ORGANIZATIONAL POLICY

Subject: Treasury Management	**Identification:** PO-TESOUR-01 Version: 00
Executive Board in Charge: Shared Service Board of Directors	**Published in:** 5/15/2018
Associated regulations:	**Review until:** 5/15/2020

1. Purpose

To set directives for the company's treasury management, to reflect the principles and orientations for action, aiming to maximize the profitability of financial investments, respecting the risks laid down in this policy.

TOTVS is committed to following the applicable laws in effect, as well as the Statute of the Company and the TOTVS Code of Ethics and Conduct. It seeks, through the Policy at issue, the commitment of all TOTVERS; hence, treasury activities must be known and disseminated.

2. Scope

This policy applies to the TOTVS Group (Head Office, Affiliates, Own Units, Branches and Subsidiary Companies). Compliance to these directives is required and reflects the Corporate Governance regarding Treasury Management themes.

3. Definitions

Cash: cash currency and available bank deposits.
Cash Equivalent: highly liquid financial investments, due in up to 90 days, convertible to a known cash amount, subject to an insignificant risk of value change.
Gross Debt: the sum of loans, financing, debentures, invoices and other debt bonds issued by the Company and its branches and/or affiliates, as well as obligations with company acquisitions, liquid funds from escrow accounts.
Net Debt (Net Cash): gross debt deducted from Cash and Cash Equivalent.
Short Term Debt: debt due in up to 12 months.
Long Term Debt: debt due in over 12 months.
Minimum Cash Balance: sum of Cash and Cash Equivalent that must cover the sum of: (i) minimum operational cash balance, corresponding to the cash conversion operating cycle calculated on gross revenue variation estimated for the following 180 days, deducted from cancellations; (ii) minimum balance for debt service coverage, corresponding to the sum of interest and principal payable in up to a year and (iii) income tax and social payment on profit payable in up to a year.

4. Directives

The treasury directives must be aligned with the Company's strategic purpose, ensuring the correct transfer of financial assets, transparency in operations and the standardization of processes in all companies of the Group.

To accomplish this, the limits of applicable laws, Statute and the TOTVS Code of Ethics and Conduct are observed, besides the following aspects:

- Attentiveness to the strategic risk limit of the company.
- Risk evaluation of financial institutions.
- Observance of Cash limits.
- Assured liquidity of resources.
- Concentration of resources by institution.
- Traceability of information, analyses and approval competence levels.

Macroeconomic aspects, unexpected events and sociopolitical landscape, among others, may encourage the revision of criteria, ensuring the effectiveness of the principles presented in this Policy and TOTVS' financial stability.

4.1 Minimum Cash

The company must keep a Minimum Cash Balance to maximize the profitability of financial investments, respecting the limits laid down in this policy, and avoid mismatches in its cash flow, which could compromise its ability to make payments. To accomplish this, besides the monthly revision of cash estimates, the Treasury must keep credit lines previously approved and made available which, once added to the balance of Cash and Cash Equivalent, guarantee the attentiveness to the Minimum Cash Balance.

Every time the Minimum Cash Balance is not reached, the Financial Vice-Presidency must evaluate with the Treasury whether this situation will reverse itself in up to 30 (thirty) days, based on conservative cash generation estimates. If no return to Minimum Cash Balance is expected within 30 (thirty) days, the Financial Vice-Presidency must prepare a reclassification plan, which may contain actions such as the factoring of receivables, debt renegotiation and divestment program, submitting it for analysis by the Audit Committee and deliberation of the Administration Board.

4.2 Financial Investments

The Cash resources must be optimized to withstand very short-term bonds (due in less than 30 days). Every resource additional to very short-term bonds must be invested in financial investments of up to 90 days liquidity, regardless of the deadline of the operation.

The CDI rate disclosed by Cetip is a benchmark to evaluate the income expected from investments, with the following assets as investment options:

1) **Government Bonds:** high liquidity bonds in secondary market, issued by and/or with recourse of the National Treasury and/or of the Central Bank of Brazil (BACEN) and/or of Banco do Brasil and/or Caixa Econômica Federal and/or Repo Agreements guaranteed by federal government bonds, in the terms of National Monetary Council (CMN) regulations.

2) **CDB/RDB:** Bank Deposit Certificates and/or Bank Deposit Slips, Financial Bills, Repo Agreements (not classified in item 1).
3) **Investment Funds:** quotas of local open investment funds, referenced DI or Fixed Income, with grace period for redemption of up to 30 (thirty) consecutive days.

The financial applications must be allocated in institutions the risk classification of which is equal to or below the Sovereign Risk (Brazil Risk) attributed by rating agencies Standard & Poor's, Moody's or Fitch. The value allocated to each institution cannot exceed 30% of the total amount of checking account balances plus that of the financial applications, as it also cannot exceed 5% of the financial institution's net equity.

The resources invested outside Brazil and/or in foreign currencies must be used in the cash operating cycle of the Company's operations in the international market and/or to withstand the bonds of the Brazilian operation in foreign currencies. Such investments must have up to 90 (ninety) days liquidity, regardless of the operation's deadline and have the LIBOR rate of 1 (one) month for the US dollar as a benchmark to evaluate the income expected, with the following assets as investment options:

1) **Government Bonds:** bonds issued by and/or with recourse of the Treasury or Federal Reserve of the United States of America.
2) **Repo Agreements**: *repo-reverse purchase agreement* with guarantee in federal government bonds, in accordance with item 1.
3) **Sovereign Bonds**: bonds issued by the Federative Republic of Brazil, (Global Bonds) and financial investments with convertibility clause (offshore invoices with Brazilian sovereign risk).
4) **Investment Funds**: quotas of open investment funds (money market referenced).

The financial applications must be allocated in institutions the risk classification of which is equal to or above the Sovereign Risk (Brazil Risk) attributed by rating agencies Standard & Poor's, Moody's or Fitch.

4.3 Fund Raising

Fund raising must take place every time:
(i) the minimum cash balance is not reached (as provided in item 4.1), or
(ii) the Company's strategic plan requires changes to the capital structure that result in an increase of gross debt. Market conditions or specific cash needs are also factors that lead to fund raising.

The criterion for choosing the financial institution is the lower actual cost of the operation. If conditions are similar, the institution with the highest degree of reciprocity is prioritized. Each and every fund raising must be approved by the Administration Board.

Another benchmark for cost assessment for fund raising purposes is the CDI rate disclosed by Cetip. Fund raising must be structured to support the Company's strategic plan, without compromising its capacity to meet the payment obligations undertaken.

5. Exclusive Attributions

Treasury Area
- To ensure the enforcement of the Treasury Management policy.
- To implement processes and controls.
- To forward it to the area of Internal Controls, Risks and Compliance for revision, in the established standards, submit the approvals and publication.

- Keep this Policy up-to-date.

Area of Internal Controls, Risks and Compliance
- To revise, submit for approval and publish this Policy.
- To create and validate reports of the risks involved.
- To monitor the internal controls of Treasury area processes.

Technical Advisory Committee for the Administration Board - Audit Committee
- To submit a recommendation to the Administration Board regarding the adaptation of the policy at hand.

Administration Board and Executivy Board of Directors
- To deliberate the approval of the Treasury policy.

6. Consequences Management

If this Policy is not followed, the appropriate consequence management measures will be taken to handle the non-compliance.

7. Approvals (Document)

Name / Position	Description
Fabricio Hermann Francischetti Treasury Executive Manager	Prepared by
Cristian Rodrigues Porto Shared Services Director	Prepared by
André Risk Legal Officer	Review
Silvio Roberto Reis de Menezes Compliance Board of Directors	Review
Gilsomar Maia Sebastião Executive Financial Vice-President	Review/Recommendation
Audit Committee	Recommendation
Administration Board	Approval

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