



<b>Subject:</b> Human Relationships	<b>Identification:</b> PO-RH-01 Version: 00
<b>Executive Board in Charge:</b> Human Relations Board	<b>Published in:</b> 05/15/2018
<b>Associated regulations:</b>	<b>Review until:</b> 05/15/2020

## 1. Purpose

This policy aims to set the directives and responsibilities to be followed in TOTVS' people management process, in all stages of its cycle: Attraction, Development and Engagement, aligned to the attributes of Culture (#WEARETOTVERS) and following ARCO (Attitude, Result and Consequence) in our actions.

## 2. Scope

This Policy applies to the TOTVS Group (Head Office, Own Units, Branches and Subsidiary Companies).

## 3. References

**Labor Laws:** National and international laws, rules and regulations that govern labor relations in countries where TOTVS operates.

**Consolidation of Labor Laws (CLT)** is a legislative rule that regulates labor laws related to Labor Rights and Procedural Labor Law in Brazil and institutes the rules that govern the individual and collective labor relations laid down therein.

**Collective Labor Convention:** legal act agreed upon between labor unions of employers and employees to lay down labor relation rules in the entire scope of the respective categories. A collective labor agreement establishes obligations and rights for the parties, which must be respected during their validity.

**CODEC:** the TOTVS Code of Ethics and Conduct aims to offer a general understanding of the ethical principles and behaviors that guide TOTVS' commitment to the integrity of its businesses and in its internal and external relationships.

**Universal Declaration of Human Rights:** adopted by the United Nations Organization, it delineates the basic human rights and, though it is not a legally binding document, it is widely quoted and followed by the nations.

**United Nations Global Compact:** of which TOTVS is a signatory, aims to mobilize the international corporate community towards the adoption, in its business practices, of fundamental values internationally accepted in the areas of human rights, labor relations, the environment and to fight corruption, reflected in 10 principles. This initiative relies on the participation of agencies of the United Nations, companies, labor unions, NGOs and other partners needed for the construction of a more inclusive and egalitarian global market.

**9Box Matrix:** the Nine Box Matrix (9 Box), is a tool for evaluating professionals in two parameters, their results and their competence. In the Cartesian plan (x, y), in one axis of Nine Box the result is placed, while in the other the adherence to strategic competences. The discussion on gauging the tool also involves development potential for TOTVERS.



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## 4. Definitions

**TOTVER:** is every professional that works at TOTVS and has behaviors aligned with the WE ARE TOTVERS culture. Being TOTVER means having technology and knowledge in our own DNA. It is seeing our own success in our customer's success. It is being curious, collaborative, digital and results-driven. It is being good professionals who are good people.

**Leader:** a professional with the skill to ethically and positively motivate, influence and inspire followers, so they may voluntarily and enthusiastically contribute towards the goals of the team and of the company, guiding the execution of activities and following up on their results and development.

**Succession:** process that aims to identify capable professionals or with the potential to assume other positions in the company.

**PDI (Individual Development Plan):** action plan that aims to develop, improve or accelerate the development of any competence identified at any point of the people management cycle.

**Performance Appraisal:** yearly formal process to evaluate the attainment of results, competences and adherence to the attributes of Culture.

**Fixed Compensation:** refers to the monthly amount received by the professional, to compensate him/her for the attributions and responsibilities pertaining the position held.

**Variable Compensation:** refers to the amount received by the professional as compensation for attaining set goals in a given period of time.

**Executives:** TOTVERS that hold offices at career levels of Board of Directors, Vice-Presidency or Presidency.

**ARCO - Attitude, Result and Consequence:** methodology that aims to create a consequence for each attitude or action a TOTVER takes, whether positive or not, orienting meritocratic actions in the company.

## 5. Directives

TOTVS believes that for companies to be able to revalidate their business models and become more productive and efficient, the transformation must start at their cultures and processes, which have their employees as protagonists, fostering an environment that stimulates a sense of belonging and ownership of business results. In this sense, the conduction of people management is based on the following directives:

- To follow the ethical principles (CODEC) and the attributes of the company's Culture, adhering to national and local labor laws of the countries in which TOTVS operates, as well as the collective agreements and conventions, in addition to the Universal Declaration of the Rights of the Man and of the Citizen.
- Not to employ slave labor, child labor or degrading labor conditions in any of its businesses.
- To adopt actions of attraction and development for specific audiences, respecting and highlighting TOTVER diversity. TOTVS must neither practice nor admit, in any stage of its people management cycle, discriminatory acts related to race, culture, age, religion, gender and sexual orientation or of any other nature.
- Attraction: to ensure the alignment between the need of the business with people committed to Culture attributes and to the technical requirements of their positions, considering the internal and external public.



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- Compensation: to ensure compensation models that are fair, competitive and aligned with the market practices that potentialize the attraction and retention of professionals. The compensation policy must be aligned to the company's strategic objectives and risk management, taking the medium and long terms into account, to prevent the adoption of practices and metrics that encourage improper conducts and compromise business sustainability.
- Development: to provide professional growth opportunities and to ensure the execution of the meritocracy cycle, composed by annual evaluation of performance, with formal feedback stages, elaboration of individual development plan (Leader and Subordinate) and contracting of yearly goals aligned to TOTVS' strategy.
- TOTVS must build processes that help TOTVERS manage their careers, offering an environment with tools and content through TOTVS University to stimulate the quest for learning and self-development.
- Engagement: to continually adopt actions that engage TOTVERS in the company, building an environment that stimulates innovation and the creation of simple solutions, thus making TOTVS an ever better place to work.



**Illustration 1:** Meritocracy Cycle Calendar

## 5.1 Culture #We Are TOTVERS

Culture is a central element of the definition, identification and positioning of the essence of being a TOTVER. It is defined by three attributes: Technology + knowledge are our DNA, our customer's success is our success and we value good professionals who are good people. The attributes are elements that, individually, translate the essential aspects of the people who compose the human asset, that guide their attitudes.



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## TECHNOLOGY + KNOWLEDGE ARE OUR DNA

We have built a legacy in a world of change. We think of how technology and knowledge can together propel innovation today and always. We are fearlessly creative.

- >We know where we want to go and we build a journey that creates consistent value along the way.
- >We seek and apply technological and business knowledge to create innovative solutions, both necessary and feasible.
- >We assume risk responsibly and "fire away".
- >If we hit the target, we accelerate! If we miss it, we admit it, quickly correct it, learn and evolve.

## THE CUSTOMER'S SUCCESS IS OUR SUCCESS

We foresee our customers' needs. We deliver quality in + essential + simple and + agile solutions for your business. We are present and close.

- >We practice empathy in our relations and do the best we can in each delivery.
- >Our attitudes are directed towards the creation of a better customer experience.
- >Physically and/or digitally, we are present and near.



## WE VALUE GOOD PROFESSIONALS WHO ARE GOOD PEOPLE

Curious, collaborative, digital and results-driven. We have attitude, we have our own style and we are restless. We are TOTVERS.

- >We are curious: we chase learning and knowledge.
- >We are collaborative: we productively work in multifunctional teams, dealing with differences of opinion and personality.
- >We are digital and intuitive. We think simply and use technology as part of our daily routine.
- >We are results-driven, and the "how" is as important as the "what".
- >We enjoy living in a dynamic environment that constantly challenges us to evolve and overcome.
- >We are guardians and sowers of Culture. We are proud of who we are.

## 5.2 People Management

The People Management Cycle is based on the We Are TOTVERS culture and represents the three main stages each TOTVS leader must complete when managing teams, practicing meritocracy based on the ARCO - Attitude, Result and Consequence methodology, in all stages of the cycle, as illustrated below:



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**Illustration 2:** People Management Cycle - ARCO

## 5.2.1 Attraction

Attraction aims to select the professionals that stick to opportunities the most, considering the potential, the knowledge required and how well the candidate adapts to the company Culture (#WEARETOTVERS). TOTVS adopts people management practices as competitive support elements to attract and retain the best professionals, positioning itself competitively in relation to the market. To accomplish this, it invests in its employment brand and applies a model of compensation and benefits compatible with the market, in addition to offering an environment of ongoing professional development.

The Attraction and Selection process must be governed by a posture of ethics and respect toward professionals, concerned with conveying to candidates an image of transparency and integrity, thus strengthening our employment brand.

The Attraction pillar is composed of actions focused on relationship with the market, educational programs, internal and external recruiting, as well as attraction projects for specific audiences.

## 5.2.2 Development

The development pillar aims to train and develop TOTVERS for the routine challenges of the company. It is regarded as a key element to keep TOTVS relevant to customers and the technology sector.

TOTVS UNIVERSITY aims to meet strategic challenges and to stimulate the primary role TOTVERS play their self-development. As a company with a passion for technology, TOTVS adopts educational solutions that involve both formal and informal training actions (on-site and long distance), that allow the TOTVER to lead his/her development process.

For strategic definition of training actions, TOTVS uses the 70-20-10 concept, in which:

70% self-development actions through experiences.

20% self-development actions through interactions and exchange.



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10% formal self development training actions.

Meritocracy is the main element of the TOTVERs development pillar and has as basis the annual performance evaluation, performed through the 9Box methodology, which consists of formal feedback stages and orients the elaboration of individual development plan and the contracting of yearly goals aligned to company strategy.

### 5.2.2.1 Succession

TOTVS believes that a well structured succession process guarantees the continuity of company development and of the increased ability to respond to changes both expected and unexpected.

At TOTVS, the successors identification process takes place after the annual performance management cycle, with evaluation and approval by the company's board of directors.

Potential first and second level successors are mapped by the People Area, to identify and accelerate the acquisition of the competences needed for the next step in the TOTVER's career, through closer observation by the leadership and the creation of career opportunities, both actual and planned, taking the TOTVER's competences and aspirations into account.

### 5.2.3 Engagement

The engagement pillar seeks to enable a motivating work environment that encourages the TOTVER to deliver, by adopting the following mechanisms:

- Organizational climate surveys, which aim to gauge the climate under several company aspects.
- Leadership programs, which seek to develop the people management competence.
- Recognition of the best innovation/improvement projects, more focused on technical areas.
- Elements of compensation and benefits, seeking competitiveness with the market.
- Internal communications, through the promotion of company programs and drivers related to strategy, culture, changes to organization structure, etc.
- Gamification, used as tool to stimulate engagement, training, recognition, incentive and culture assimilation.

### 5.2.4 Compensation Model

The TOTVER Compensation Model is composed of fixed and variable compensation as well as benefits, in accordance with seniority and the competences for each career level.

For the Board of Directors and other eligible career levels, the variable portion is bound to the meeting of corporate and individual goals set by the company. Moreover, we adopt the practice of Long-term Incentives (LTI), which provides the eligible public with the right to receive company actions, making them partners, to strengthen their long term commitment with TOTVS and the sustainability of the business. The entire





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composition of compensation strongly respects the meritocracy practices designed by the People Area and applicable labor laws.

The compensation of Administration Board members is composed only of fixed compensation, as well as that of independent external members who integrate the company's advisory committees.

## 6. Responsibilities

### Administration Board

- To approve the Human Relations Policy.
- To define the strategic objectives of the company to guide the management of human resources.
- To follow up on management actions of risks related to Human Resources elements.
- To determine and validate the company's succession plan.
- To approve the executive Bonus.
- To evaluate and approve the company's action plan in conversion of yearly bonus.

### People and Compensation Committee

- To fulfill the attributions laid down in its Internal Laws.
- To help the Administration Board to set the terms of the compensation structure and other benefits.
- To propose to the Administration Council the compensation of Administration and of Committee members, in accordance with market standards.
- To help the Board conduct the yearly evaluation process of company executives and present to the Board a proposal to distribute the annual global compensation among Directors and Board Members.
- To coordinate and supervise the preparation and implementation of a succession plan for company executives.
- To help the Administration Board define profiles for top leadership positions, as well as to support the selection process for occasional candidates to such positions.

### Governance and Nomination Committee

- To ensure the existence, effectiveness and implementation of an executive succession plan, following its execution along with the People and Compensation Committee.
- To select and recommend to the Board persons who, once the legal requirements and company needs are met, can be candidates to the Board itself and integrate its Advisory Committees.

### Audit Committee

- To propose changes to the current Policy and submit them to the Administration Board.
- To follow up on and make recommendations regarding the acceptance of responses to risks related to people management.
- To follow up on the implementation of action plans to mitigate documented risks and report to the Administration Board on their outcomes.

### People Area

- To design solutions and also implement and monitor People programs and policies. These would include the activities of attraction, development, compensation, training, occupational safety and consulting to



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TOTVERs, whether leaders or not, unfolding, in the scope of people management, the company strategies, predicting and planning the mid and long range needs and trends of TOTVS.

#### Area of Internal Controls, Risks and Compliance

To revise, submit to approval and publish this policy.

## 7. Consequences Management

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

## 8. Approvals (Document)

Name / Position	Description
Renata Vicente de Souza Human Relations Manager	Prepared by
Rita Pellegrino Human Relations Director	Review
André Risk Legal Officer	Review
Silvio Roberto Reis de Menezes Compliance Board of Directors	Review
People and Compensation Committee	Recommendation
Audit Committee	Recommendation
Administration Board	Approval