted cases shall be regulated by the Board of Directors.

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