

**TOTVS S.A.**

**Publicly Held Company**

**Corporate Taxpayer ID (CNPJ/MF): 53.113.791/0001-22**

**Company Registry (NIRE): 35.300.153.171**



**MANUAL FOR PARTICIPATION IN  
ANNUAL AND EXTRAORDINARY SHAREHOLDERS MEETINGS**

**MARCH 11, 2019**

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# 1. MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

São Paulo, March 11, 2019

Dear Shareholders,

It is with great satisfaction that, on behalf of the Board of Directors, we invite you to participate in the Annual and Extraordinary Shareholders' Meeting of TOTVS S.A. ("TOTVS") to be held on April 18, 2019, at 2:00 p.m., in the registered office of TOTVS, located at Avenida Braz Leme, 1.000, Casa Verde, in the City of São Paulo, State of São Paulo, in accordance with the Call Notice to be published in the newspaper *Valor Econômico* and in the state register Diário Oficial do Estado de São Paulo.

In this introduction letter, we underscore that 2018 was an important year for Brazil's democracy, with intense participation and social reflection on the nation's politics and future in the run-up to the presidential elections. During this period, as an important player in Brazil's technology industry, TOTVS did not remain disengaged from the public dialogue and encouraged its professionals to exercise citizenship by provoking them, through its campaign #VOTOCONSCIENTE, to exercise their role in this process to build a better society.

In the same vein, we also made continued advances in our corporate governance practices, in our commitment to ethics and transparency and in the review of our code of conduct and corporate policies, such as the policies on Appointing Directors, Engaging Independent Audits and Contributions, Donations and Sponsorships.

I also should highlight the People pillar, in which we implemented the policy on Human Relations and Compensation Management and the change in our long-term incentive plan. These initiatives are important for ensuring that these incentives continue to serve as an instrument for alignment, engagement and retention in the long term.

Lastly, the end of the 2018 cycle marked the beginning of a new phase in TOTVS's history, with the consolidation of the company's succession plan and the announcement of Dennis Herszkowicz as the new CEO, replacing the Company's founder, Laércio Cosentino, who in turn was elected Chairman of the Board, succeeding Pedro Passos, who for years has made important contributions at the head of the Board and of the Governance and Appointment Committee, leaving an enormous legacy, inspiration and contribution to the company's success.

TOTVS has been continually transforming itself into a company with a more open-minded business vision, with knowledge and experiences shared with the ecosystem. We are certain that we are on the right path for expanding the business and supporting new growth cycles. In this new cycle, we will continue to invest in the democratization of technology as the foundation for transforming, simplifying and de-bureaucratizing the organization.

That being said, note that the matters to be discussed in the Annual and Extraordinary Shareholders Meetings are described in the Call Notice and in this document, which includes the proposals made by Management and the general instructions for participating in the Meetings, both of which are being disclosed to the market today.

The matters on the agenda include approving and allocating the net income for fiscal year 2018, electing one director to the server the remainder of the unified term of office ending in the Annual Shareholders Meeting of 2020, the proposal for managers' compensation for fiscal year 2019, and the inclusion of two items in the Share-based Incentive and Retention Plan in force to ensure greater clarity on the Company's governance practices. It is important to note that these changes are the product of dialogues conducted between TOTVS and market participants.

In light of the above, we invite you to read carefully the documents related to the Meetings, which have been made available to shareholders at the registered office of TOTVS, on its Investor Relations website, on the links indicated in item 4 of this Manual and on the website of the Securities and Exchange Commission of Brazil ([www.cvm.gov.br](http://www.cvm.gov.br)).

We remain at your disposal for any further clarifications you may deem necessary.

Cordially,

Laércio José de Lucena Cosentino

## 2. AGENDA OF THE MEETINGS

### In the Annual Shareholders Meeting:

**(i) Receiving the management accounts, and examining, discussing and voting on the financial statements of the Company for the fiscal year ended December 31, 2018**

We propose the approval, without reservations, of the management accounts and the audited financial statements for the fiscal year 2018, as reported, on February 13, 2019, on the websites of the Securities and Exchange Commission of Brazil (“CVM”) and of the B3 S.A. - Brasil, Bolsa, Balcão (“B3”) and through the Regular and Special Information (IPE) system and, on February 14, 2019, in the newspaper *Valor Econômico* and in the state register *Diário Oficial do Estado de São Paulo*.

In accordance with Article 9, III of CVM Instruction 481, of December 17, 2009 (“CVM Instruction 481/09”), the executive officers’ comments on the Company’s financial situation are detailed in **APPENDIX I** to the Management Proposal.

**(ii) Considering and voting on the capital budget for the purposes of Article 196 of Federal Law 6,404/76**

As detailed in **APPENDIX II** to the Management Proposal, we propose the retention of profits in the amount of R\$2,839,160.88 to support the Company’s investment plan in 2019, which includes expansion projects, asset acquisitions and strategic initiatives (“Investment Plan”). The aggregate amount to be allocated to the Investment Plan proposed by the Board of Executive Officers amounts to R\$83,872,796.28, and will be paid using retained earnings and the own funds generated by the Company’s operating activities.

**(iii) Considering and voting on the allocation of net income for the fiscal year**

As detailed in **APPENDIX III** to the Management Proposal, we propose the following allocation of net income for fiscal year 2018:

|                                       |                  |
|---------------------------------------|------------------|
| NET INCOME                            | R\$59,547,769.02 |
| Legal Reserve                         | R\$2,977,388.45  |
| First-time adoption of CPCs 47 and 48 | R\$7,968,688.81  |
| Interest on Equity                    | R\$27,785,010.88 |
| Dividends                             | R\$17,977,520.00 |
| Retained Earnings Reserve             | R\$2,839,160.88  |

The total net income for the fiscal year, of R\$59,547,769.02, will be allocated as follows: (a) R\$2,977,388.45 to the legal reserve; (b) R\$7,968,688.81 to the adjustments arising from the first-time adoption of CPCs 47 and 48; (c) R\$45,762,530.88 to the payment of interest on equity and dividends to shareholders already declared, of which R\$32,686,400.00 already paid on October 3, 2018 and R\$13,076,130.88 will be paid on May 9, 2019, as considered and voted on in the Board of Directors meetings held on July 25, 2018 and December 21, 2018, respectively, with no complementary distribution of profits; and (d) R\$2,839,160.88 to the retained earnings reserve, in accordance with Article 196 of Federal Law 6,404/76, based on the capital budget.

**(iv) Electing a member to fill a vacant position as member of the Board of Directors of the Company to serve the remainder of the unified term ending as of the Annual Shareholders Meeting of 2020**

The Board of Directors, with the recommendation of the Governance and Appointment Committee, supports the election of the following candidate, who meets the characteristics of an Independent Director, as defined by the Listing Rules of the Novo Mercado segment, to fill the vacant director position for the remainder of the unified term of office ending as of the Annual Shareholders' Meeting of 2020:

**Eduardo Mazzilli de Vassimon**

The Board of Directors believes that Mr. Eduardo Mazzilli de Vassimon, with his profile, educational background and long professional experience in the financial market, will complete the skills and the knowledge of current directors.

Note that, because this matter involves the election of one director instead of the entire Board of Directors, which occurred in the annual shareholders meeting of 2018, the adoption of a cumulative voting procedure provided for in Article 141 of the Federal Law 6,404/76 is not applicable.

**APPENDIX IV** to the Management Proposal contains information on the candidate listed above, in accordance with Article 10 of CVM Instruction 481/09.

**(v) Setting the overall annual compensation of the members of the Board of Directors and of the Board of Executive Officers for fiscal year 2019**

For comparison purposes, the overall annual compensation for fiscal 2018 is detailed below:

**I – FISCAL YEAR 2018**

The Annual Shareholders Meeting, held on April 5, 2018, approved the overall compensation of up to R\$31,540,284.56 for fiscal year 2018, which comprises the Fixed Compensation, Variable Compensation and Share-Based Compensation.

Of the aggregate amount approved, R\$22,019,293.08 was realized.

As shown in the following table, the realization of an amount approximately 30% below the limit approved was mainly due to: (i) the reduction in Variable Compensation, since the Company's executive officers did not attain the maximum score for the targets set for them in 2018; (ii) the amount recorded for the Share-based Compensation, given that some shares expired during the fiscal year, and also because the amounts granted in 2018 were below the maximum estimated amount due to the partial achievement of the performance goals stipulated in said plan; and (iii) the lower number of Management members in relation to the number in the proposal approved in 2018.

|   | Board of Directors  |                          | Board of Executive Officers |                          | Total                |                          |
|---|---------------------|--------------------------|-----------------------------|--------------------------|----------------------|--------------------------|
|   | Approved in 2018    | Effectively paid in 2018 | Approved in 2018            | Effectively paid in 2018 | Approved in 2018     | Effectively paid in 2018 |
| <b>Annual Fixed Compensation</b>                          |                     |                          |                             |                          |                      |                          |
| Number of members   | 9.00                | 8.17                     | 11.00                       | 9.50                     | <b>20.00</b>         | <b>17.67</b>             |
| Salary or compensation for work ( <i>pro-labore</i> )     | 2,511,747.50        | 2,646,697.51             | 11,154,887.07               | 10,839,218.40            | <b>13,666,634.57</b> | <b>13,485,915.91</b>     |
| Direct and indirect benefits                              | -                   | -                        | -                           | 880,442.93               | -                    | <b>880,442.93</b>        |
| Compensation for participation on Committees              | 732,813.20          | 620,288.20               | -                           | -                        | <b>732,813.20</b>    | <b>620,288.20</b>        |
| <b>Variable Compensation</b>                              |                     |                          |                             |                          |                      |                          |
| Bonus   | -                   | -                        | 7,782,735.56                | 3,160,896.96             | <b>7,782,735.56</b>  | <b>3,160,896.96</b>      |
| <b>Other</b>  |                     |                          |                             |                          |                      |                          |
| Post-employment benefits                                  | -                   | -                        | 524,465.23                  | 146,765.52               | <b>524,465.23</b>    | <b>146,765.52</b>        |
| Benefits due to cessation of the exercise of the position | -                   | -                        | -                           | -                        | -                    | -                        |
| Share-based compensation                                  | -                   | -                        | 8,833,636.00                | 3,724,983.56             | <b>8,833,636.00</b>  | <b>3,724,983.56</b>      |
| <b>Total</b>  | <b>3,244,560.70</b> | <b>3,266,985.71</b>      | <b>28,295,723.86</b>        | <b>18,752,307.37</b>     | <b>31,540,284.56</b> | <b>22,019,293.08</b>     |

<sup>1</sup> Corresponds to the maximum estimated amount recorded due to the accounting deferral determined by the applicable legislation (CPC 10).

## II – FISCAL YEAR 2019

For 2019, the Company Management proposes: (i) adjusting the amounts related to the Fixed and Variable Compensation of the current directors at a rate corresponding to the inflation measured in the period; (ii) including a projection of the funds for direct and indirect benefits; (iii) incorporating new items into the Compensation package of the Chairman of the Board, including benefits and eligibility for Share-based Compensation, strictly in accordance with the terms and conditions established in the Share-based Incentive and Retention Plan approved on December 15, 2015 and amended on April 5, 2018; and (iv) highlighting the benefits arising from the cessation of exercise of the positions of managers who have already left the Company.

As per the aforementioned items, the amount proposed for the overall management compensation for fiscal year 2019 is R\$29,833,773.17, composed as follows:

### A - FIXED AND VARIABLE COMPENSATION

With regard to the fixed and variable compensation, plus charges and benefits, the amount proposed is up to R\$18,779,737.30. As shown below, this amount is less than that approved in 2018 due to the lower number of members in the Management.

|  | Board of Directors  |                          |                     | Board of Executive Officers |                          |                      | Total                |                          |                      |
|--|---------------------|--------------------------|---------------------|-----------------------------|--------------------------|----------------------|----------------------|--------------------------|----------------------|
|  | Approved in 2018    | Effectively paid in 2018 | Proposed 2019       | Approved in 2018            | Effectively paid in 2018 | Proposed 2019        | Approved in 2018     | Effectively paid in 2018 | Proposed 2019        |
| <b>Annual Fixed Compensation</b>             |                     |                          |                     |                             |                          |                      |                      |                          |                      |
| Number of members                            | 9.00                | 8.17                     | 9.00                | 11.00                       | 9.50                     | 7.58                 | 20.00                | 17.67                    | 16.58                |
| Salary or compensation for work (pro-labore) | 2,511,747.50        | 2,646,697.51             | 3,682,177.50        | 11,154,887.07               | 10,839,218.40            | 7,280,488.48         | 13,666,634.57        | 13,485,915.91            | 10,962,665.98        |
| Direct and indirect benefits                 | -                   | -                        | 247,929.22          | -                           | 880,442.93               | 1,263,653.27         | -                    | 880,442.93               | 1,511,582.49         |
| Compensation for participation in Committees | 732,813.20          | 620,288.20               | 965,778.45          | -                           | -                        | -                    | 732,813.20           | 620,288.20               | 965,778.45           |
| <b>Variable Compensation</b>                 |                     |                          |                     |                             |                          |                      |                      |                          |                      |
| Bonus  | -                   | -                        | -                   | 7,782,735.56                | 3,160,896.96             | 5,339,710.37         | 7,782,735.56         | 3,160,896.96             | 5,339,710.37         |
| <b>Total FC + VC</b>                         | <b>3,244,560.70</b> | <b>3,266,985.71</b>      | <b>4,895,885.17</b> | <b>18,937,622.63</b>        | <b>14,880,558.29</b>     | <b>13,883,852.13</b> | <b>22,182,183.33</b> | <b>18,147,544.00</b>     | <b>18,779,737.30</b> |

## B - SHARE-BASED COMPENSATION

The Share-based Incentive and Retention Plan approved in the Extraordinary Shareholders Meeting held on December 15, 2015 and amended on April 5, 2018 may include up to five point six eight (5.68%) of the Company's capital.

For fiscal year 2019, the Board of Directors plans to grant up to 513,750 shares to the Company's Management, which corresponds to 0.3% of the capital on the date hereof. Considering the 30-day average price calculated for the Share-based Incentive and Retention Plan, the amount granted for 2019 to the executive officers specified in the bylaws represents a nominal economic value of approximately R\$17,500,000.00 on the date hereof. In accordance with the applicable legislation and the characteristics of said plan, as per CPC 10, the amount granted for 2019 will be recognized over three years. In view of the accounting deferral determined by the applicable legislation, the maximum amount to be recognized in fiscal year 2019 related to the Program will be approximately R\$4,250,000.00.

In addition to the amount of R\$4,250,000.00 thousand, in view of the provision of the applicable legislation (CPC 10), the share-based compensation plan will be augmented by the amount of R\$5,425,863.58 thousand related to the accounting recognition projected for fiscal year 2019 related to the recognition of the grants made in prior periods, given the accounting deferral determined by applicable legislation, which occurs over three (3) years, including stock option programs (discontinued) and the granting of restricted shares.

Note that the amount cited in the previous paragraph refers to grants made in prior periods, which were approved by the competent agencies, all in accordance with the Share-based Incentive and Retention Plans, which were approved by the Shareholders' Meeting held, respectively, on November 29, 2012, December 15, 2015 and amended on April 5, 2018, thereby constituting a right already granted to beneficiaries and not related to compensation for services to be rendered in 2019.

## C – CONCLUSION

In view of the aforementioned, the overall compensation of the Company's managers for the fiscal year 2019 is of up to R\$29,833,773.17, to be divided as follows:

|   | Board of Directors  | Board of Executive Officers | Total                |
|---|---------------------|-----------------------------|----------------------|
| <i>Annual fixed compensation</i>                                | 2019 Proposal       | 2019 Proposal               | 2019 Proposal        |
| Number of members   | 9.00                | 7.58                        | 16.58                |
| Salary or compensation for work (pro-labore)                    | 3,682,177.50        | 7,280,488.48                | 10,962,665.98        |
| Direct and indirect benefits                                    | 247,929.22          | 1,263,653.27                | 1,511,582.49         |
| Compensation for participations on Committees                   | 965,778.45          | -                           | 965,778.45           |
| <b>Variable compensation</b>                                    |                     |                             |                      |
| Bonus   | -                   | 5,339,710.37                | 5,339,710.37         |
| <b>Other</b>  |                     |                             |                      |
| Post-employment benefits  | -                   | 364,024.42                  | 364,024.42           |
| Benefits arising from cessation of the exercise of the position | -                   | 1,014,147.86                | 1,014,147.86         |
| Share-based compensation <sup>1</sup>                           | 742,500.00          | 8,933,363.58                | 9,675,863.58         |
| <b>Total</b>  | <b>5,638,385.17</b> | <b>24,195,387.99</b>        | <b>29,833,773.17</b> |

<sup>1</sup> In accordance with the information in this proposal, said amounts arise from accounting effects established in the applicable legislation (CPC 10).

The information required for an adequate analysis of the proposal for the compensation of managers, in accordance with Art. 12 of CVM Instruction 481/09, is detailed in **APPENDIX V** of the Management Proposal.

**In the Extraordinary Shareholders Meeting:**

- (i) **Approving the inclusion of items 3.5.2. and 4.2. in the Share-based Incentive and Retention Plan, approved in the Shareholders Meeting held on December 15, 2015 and amended in the Shareholders Meeting held on April 5, 2018 (“Incentive Plan”).**

As detailed in **APPENDICES VI, VII and VIII** to the Management Proposal, Management proposes the inclusion of items 3.5.2 and 4.2 in the Incentive Plan, as shown below:

- a) *“3.5.2 – The vesting period of the Restricted Shares granted under the scope of this Clause 3.5 is at least three (3) years as from the Grant Date.”*

Management believes that the inclusion is necessary to align the rule for the vesting period of the Discretionary Bonus with the rule for the vesting periods of the Regular and Partner Programs, in line with the general concept that has been adopted by the Board of Directors in its management of the Incentive Plan.

- b) *“4.2 – Any Participant who has a private potential benefit or conflict of interest with any decision to be taken in connection with this Plan shall not participate in the discussions of the People and Compensation Committee and, consequently, in the resolutions of the Board of Directors.”*

The inclusion of this item aims to reinforce the governance rule that historically has been adopted by the Company and supported by the Board of Directors of not allowing the participation of people in the decision-making process that could have a potential private benefit or conflict of interest, including the selection of Participants in the Incentive Plan and the grants of Restricted Shares, in line with Article 48 of the Charter of the Board of Directors and of the Advisory Committees and with item 19 of the Company’s Code of Ethics and Conduct.

### 3. INSTRUCTIONS FOR PARTICIPATING IN THE MEETING

#### 3.1 DATE, TIME AND VENUE OF MEETINGS

**DATE AND TIME:** April 18, at 2:00 p.m. Shareholders interested in participating must present themselves at the venue thirty (30) minutes prior to the time indicated.

**PLACE:** Registered office of TOTVS – Avenida Braz Leme, 1.000, Casa Verde, São Paulo (SP).

#### 3.2 GENERAL INFORMATION:

##### **GENERAL INFORMATION:**

In accordance with Article 132 of Federal Law 6,404/76, corporations must hold their Annual Shareholders' Meeting within four months as from the end of the fiscal year. The fiscal year TOTVS starts on January 1 and ends on December 31 of each year. Accordingly, the Company must hold its Annual Shareholders' Meeting by April 30.

##### **DOCUMENTATION REQUIRED:**

In accordance with Article 10, Paragraph 5 of the Bylaws of the Company, Shareholders are requested to present, at least forty-eight (48) hours prior to the Meeting, in addition to their identification document and/or corporate acts attesting to their status as legal representatives, the following, as applicable: (i) statement issued by the bookkeeping institution no more than five (5) days prior to the Shareholders Meeting; (ii) proxy instrument with the notarized signature of the shareholder; and/or (iii) for shareholders whose registered shares are held in custody, a statement specifying their respective ownership interest issued by the competent body.

##### **ABSENTEE BALLOT:**

In accordance with Article 21-A of CVM Instruction 481/09, shareholder may exercise their voting right by completing and submitting the absentee ballot. The holders of shares issued by the Company that are held in custody banks may submit an absentee ballot through their respective custody agents, if the latter offers such service.

The collection and submitting of voting instructions also may be carried out through Banco Itaú, the stock transfer agent for TOTVS shares, through an electronic platform. To do so, shareholders must register on the website of Itaú Securities Services Assembleia Digital (<https://www.itaubr.com.br/securitiesservices/assembleiadigital/>).

Furthermore, shareholders may exercise their absentee voting right by sending the following documents directly to the Company (Avenida Braz Leme, 1000, City of São Paulo, State of São Paulo, Brazil, care of the Investor Relations Department:

- (i) *hard copy of the ballot for the shareholders meeting, duly completed, initialed and signed; and*
- (ii) *authenticated copy of the following documents:*

For individuals:

- *identification document with photograph of the shareholder;*

For legal persons:

- *most recent restated bylaws or articles of incorporation attesting to the shareholders' legal representation; and*
- *identification document with photograph of the legal representative.*

For investment funds:

- *most recent restated regulations of the fund;*
- *bylaws or articles of incorporation of its administrator or manager, as applicable, in accordance with the fund's voting policy and the corporate documents attesting to representation powers; and*
- *identification document with photograph of the legal representative.*

With regard to the documents referred to in items i and ii above, the Company requires, as applicable, authentication of the signature, notarization and consularization (except in the case of any alternative procedures permitted by international agreements or conventions).

The absentee ballots and respective documentation will be considered duly in order only if effectively received by the Company at least 7 days prior to the date of the Meeting. In accordance with Article 21-U of CVM Instruction 481/09, the Company will inform shareholders if the documents received are sufficient for their voting instructions to be considered valid, or the procedures and deadlines for any correction or re-submission, if required.

**MINIMUM QUORUM:**

The Annual Shareholders Meeting will be installed on first call with the presence of shareholders representing, at least, one-fourth of the voting capital.

**SUPPORT MATERIAL FOR THE MEETINGS:**

Copies of the documents to be discussed in the Meetings, including those required under CVM Instruction 481/09, are available to shareholders at the head office of the Company, on its Investor Relations website ([ri.totvs.com.br](http://ri.totvs.com.br)) and on the websites of the Securities and Exchange Commission of Brazil (CVM) and B3.

#### **4. LINKS OF INTEREST**

**INVESTOR RELATIONS WEBSITE:**

<http://ri.totvs.com.br/ptb>

**FINANCIAL STATEMENTS AND REPORT OF THE INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS:**

<https://ri.totvs.com/ptb/central-de-resultados#2019>

**CALL NOTICE:**

<https://ri.totvs.com/ptb/assembleias-e-reunioes>

**MANAGEMENT PROPOSAL:**

<https://ri.totvs.com/ptb/assembleias-e-reunioes>

**ABSENTEE VOTING BALLOT:**

<https://ri.totvs.com/ptb/assembleias-e-reunioes>