



Subject: Hiring of Independent Audit	Identification: PO-CONTR-01 Version: 00
Executive Board in Charge: Planning and Controllershship Board	Published in: 10/04/2018
Associated regulations:	Review until: 10/04/2020

1. Purpose

The aim of this Policy is to set the guidelines, the process of control and the approvals to contract independent auditing services, and any extra auditing services, provided by the Independent Auditor or Related Party of the Independent Auditor, in order to ensure the independence of the service provider.

2. Scope

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

3. References

This policy is aligned with the following regulations and guidelines:

Brazilian Code of Corporate Governance: document that contemplates a set of principles, foundations and recommended practices to be adopted by publicly-held companies, through the "practice" or "explain" approach.

CVM INSTRUCTION 308/99: provides for the registration and exercise of the independent auditing activity within the securities market, and defines the duties and responsibilities of the managers.

CVM INSTRUCTION 381/03: deals with the disclosure, by the audited entities, of services provided by the Independent Auditor that are not regarded as external auditing.

Laws 6,404/76 with the amendments of no. 11,638/07: establishes the regulations to be obeyed by public limited companies, including the obligation for the financial statements of publicly-held companies to be audited by independent auditors registered with the CVM.

4. Definitions

Independent Auditor: auditing firm contracted to audit and give an opinion on the annual financial statements and the quarterly reviews of TOTVS S.A. and its subsidiaries.

Company: TOTVS S.A.

CST: TOTVS Services Center.

CVM: Commission of Securities.

Board of Directors: Statutory and non-statutory Board of Executive Officers of the Company.

Related Parties of the Independent Auditor: Individuals and legal entities related to the Independent Auditor according to the regulations of independence of the Federal Council of Accounting.

Extra auditing services: Services provided by Independent Auditor that are not related to the auditing of the annual financial statements and quarterly reviews.



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5. Guidelines

5.1 Services provided by the Independent Auditors

The main attribution of the Independent Auditor is, in accordance with applicable regulations, to decide whether the financial statements prepared by the management properly represent, in all material respects, the individual and consolidated financial and equity position of the Company.

The independence of the Independent Auditors is important so that they can provide their services in an objective manner and give an unbiased opinion, thus contributing to the creation of an environment of trust and credibility among managers, shareholders and other stakeholders. The independence of the auditor may be affected when they:

- Have financial interests with the audited entity, or other interest with the entity;
- Audit the product of their own work;
- Promote or defend the interests of the audited entity;
- Perform managerial roles for the audited entity; and
- Provide other service for the audited entity, besides the auditing services.

The detailed scope of the contracting will be evidenced and documented in the proposal submitted by the Independent Auditor.

Extra auditing services, if any, provided by the Independent Auditor or by Related Parties of the Independent Auditor must always be contracted as an exception and where warranted.

5.2 Deadline for contracting

The Independent Auditors must be hired, preferably, for a period of one (1) year.

Likewise, the rehiring of the Independent Auditor must be preceded by a formal and documented evaluation of their independence and performance in accordance with item 5.3.

The same auditing firm cannot have its contract renewed after five (5) years of the first contract, and its return is admitted after a minimum period of three (3) years.

The extra auditing services shall be in force for a specified period, to the exact extent necessary to achieve the contracted scope.

5.3 Contracting process and evaluation of the Independent Auditor

Whenever contracting a new Independent Auditor is needed, the Planning and Controllershship Board must formally invite three (3) independent auditing firms, by November of the current year, to participate in the selection process of Independent Auditors to revise the Financial Statements for the subsequent fiscal year.



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The firms invited will have access to the TOTVS executives who are involved in the process, for the understanding of the business and later elaboration and the presentation of the annual work proposal and definition of fees.

The Planning and Controllershship Board must send the proposals to the Audit Committee along with the comments of the management pertinent to each of them.

It will be incumbent upon the Audit Committee to define whether the participating firms must present the proposal on-site in a regular meeting of the Committee until February of the fiscal year to be audited.

The Audit Committee will evaluate the proposals submitted by independent auditing firms and recommend the contracting of one (1) of these companies to the Board of Directors.

The audit firm approved by the Board of Directors must include, in the final proposal, a formal declaration of independence with TOTVS and its subsidiaries and affiliates, as well as whether there are, and which are, the Related Parties of the Independent Auditor.

Any and all contracting of Independent Auditors must be formalized in writing, in a contract previously analyzed and approved by the Legal Department.

In order to express an opinion on the contracting of Independent Auditors, the Audit Committee must evaluate, among others, the following aspects presented in the respective proposals sent by the auditing firms and evidenced in the minutes of the meeting:

- Structure and governance of the auditing firm;
- Independence of the auditing firm, the partner and the team carrying out the work;
- Adequacy of the processes of internal control of quality, including those insuring their independence and of their members (partner and other professionals);
- Training and dedication of the team assigned to the work;
- Fees compatible with TOTVS size and complexity.

During the agreement period, the Audit Committee must hold periodic meetings with the Independent Auditors, in order to define the work plan and monitor its development throughout the year, in accordance with the annual schedule of meetings established under the Internal Laws of the Board of Directors and Advisory Committees.

Annually, the Audit and Administration Committee of the Company will carry out a formal evaluation of the work of the independent auditors. The result of this evaluation will determine the need to carry out a new selection process with other firms or only to renew the contract for the next fiscal year, respecting the maximum limit of 5 fiscal years audited by the same firm.

The Audit Committee must receive, annually, from the Independent Auditors a formal statement confirming their independence throughout the execution of the work. Nonetheless, the monitoring of aspects of independence must be permanent.



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Likewise, the rehiring of the Independent Auditor must be preceded by a formal and documented evaluation of their independence and performance.

5.4 Contracting Extra Auditing Services

The Independent Audit responsible for auditing the Financial Statements may be considered for Extra Auditing Services, directly or through Related Parties of the Independent Auditor, subject to the following conditions:

- I. The services do not affect their independence;
- II. They are previously evaluated and recommended by the Audit Committee and approved by the Board of Directors; and
- III. Services are within the scope of their professional competence.

The Supplies area - CST, which is responsible for contracting third party services, must request approval from the Planning and Controllershship Board, if the most competitive supplier is the current auditing firm in the respective calendar year or Related Party of the Independent Auditor.

It is incumbent upon the Planning and Controllershship Board to submit to the Audit Committee and to the Board of Directors the proposal to contract for extra auditing services, when applicable, including the scope, amounts involved and justification for contracting under this Policy.

5.4 Disclosure of Extra Auditing Services

The Company must disclose to the market, in the terms and in the form required by CVM Instruction 381/2003, the following information related to the provision by the Independent Auditor or Related Parties of the Independent Auditor of any non-external auditing service:

- a) The date of contracting, the length of the contract, if more than one year, and the nature of each service provided;
- b) The total amount of the contracted fees and their percentage in relation to the fees concerning the external auditing services;
- c) The policy or procedures adopted by the company to avoid the existence of conflict of interest, loss of independence or objectivity of its Independent Auditors.

6. Responsibilities

Board of Directors

- Approve all contracting with the Independent Auditor or Related Parties of the Independent Auditor.
- The Board of Directors and the Board of Executive Officers must ensure that the financial statements are audited by an Independent Auditor with appropriate qualifications and experience, a fundamental instrument for the reliability of such data, and to ensure that the assurance of non-financial information is performed.
- The Board of Directors, with the support of the Audit Committee, must ensure that the Independent Auditors comply with the professional rules of independence, including the financial independence of the respective auditing contract.



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- Evaluate the responses and actions of the Board of Executive Officers on the recommendations of internal controls presented by the Independent Auditors.

Advisory Committee of the Board of Directors – Audit Committee

- Submit a recommendation to the Board of Directors regarding the adaptation of the policy at hand.
- Recommend to the Board of Directors the contracting or replacement of the Independent Auditor.
- Recommend the approval of the contracting of the Extra auditing services, under the terms of this Policy.

Planning and Controllership Board

- Maintain this Policy updated and ensure its application.
- Submit annually the contracting of auditing services of the Financial Statements to the Audit Committee and the Board of Directors.
- Submit eventual contracting of extra auditing services to the Audit Committee and Board of Directors, as established in this Policy.

Supplies Area - CST

- Submit any requests for purchase of extra auditing services for evaluation by the Planning and Controllership Board.
- Submit to the analysis of the Legal Department the contract draft to be entered into with the Independent Auditor or Related Parties of the Independent Auditor.

Legal department

- Analyze and approve the agreement to be entered into with the Independent Auditor or Related Parties of the Independent Auditor.

Area of Internal Controls, Risks and Compliance

- To revise, submit for 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
Regiane Domingos das Neves Controllership Coordinator	Prepared by
Ricardo Guerino de Souza Planning, Controllership and Compliance Director	Review
André Rizk Legal Officer	Review
Cristian Rodrigues Porto CST Director	Review



ORGANIZATIONAL POLICY



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Gilsomar Maia Executive and Financial Vice-President	Review
Audit Committee	Recommendation
Administration Board	Approval