



Subject: Designation of Members of the Board of Directors, its Advisory Committees and the Executive Board	Identification: PO-JUR-02 Version: 00
Executive Board Responsible: Legal Department	Published on: 11/23/2018
Linked standards: Human Relations and Compensation Policy	Review by: 11/23/2020

1. Purpose

The purpose of this policy is to establish the process and minimum requirements for appointing members to the Board of Directors ("Board"), Board Advisory Committees ("Committees") and the Executive Board ("Executive Board") of TOTVS S.A. ("TOTVS" or "Company").

2. Scope

This Policy applies to the members of the Board, Committees and Executive Board of TOTVS, as well as to the Company's shareholders.

3. References

The references used for this Policy are: (i) the Company's articles of incorporation ("Articles of Incorporation"); (ii) the Internal Regulations of the Board ("Internal Regulations"); (iii) the Company's Code of Ethics and Conduct ("CODEC"); (iv) Law 6.404, of December 15, 1976 ("Corporation Law"); (v) the IBGC (Brazilian Institute for Corporate Governance) Code of Best Corporate Governance Practices and the Brazilian Code of Corporate Governance; and (vi) the Novo Mercado Regulation of B3 S.A. - Brasil, Bolsa, Balcão ("Novo Mercado Regulation").

4. Guidelines

4.1. General

The criteria for forming and appointing members of the Board, Committees and Executive Board must adhere to the Company's principles, values and culture, and to the strategy, maturity stage and expectations regarding the expected performance of these bodies.

4.2. Board of Directors and Committees

At the Shareholders' Meeting for the purpose of resolving on the election of the Board, in view of the expiration of the term of office, the shareholders must set the number of permanent members of the Board for the next term, before proceeding to elect its members. This item will be explicitly included in the Agenda. Management shall indicate its recommendation for this decision in the Management Proposal.

Both the Management Proposal and any competing recommendations and the list of members finally elected must comply with the minimum proportion of independent members established in the Articles of Incorporation and in the Novo Mercado Regulation - whichever is highest.



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The Board must be formed with a view to diversity in terms of academic background, professional experience, behavior, cultural aspects, age group and gender, as well as to complementary skills, enabling the Company to benefit from a plurality of arguments in the search for higher-quality and more secure decision-making strategies.

The appointment of members of the Board should be in line with the best interest of the Company and comply with the following criteria:

- (i) the positions of Chairperson of the Board and Chief Executive Officer or chief executive of the Company may not be accumulated by the same person;
- (ii) the Company's executives (officers and managers, except the Chief Executive Officer or Head Executive Officer) may not be members of the Board;
- (iii) an unblemished reputation, and unless waived by the Shareholders' Meeting, those (a) occupying positions in companies that may be considered competitors of the Company; or (b) having or representing a conflicting interest with the Company may not be elected;
- (iv) highly qualified professionals with outstanding and appropriate professional, technical and academic experience, compatible with the position for which they are being appointed, it being advisable to have knowledge of corporate governance best practice and experience in diverse topics such as financial aspects, sustainability, technology and information security;
- (v) alignment with and commitment to the principles, values and culture of the Company and its CODEC;
- (vi) strategic vision and understanding of the business; and
- (vii) sufficient time to devote to the position and responsibility assumed.

The Board has the following Committees: (a) statutory: (i) Audit Committee; (ii) Personnel and Compensation Committee; and (iii) Governance and Designation Committee; and (b) non-statutory: Strategy and Technology Committee.

The Committees are formed as follows: (a) People and Compensation: at least three (3) members, all directors, and at least two (2) of whom must be independent; (b) Audit: at least three (3) members, the majority being directors, all independent and at least one (1) of whom must have recognized experience in corporate accounting matters; (c) Governance and Designation : at least three (3) members, all directors, at least two (2) of whom are independent directors and (d) Strategy and Technology: five (5) members, of whom four (4) are directors, the majority being independent, and the Company's Chief Executive Officer.

The appointment of an external member to participate in the Committees must be in line with the best interest of the Company and comply with the non-exhaustive criteria listed above in item 4.2, it being indispensable that they have solid skills and experience in the accounting and financial areas, as well as knowledge of audit practices and procedures and of risk management and internal controls in the case of a member of the Audit Committee.



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4.3. Executive Board

The Board is responsible for selecting, electing and evaluating the Head Executive Officer, with the support of the Personnel and Compensation Committee and the Governance and Designation Committee to ensure the existence, effectiveness and implementation of a succession plan for executives.

It shall be incumbent upon the Head Executive Officer to make recommendations for the other Executive Board positions to the Board, in order to form a group under the leadership of the Head Executive Officer that brings together the skills and attributes necessary to achieve the Company's business goals and plans.

The appointment of Executive Board members must be in line with the best interest of the Company and comply with objective criteria that indicate the qualification of the candidate, such as technical knowledge and professional experience, time in positions of leadership, academic training compatible with the duties of the position and unblemished reputation.

In the event of absence or impediment of any officer, the Executive Board chooses the interim replacement from among its members, noting that the Head Executive Officer and the Chief Executive Officer will replace each other in the performance of their duties, even when one of these positions is not provided or there is a vacancy during the term of office.

In the event of vacancy of any position, the Board may appoint a substitute Officer to complete the term of office.

For the posts of Head Executive Officer and Chief Executive Officer, those who are already aged sixty-two (62) on the date of the election may not be elected; and those who are already aged sixty (60) on the date of the election may not be elected to occupy other positions on the Executive Board.

Reserving positions on the Executive Board for direct recommendation by shareholders is prohibited.

4.4 Procedures for recommendations for the Board of Directors and the Committees

The appointment of members to the Board may be made by management or by any shareholder of the Company, pursuant to Corporation Law.

The Investor Relations Board ("DRI") will assist the Governance and Designation Committee in interactions with shareholders. In turn, shareholders who wish to contact the Committee to discuss the group's make up, make suggestions or separate recommendations must do so through DRI.

Notwithstanding the efforts of the Governance and Designation Committee in engaging with the shareholders, the possibility of direct recommendations by shareholders is always ensured, as established by law and CVM (Securities Commission) regulations.

Company shareholders who opt for distance participation in general meetings may request the inclusion of candidates to the Board in the Distance Voting Bulletin, complying with set percentages of ownership interest, documentation and deadlines set forth in the current legislation.



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In the Management Proposal regarding the Shareholders' Meeting for electing the members of the Board, the Board must include a statement on the adherence to this Appointment Policy by each candidate for the position of director.

The proposed re-election of members of the Board and its Committees should take into account their good performance during the period, their experience, attendance at meetings during the previous term of office, as well as an evaluation of the benefits of replacing them and renewing the Board, when compared to their remaining and re-election.

4.4.1. Role of the Governance and Designation Committee

It is the responsibility of the Governance and Designation Committee to select and appoint to the Board persons who, in accordance with legal requirements and the Company's needs, and after the relevant stakeholders have been heard, may be candidates to join the lists to be approved by the Board - or individually - for submission to the election by the Shareholders' Meeting. The Governance and Designation Committee shall carry out its analyses and make recommendations to the Board based on this Policy.

In the event of possible vacancies, it is also incumbent upon the Governance and Designation Committee to select and recommend to the Board individuals for the positions of director.

The Governance and Designation Committee shall support the Board and the shareholders in assessing candidates for directors as to whether they qualify as an independent member.

In the process of forming the Board, the Governance and Designation Committee will play a central role in the five stages of the process:

- (i) analysis of the existing and desired profiles of the group, in the form of item 4.2 of this Policy;
- (ii) evaluation process of the Board, pursuant to item 5.1 of this Policy;
- (iii) engagement with the main shareholders in order to gather views and suggestions;
- (iv) identification of candidates to be included in the Management Proposal; and
- (v) managing the process of individual recommendations to the Board made directly by shareholders, if any.

The Governance and Designation Committee will constantly monitor the skills matrix of the members of the Board. The aim will be to verify the body's efficiency and the complementarity of its functions, as well as to point out possible failures or improvements in its formation.

The make up of the Board should be evaluated at least at the end of each unified term of office, in order to ensure the complementarity, coherence and adherence of the skills of its members. The evaluation form will be disclosed to the market.



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It is incumbent upon the Governance and Designation Committee to select and appoint to the Board persons who, having met the legal requirements and the needs of the Company, may be candidates to serve on Board Advisory Committees.

The Board, having heard the Governance and Designation Committee, appoints one (1) Coordinator to each Committee, who must necessarily be an Independent Director.

4.5 Procedures for appointment to the Executive Board

It is the responsibility of the Board to elect and dismiss the Company's Officers and to establish their duties.

The Head Executive Officer should consider the succession plan approved by the Board when nominating candidates for the positions of Company Officers, as well as the opinion of the Personnel and Compensation Committee.

The proposed re-election of Officers should be based on regular evaluation which considers performance indicators, meeting targets and alignment with the Company's culture.

4.5.1. Role of the Personnel and Compensation Committee

The duties of the Personnel and Compensation Committee are:

- (i) to examine candidates to be appointed to the Company's Executive Board, as indicated by the Head Executive Officer, submitting its recommendation to the Board of Directors for the respective election;
- (ii) monitor the preparation and implementation of a succession plan for the Company's executives, in order to ensure that management has professionals to be hired or promoted and whose professional experience and skills contribute to the good performance and preservation of the Company's value, keeping said plan always updated for regular monitoring by the Board, and the succession plan of the Chief Executive Officer will be monitored by the Chairperson of the Board; and
- (iii) To monitor the evaluation process of the Company's executives.

4.6 Role of the Governance and Designation Committee

The duties of the Governance and Designation Committee include ensuring the existence, effectiveness and implementation of a succession plan for executives, monitoring its execution together with the Personnel and Compensation Committee.



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5. Approvals (Document)

Name / Position	Description
Andre Rizk General Counsel	Preparation
Ricardo Guerino de Souza Planning and Controllership Officer	Review
Governance and Designation Committee	Recommendation
Personnel and Compensation Committee	Recommendation
Audit Committee	Recommendation
Board of Directors	Approval