

**REPORT ON THE BRAZILIAN CODE OF CORPORATE GOVERNANCE
PUBLICLY-HELD COMPANIES**

TOTVS S.A.

Filed on July 31, 2019.

The documents mentioned herein are available on the Company's website (<https://ir.totvs.com>) and/or that of the CVM - Securities Commission (www.cvm.gov.br).

1. In relation to principle 1.1: "Each share must be entitled to one vote":

- a. please state whether issuer abides by the following recommended practice: "The company's capital stock must be made up only of common shares";
- b. in the event of failure to adopt the recommended practice, in line with Code guidelines, please give the reasons that led the issuer to adopt other shareholding structures.

Practice adopted.

2. In relation to principle 1.2: "Shareholders' agreements shall not transfer to signatory shareholders decisions on matters that are the jurisdiction of the board of directors, the executive board or the supervisory board":

- a. please state whether the shareholders' agreements filed at the issuer's principal place of business or of which the controlling shareholder is a party, regulating the exercise of voting rights or the transfer of shares issued by the issuer, abide by the following recommended practice: "shareholders' agreements shall not bind the exercise of voting rights of any manager or member of the supervisory and control bodies";
- b. in the event of failure to adopt the recommended practice or adopting it only partially, in line with Code guidelines, please give the justification of shareholders signatory to the agreements on the subject.

Practice adopted.

3. In relation to principle 1.3: "Management must seek shareholder engagement, encourage attendance of shareholders' meetings and correct understanding of the matters to be resolved, as well as facilitate nomination and election of candidates to the board of directors and supervisory board":

a. please state whether the issuer abides by the following practices:

i. "The executive board should use the meeting to communicate the conduct of the company's business, so Management must publish a manual to facilitate and encourage participation in meetings"

ii. "Minutes must enable full understanding of the discussions at the meeting, even if drawn up in the form of a summary of events, and identify the votes cast by the shareholders";

b. in the event of failure to adopt the recommended practices or their partial adoption, please give the issuer's justification on the subject.

Practices adopted.

4. In relation to principle 1.4: "Defense measures, if adopted by the company, should aim to prevent opportunistic acquisitions of significant portions of the company's capital at unfavorable market times, preserving liquidity or maximizing the value of shares, for the benefit of all shareholders":

a. please state whether there are mechanisms to protect against stock dispersion provided for in the issuer's articles of incorporation:

i. whether issuer abides by the following recommended practice: "The board of directors shall undertake a critical analysis of the advantages and disadvantages of the defense measure and its characteristics, in particular triggers and price parameters, if applicable, explaining them";

ii. whether these mechanisms are in accordance with the following recommended practices:

- **"clauses making it impossible to remove the measure from the articles of incorporation, so-called 'eternity clauses' should not be used"**
- **"If the articles determine public offering (PO) to be made for the acquisition of shares, whenever a shareholder or group of shareholders, directly or indirectly, achieves a significant interest in the voting capital, the rule determining the offer price may not impose premium additions substantially above the economic or market value of the shares";**

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject;

c. if adoption of practices is recommended, in line with Code guidelines, please state:

i. websites where the board of directors' critical analysis can be consulted regarding the advantages, disadvantages and characteristics of the defense measure and above all the triggers and price parameters;

ii. the reasons why the issuer views premium additions above market or economic value as not substantial.

Practices not adopted.

The stock dispersion protection mechanism was included in the [Company's Bylaws](#) (Article 43) on March 7, 2006, when the initial offering of shares listed on the Novo Mercado segment of B3 S.A. – Brasil, Bolsa, Balcão was carried out, in order to avoid the Company's shares becoming concentrated among a small group of investors, and, consequently, promoting the dispersion of shareholders.

These provisions have since been maintained in subsequent statutory reforms, the most recent having been approved by the meeting held on April 05, 2018. The mechanism is justified as the Company is controlling diffusion. It should be noted that the percentage adopted as a trigger for application of the stock dispersion protection mechanism in the Company's Articles exceeds the interest of the largest shareholder.

For these reasons, the Company's Management believes that shareholders have repeatedly considered that the price parameters of the PO are appropriate for protecting the Company, without unduly hampering management.

5. In relation to principle 1.5: "Regardless of the legal form and terms and conditions negotiated for transactions resulting in change of control, all shareholders of the company subject to the transaction shall be treated fairly and equitably":

a. please state whether issuer abides by the following recommended practice: "The company's articles must establish that: (i) transactions in which the direct or indirect disposal of share control is to be accompanied by a public offering for the acquisition of shares ("PO") addressed to all shareholders for the same price and conditions obtained by the selling shareholder; (ii) the officers/directors must express their opinion on the terms and conditions of corporate reorganizations, capital increases and other transactions giving rise to change of control, and shall indicate whether they ensure fair and equitable treatment of the company's shareholders";

b. in the event of failure to adopt the recommended practices or their partial adoption, please give the issuer's justification on the subject.

Practices adopted.

6. In relation to principle 1.6: "The board of directors must advise shareholders regarding POs addressed to them":

a. please state whether issuer abides by the following practice: "The articles of incorporation must establish that the board of directors shall give its opinion on any PO for shares or securities convertible or exchangeable for shares issued by the company, which must contain, among other relevant information, management's opinion on possible acceptance of the PO and on the economic value of the company";

b. in the event of failure to adopt the recommended practice or its partial adoption, in line with Code guidelines, please give the issuer's justification on the subject.

Practice adopted.

7. In relation to principle 1.7: "The company's income allocation policy should respect the economic and financial characteristics of the business - cash generation and need for investments - and be known to all stakeholders, shareholders and investors":

a. please state whether issuer abides by the following practice: "The company must prepare and disclose the income allocation policy defined by the board of directors. Among other aspects, such policy should establish the frequency of dividend payments and the parameter to be used to define the respective amount (percentages of adjusted net income and free cash flow, among others)";

b. in the event of failure to adopt the recommended practice or its partial adoption, please give the issuer's justification on the subject.

Practice not adopted.

The Company has no policy establishing rules beyond those provided by law.

Nevertheless, articles 36 to 41 of the [Company's Bylaws](#) set the minimum rules for income allocation, followed by the Board of Directors in the proposals submitted to the annual general meeting or in the approval of the interim distributions throughout the fiscal years.

Historically, the Company approves half-yearly interim distributions, in addition to the annual resolution of the shareholders. The policy adopted by the Company is therefore that established in its [Company's Bylaws](#) and consistently practiced by the Board of Directors. The history of the Company's income allocation is given in item 3.4 of the [Reference Form](#).

8. In relation to principle 1.8: "Orientation of the company's activities by the controlling shareholder so that it serves the public interest that justified the creation of the government-controlled (private) company must be reconciled with the interests of other shareholders and investors in the company's securities:

a. issuers that are government controlled (private) companies must state whether they abide by the following practices:

i. "The articles of incorporation must clearly and precisely identify the public interest which justified the creation of the government-controlled (private) company, in a specific chapter";

ii. "The board of directors must monitor the company's activities and establish policies, mechanisms and internal controls to determine possible costs of meeting the public interest and any compensation for the company or other shareholders and investors by the controlling shareholder;"

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject;

c. in the event of recommended adoption of the practices, in line with Code guidelines, please give the following information:

i. clearly and precisely identify the public interest which justified the creation of the government-controlled (private) company;

ii. how and how frequently the board of directors monitors the activities of the issuer;

iii. the internal policies, mechanisms and controls established by the issuer for the purpose of ascertaining the possible costs of meeting the public interest and possible compensation for the company or other shareholders and investors by the controlling shareholder;

iv. the costs of meeting the public interest and any amounts paid out in the last fiscal year.

Not applicable.

9. In relation to principle 2.1: "The board of directors must exercise its powers considering the long-term interests of the company, the impacts arising from its activities in society and the environment and the fiduciary duties of its members, acting as guardian of the principles, values, social purpose and governance system of the company ":

a. please state whether issuer abides by the following recommended practice: "The board of directors shall, without prejudice to other legal, statutory and other duties provided for in the Code: (i) define business strategies, considering the impact of the company's activities on society and the environment, aiming at the company's continuity and the creation of value in the long term; (ii) regularly evaluate the company's exposure to the risks and effectiveness of risk management systems, internal controls and compliance system and approve a risk management policy consistent with business strategies; (iii) define the company's ethical values and principles and ensure transparency in the issuer's relationship with all stakeholders; (iv) review the corporate governance system with a view to improving it, annually";

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject;

c. in the event of indication of the adoption of the practices, in line with Code guidelines, please state how the agency acts in relation to each of the recommended practices.

Practices adopted.

The duties of the Board of Directors are regulated in articles 2 and 4 of its [Charter](#), approved on March 11, 2019, and in article 19 of the [Company's Bylaws](#).

In Management's view, effective adoption of such practices can be evidenced in at least five ways: composition of the Board of Directors; performance of the Strategy Committee; performance of the Board of Directors; maintenance of the Institute of Social Opportunity; and [Integrated Report](#).

Regarding the composition of the Board (item 12.5/6 of the [Reference Form](#)), it can be seen that it contains professionals with extensive experience in management and strategic planning. The formation of the Board is the result of the work of the Governance and Appointment Committee, which seeks profiles that complement the Board, given the needs of the Company and listening to its main shareholders.

The Strategy Committee, an advisory body of the Board, was created on June 22, 2011 and currently, is made up of 5 members, 4 of whom are directors, most of them independent, and the Chief Executive Officer. It works in partnership with Management to develop the strategic planning, holding regular meetings (9 meetings in 2018) to analyze and discuss topics supporting the construction of the Company's vision of the future and strategic planning, to analyze the proposals of the Executive Board for their execution, to issue opinions and to present the proposals to the Board (item 12.1 of the [Reference Form](#) and Article 43 of the [Charter of the Board of Directors](#)).

In 2017, iDEXO was inaugurated, an institute aiming to connect startups, entrepreneurs, and developers with large companies in search of new business solutions (item 7.3 of the [Reference Form](#)).

The performance of the Board under criteria provided for in the Code can be evidenced thanks to its transparency policy. TOTVS publishes a summary of all minutes from meetings of the Board, with the exception of confidential acts and discussions, on its [Investor Relations](#) website. The recurrence can be seen of strategic items, especially the meeting usually held in August, for each fiscal year, entirely devoted to strategic planning.

The Company is also the main sponsor of the [Institute of Social Opportunity](#), a non-profit organization that offers professional training aimed at low-income youth and people with disabilities (further details are included in the annual report available on its [website](#)).

Since 2016, TOTVS has published its [Integrated Report](#), with the participation of all senior management and the Board. We have been working to constantly improve. It highlights the importance of environmental, social and governance factors in the Company's strategic decisions.

The duties of the Board regarding risks, internal controls and compliance are regulated in Articles 23 of the [Company's Bylaws](#) (through the Audit Committee) and 2 and 4 of the [Charter of the Board of Directors](#). In Management's view, effective adoption of these practices can be evidenced in at least 3 ways: organizational policies; internal management practices; performance and format of the Audit Committee. As a rule, the policies are public and available on the Investor Relations website, except for specific cases determined by the Board of Directors. Further information is included in item 26 (Principle 4.5) of this Report and in items 4 and 5 of our [Reference Form](#).

One of these is the [Policy on Risk Management and Internal Controls](#), approved by the Board of Directors on June 11, 2019, which establishes the guidelines and responsibilities applicable to the risk management of the Company, including the methodology to be adopted and aspects of the governance and risk-management culture.

The Company has a structure of Internal Controls whose activities involve mapping processes and helping to identify risks, monitoring and suggesting improvements in internal controls by the operational areas and reporting any inconsistencies or outdated designs in process flows, rules and procedures whose modification could aggravate the controls environment. The internal control structure must be assessed periodically to verify the efficiency of existing internal controls and influences resulting from potential changes in the Company's internal and/or external environment.

The duties of the Board regarding ethics and fair treatment of the interested parties are regulated in articles 31 of the [Novo Mercado Regulation](#) and 36 of the [Charter of the Board of Directors](#) (through the Audit Committee). In Management's view, effective adoption of these practices can be evidenced in at least 4 ways: application and mobilization of our values, synthesized in the #SOMOSTOTVERS program; application and updating of TOTVS [Code of Ethics and Conduct](#); organizational policies; and Integrity Program.

The TOTVS Culture evolved in 2017 in a way never before experienced. This was a milestone in our Digital Transformation Journey and in our relationship with the customers, suppliers, and partners. The attributes that define TOTVS were born, translated into the creation of #SOMOSTOTVERS and throughout the communication plane for disseminating the new Culture (more information in the [Integrated Report](#)).

Through its Integrity Program, TOTVS adopts integrity mechanisms and procedures to prevent, detect and properly treat acts of corruption, fraud or misconduct of any kind against the government of Brazil or any other country, as well as in the private sector, considering the countries where the Company has operations.

The duties of the Board regarding the evolution of the governance system are regulated by articles 19 of the [Company's Bylaws](#) and 4 of the [Charter of the Board of Directors](#). In Management's view, effective adoption of these practices can be evidenced in at least 3 ways: performance of the Governance and Appointment Committee; performance of the People and Compensation Committee; and evaluation of the Board.

The review of the governance system is carried out continuously, under the primary responsibility of the Governance and Appointment Committee, which met 9 times in 2018. As an example, all proposed statutory reforms, as well as the review of certain organizational policies and documents disclosed to the market are processed by this Committee. The People and Compensation Committee met 9 times in 2018 and its duties described in article 40 of the [Charter of the Board of Directors](#) include several initiatives related to the evolution of the governance system, such as the selection, hiring, evaluation, compensation and succession of the Company's executives.

10. In relation to principle 2.2: "The board of directors must have members with a diverse profile, an adequate number of independent directors, and size that enables the creation of committees, effective discussion of ideas and making technical, exempt and informed decisions":

a. please state whether the issuer abides by the following recommended practices:

i. "The articles of incorporation should establish that: (i) the board of directors is made up mostly of external members, with at least one third of its members being independent members; (ii) the board of directors shall evaluate and disclose who its independent directors are annually, as well as indicate and justify any circumstances that might compromise their independence";

ii. "The board of directors shall approve an appointment policy establishing: (i) the process for the appointment of members of the board of directors, including an indication of the participation of other company bodies in said process; and (ii) that the board of directors should be composed bearing in mind for its members' having time available to perform their duties and diversity of knowledge, experience, behavior, cultural aspects, age group and gender";

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject, giving:

i. the reason why the company does not have a formalized appointment policy, indicating whether there are other documents from the issuer, such as the articles of incorporation, regulating the process of appointing members of the board of directors;

ii. the reason why the policy does not cover all recommended practices;

iii. the reason why the issuer's assessment of the independence of the board directors differs from the parameters in the guidelines set forth in the Code;

c. in the event of indication of the adoption of the practice, in line with Code guidelines, please state how the policy is implemented in the day to day of the company, describing how the process for appointing members of the board of directors occurs and indicating the participation of other company bodies, including the appointment or nominating committee.

Practices adopted.

Item c) – On November 12, 2018, the [Board of Directors approved the Policy for Nominating Members to the Board of Directors, to its Advisory Committees and to the Board of Statutory Officers](#), which establishes the process and minimum requirements for the appointment of members to the Board, to its Committees and to the Board of Statutory Officers of the Company.

An integral part of the nomination process of the Company involves the Governance and Nomination Committee, an advisory body to the Board of Directors, the duties of which are set forth in Article 25 of the [Company's Bylaws](#) and in Article 45 of the [Charter of the Board of Directors](#).

The Governance and Nomination Committee plays a key role in the five steps of the appointment process: (i) analysis of the existing profiles and those desired by the Board, under item 4.2 of the Policy; (ii) the evaluation process of the Board, under item 4.1.1 of the [Policy](#); (iii) engagement with the main shareholders to collect perceptions and suggestions; (iv) identification of candidates to be included in the Management Proposal; and (v) management of the process of separate appointments to the Board made directly by shareholders, if any.

In addition, the Governance and Nomination Committee monitors permanently the matrix of skills of the members of the Board to verify the body's efficiency and how their functions complement each other, as well as to identify any faults or improvements to be made in its structure.

11. In relation to principle 2.3: "The chairperson of the board shall coordinate the activities of the board of directors for the effectiveness and good performance of the board and each of its members, serving as a link between the board of directors and the chief executive officer":

a. please state whether the issuer: "The chief executive officer should not accumulate the position of chairperson of the board of directors";

b. in the event of failure to adopt the practice, in line with Code guidelines, please give the issuer's justification on the subject, stating any alternative practices adopted to avoid the concentration of powers of chairperson and chief executive officer negatively affect monitoring of the executive board's performance by the board of directors.

Practice adopted.

12. In relation to principle 2.4: "The board of directors shall establish mechanisms for regular evaluation of performance contributing to its effectiveness and to the improvement of the company's governance":

a. please state whether issuer abides by the following recommended practice: "The company shall implement an annual process for evaluating the performance of the board of directors and its committees, such as collegiate bodies, the chairperson of the board of directors, the directors, individually considered, and the governance department, should there be one";

b. in the event of failure to adopt the recommended practice or its partial adoption, in line with Code guidelines, please give the issuer's justification on the subject, stating whether there is a process conducted more than once year or alternative practices adopted for complying with the principle, indicating, if so, the criteria considered in the evaluation and whether external experts participate in the process;

c. in the event of indication of adoption of the practice, in line with Code guidelines, please state the criteria considered in the evaluation, whether there is participation of external experts, and at what intervals, whether the process considers attendance in examining and discussing the subjects in question, active participation in the decision-making process and commitment to exercise of the functions, main points identified for improving the body and corrective actions implemented.

Practice adopted.

The required information is detailed in articles 4, item (vi), 11, item (vii) and 45, item (vi) of the [Charter of the Board of Directors](#), which, in short, provide that:

- (i) The Board of Directors is responsible for establishing mechanisms for evaluating the performance of the Board and its Committees, such as collegiate bodies, the Chairperson of the Board and the directors, individually considered, and of the Corporate Governance Department;
- (ii) The Chairperson of the Board of Directors, with the support of the Corporate Governance Department and in accordance with the recommendations of the Governance and Appointment Committee, is responsible for leading a structured and formal process of evaluation of the Board and its Committees, as collegiate bodies, of the Chairperson of the Board, the individual directors and the Corporate Governance Department, and the results of the Board evaluation will be disclosed to all Directors;
- (iii) The Governance and Appointment Committee is responsible for supporting the Chairperson of the Board in organizing the performance evaluation process for the Board of Directors and the directors.

In 2017, after said Internal Rules were passed, the company implemented a formal annual process for evaluating the performance of the Board of Directors and its Committees, such as collegiate bodies, the Chairperson of the Board of Directors, the directors, individually considered, and the Corporate Governance Department.

The evaluation process implemented by the Company in 2017 was carried out based on a questionnaire for the directors and members of the Committees, the questions of which are related to topics for self-assessment; strategic aspects; general dynamics of the Board and of meetings; performance of the Committees, the Corporate Governance Department and the Chairperson of the Board; as well as 360-degree assessment of directors and committee members.

The overall results of the evaluation carried out in 2017 were presented to the Chairperson of the Board, the Governance and Appointment Committee and, subsequently, to the Board of Directors, by the Corporate Governance Department. In addition, the Chairperson of the Board met individually with the directors to conduct 360-degree feedback.

The Board of Directors has defined some action plans on points identified in this evaluation process, the implementation of which will be monitored by the Board, with the support of the Corporate Governance Department.

No external experts participated in the evaluation process in 2017.

In 2018, the evaluation of the Board of Directors was conducted with the participation of external experts (The Boston Consulting Group - BCG). The steps, scope and result of the evaluation were presented to the Board at a meeting held on December 20, 2018.

13. In relation to principle 2.5: "The board of directors must ensure the continuity of the company's management, preventing the succession of its principal leaders from affecting the company's performance and destroying its value":

a. please state whether issuer abides by the following recommended practice: "The board of directors shall approve and keep up to date a succession plan for the chief executive officer, preparation of which shall be coordinated by the chairperson of the board of directors";

b. in the event of failure to adopt the recommended practice or its partial adoption, in line with Code guidelines, please give the issuer's justification on the subject;

c. in the event of indication of the adoption of the practice, in line with Code guidelines, please give the date of approval of the succession plan and the date of its most recent update.

Practice adopted.

The succession plan was approved by the Company's Board of Directors on May 30, 2017, and the most recent update was presented at the meeting of June 11, 2019. The plan covers all the statutory functions of the first level of management (N1).

Pursuant to article 40, item (vii) of the [Charter of the Board of Directors](#), the People and Compensation Committee is responsible for "*monitoring the development and implementation of a succession plan for the Company's executives to ensure that management has hired or promoted professionals whose professional experience and skills contribute to the good performance and preservation of the Company's value, always keeping said plan updated for regular monitoring by the Board, with the implementation of the succession plan for the Chief Executive Officer monitored by the Chairperson of the Board*".

Pursuant to article 45, item (vii) of the [Charter of the Board of Directors](#), the Governance and Appointment Committee is responsible for "*ensuring the existence, effectiveness and implementation of a succession plan for the executives, accompanying its execution together with the People and Compensation Committee*". Currently, the Chairperson of the Board of Directors is the coordinator of the Governance and Appointment Committee.

On November 26, 2018, the Board of Directors elected Dennis Herszkowicz as Chief Executive Officer, to replace Laércio Cosentino, who subsequently was elected Chairman of the Board of Directors.

14. In relation to principle 2.6: "Members of the board of directors must understand the company's business in order to perform their duties well":

a. please state whether issuer abides by the following recommended practice: "The company must have an integration program for new members of the board of directors, previously structured, so that said members are introduced to the key people in the company and to its facilities and in which the subjects essential for understanding the business of the company are addressed";

b. in the event of failure to adopt the recommended practice or its partial adoption, in line with Code guidelines, please give the issuer's justification on the subject which may indicate any alternative procedures adopted by the issuer;

c. in the event of indication of adoption of the practice, in line with Code guidelines, describe the program for integrating new directors.

Practice adopted.

The Company has an integration program for new directors to ensure they can perform their duties adequately and effectively. Article 11, item (xii) of the [Charter of the Board of Directors](#), establishes that it is the responsibility of the Chairperson of the Board of Directors "*together with the Chief Executive Officer, with the collaboration of the Corporate Governance Department, upon the election of a new member of the Board, to organize and coordinate a program of integration and training of the new adviser, enabling them to make contact with the activities and obtain information about the Company*".

The current integration plan includes meetings with key executives of the Company lasting approximately one day and, preferably, prior to the first participation of the new director in a Board meeting, whose content will be personalized, prepared in accordance with the professional qualification/experience of the new director, strategy vision and revision of the main strategic projects of the Company, aiming to offer comprehensive knowledge of the business, giving them an adequate basis on which to take office.

In addition, all directors participate in a continuing education program, with frequent meetings with key executives of the Company and participation in internal and external events with diversified content to keep them well informed on and aligned with matters related to the Company.

15. In relation to principle 2.7: "The compensation of members of the board of directors must be aligned with the strategic objectives of the company focusing on its continuity and on creating value in the long term":

a. please state whether issuer abides by the following recommended practice: "The compensation of members of the board of directors must be proportional to the duties, responsibilities and time demands. Compensation should not be based on participation in meetings, and variable compensation for directors, if any, should not be linked to short-term results";

b. in the event of failure to adopt the recommended practice or its partial adoption, in line with Code guidelines, please explain:

- i. the existence of any director's compensation differing from that of other members;**
- ii. why board members' compensation is based on participation in meetings or linked to short-term results.**

Practice adopted.

16. In relation to principle 2.8: "The performance of the board of directors must be guided by a document containing rules regulating its structure and way of acting":

a. please state whether issuer abides by the following recommended practice: "The board of directors must have internal rules that regulate its responsibilities, duties and rules of operation, including: (i) the duties of the chairperson of the board of directors; (ii) the rules for replacing the chairperson of the board in the event of absence or vacancy; (iii) the measures to be taken in situations of conflict of interest; and (iv) setting a sufficient deadline for receipt of the materials for discussion at meetings, in adequate depth";

b. in the event of failure to adopt the recommended practice or its partial adoption, in line with Code guidelines, please give the issuer's justification on the matter, indicating whether there is another internal document regulating the processes of operation of the board of directors, and informing, if the internal rules do not do so, what measures should be taken in situations involving conflicts of interest.

Practice adopted.

17. In relation to principle 2.9: "The board of directors must adopt a set of actions to facilitate the effectiveness of its meetings, facilitate the performance of external directors and give transparency to their performance":

a. please state whether the issuer abides by the following recommended practices:

i. "The board of directors shall establish an annual calendar with the dates of ordinary meetings, no less than six and no more than twelve, and shall also convene special meetings whenever necessary. Said calendar should establish an annual agenda of topics with relevant subjects and dates of discussion";

ii. "Board meetings should regularly provide for exclusive sessions for external directors, without the presence of executives and other guests, for the alignment of external directors and discussion of issues that could lead to embarrassment";

iii. "The minutes of the meeting of the board shall be clearly drafted and record decisions taken, persons in attendance, dissenting votes and abstention from voting";

b. in the event of failure to adopt the recommended practices or their partial adoption, please give the issuer's justification on the subject, stating: (i) if the calendar does not establish a number of meetings between six and twelve, the reasons for this; (ii) if the calendar does not indicate the dates of discussion of the most relevant issues, the justification for this, informing whether it is a recurrent practice or an exceptional situation influenced by a particular context; (iii) the reason why the calendar does not establish exclusive meetings between external directors, or why these meetings, even if established, did not take place;

c. in order to comply with the practice indicated in item 17.a.iii, indicate, in line with Code guidelines, whether the internal rules of the board of directors establish the adoption of such practices.

Practices adopted.

The minimum frequency of meetings of the Board of Directors is established in the [Company's Bylaws](#), in article 18 (minimum of 6 meetings per year).

However, the actual frequency of meetings is much higher. In 2018, the Board of Directors met 12 times, the Audit Committee 11 times, the Strategy Committee 9 times, the People and Compensation Committee 9 times and the Governance and Appointment Committee 9 times.

It is incumbent upon the Corporate Governance Department to assist in preparing the annual calendar with the dates of the ordinary meetings of the Board of Directors, as well as to publish the approved calendar.

The agenda of ordinary meetings of the Board of Directors preferably follows the order below: (i) approval and signature of minutes of the previous meeting; (ii) presentation of meeting agenda and topics for deliberation; (iii) report from Chief Executive Officer; (iv) issues from the Advisory Committees; (v) interval; (vi) other business within the competence of the Board; (vii) space for the presentations from guests; and (viii) executive session (without the presence of Company executives).

It is the responsibility of the Corporate Governance Department to draft and record the minutes of the Board of Directors' meetings, which must be clear, recording all decisions taken, abstention from voting due to conflicts of interest, responsibilities and deadlines. The minutes must be approved by the directors and drawn up in the proper book.

Directors with differences of opinion with respect to the conduct of the Company's business or proposed act shall ensure that this is recorded in the minutes.

The Company adopts the practice of publishing a summary of all meetings of the Board of Directors, listing all non-confidential matters dealt with, in order to clarify the work of the board.

The abovementioned practices are detailed in the [Charter of the Board of Directors](#), as established in articles 13, items (ii) and (vii) to (x), 14, 20, items (viii) and 21, paragraphs 1 and 3.

18. In relation to principle 3.1: "The executive board must manage the company's business, respecting the limits of risk and the guidelines approved by the board of directors":

a. please state whether the issuer abides by the following recommended practices:

- i. "the executive board shall, without prejudice to its legal and statutory duties and other practices established in the Code: (i) implement the risk management policy and, whenever necessary, propose to the board any need to revise this policy, due to changes in the risks to which the company is exposed; (ii) implement and maintain effective mechanisms, processes and programs to monitor and disclose financial and operational performance and the impacts of company activities on society and the environment";**
- ii. "The executive board must have its own internal rules that establish its structure, its functioning and its roles and responsibilities";**

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject, giving:

- i. if the risk limits and the guidelines approved by the board of directors have not been observed or the strategies defined by them have not been implemented in the previous fiscal year, the reason for that fact;**
- ii. if there are no internal rules or if the rules do not fully comply with practice, the reason for that fact.**

Item (a) (i) - Practice adopted. As described in the [Policy on Risk Management and Internal Controls](#), particularly with regard to the duties of the Internal Control, Risk and Compliance Department. Recently, in a meeting held on June 11, 2019, the Board of Directors approved a

revision of the [Policy of Risk Management and Internal Controls](#), in view of the reassessment of the methodology, the impact and probability matrix and the consolidation of priority risks, reinforcing the importance of developing a culture of risk management in the business areas of the Company and of revising and monitoring the progress of the risk map annually.

Item (a) (ii) - Practice not adopted: With regards the practice described in item (a) (ii), the Executive Board does not have internal rules. It is Management's view that such rules have not proved to be necessary, given the dynamics of the Executive Board's operations. Its members are in one single, open space, providing constant interaction, enabling agile and efficient decision making.

19. In relation to principle 3.2: "The process of recommending and filling executive board and management positions should aim to form a group aligned with the company's principles and ethical values with a view to diversity, including of gender, aiming at occupation by individuals with complementary skills, qualified to face the challenges of the company":

a. please state whether issuer abides by the following recommended practice: "There should be no reserving of executive board or management positions for direct recommendation by shareholders";

b. in the event of failure to adopt the recommended practice or its partial adoption, in line with Code guidelines, please give the issuer's justification on the subject, stating:

i. if such reservation is established in a shareholders' agreement, the justification of the shareholders signatory to the agreements on the subject, addressing, for example, the specific characteristics of the company's control structure that might justify such practice, as well as the existence of any mitigation mechanisms, such as the establishment of requirements for the exercise of the position to be filled by recommended individuals;

ii. if the reservation of positions is established by law or in the articles of incorporation, the reasons justifying such practice, as well as possible existence of any mitigation mechanisms, such as the establishment of requirements for the exercise of the position to be filled by recommended individuals.

Practice adopted.

20. In relation to principle 3.3: "The chief executive officer and the executive board should be evaluated on the basis of financial and non-financial performance targets (including environmental, social and governance aspects) in line with the company's ethical values and principles":

a. please state whether the issuer abides by the following recommended practices:

i. "The chief executive officer shall be evaluated on a yearly basis in a formal process conducted by the board of directors based on verifying achievement of the financial and non-financial performance targets set for the company by the board of directors";

ii. "The results of the evaluation of the other officers, including the chief executive officer's proposals regarding targets to be agreed upon and permanence, promotion or dismissal of executives in their respective positions, shall be presented, analyzed, discussed and approved at a meeting of the board of directors";

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject;

c. in the event of recommended adoption of the practices, in line with Code guidelines, please give the following information:

i. during which the evaluations of the chief executive officer and other officers were conducted;

ii. dates of the board meetings at which the chief executive officer's evaluation was conducted, and the results of the evaluation of the other officers presented, analyzed, discussed and approved.

Practices adopted.

The Company adheres to the practice recommended by the Brazilian Code of Corporate Governance, and it is the responsibility of the Board of Directors, with the assistance of the People and Compensation Committee, to conduct the annual evaluation process of the Company's executives based on the achievement of financial and non-financial performance targets (including environmental, social and governance aspects), in line with the Company's ethical values and principles.

With the closing of the 2018 fiscal year, the evaluation process for the Chief Executive Officer and the other Officers began, and was concluded at the Board of Directors' Meeting held on March 11, 2019.

21. In relation to principle 3.4: "The compensation of executive board members must be aligned with the strategic objectives of the company focusing on its continuity and on creating value in the long term":

a. please state whether the issuer abides by the following recommended practices:

i. "The compensation of the executive board must be set by means of a compensation policy approved by the board of directors through a formal and transparent procedure that considers the costs and risks involved";

ii. "executive board compensation should be linked to results, with medium- and long-term targets clearly and objectively related to generating economic value for the company in the long term";

iii. "The incentive structure must be in line with the risk limits set by the board of directors and prohibit the same person from controlling the decision-making process and its respective supervision. No one shall decide on their own compensation";

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject;

c. in the event of indication of adoption of the practices, in line with Code guidelines, please state the reason why in issuer's view it adheres to the recommended practices.

Practices adopted.

The Company adheres to the practices described in the Brazilian Code of Corporate Governance, in accordance with the [Human Relations and Compensation Management Policy](#) approved on May 04, 2018.

Compensation of the Executive Board is broken down as follows:

(i) Fixed Compensation: refers to the amount received monthly by the professional to compensate for the duties and responsibilities pertinent to the position held;

(ii) Variable Compensation:

(a) Annual Bonus: annual amount linked to overall finances and individual performance through the achievement of set targets;

(b) Plan of Action: amount in "common restricted shares" issued by the Company, which are delivered to eligible Participants through the current Share-Based Incentive and Retention Plan, approved on December 15, 2015 and amended on April 5, 2018 and on April 18, 2019, with the objective of increasing medium and long-term alignment between the interests of executives and shareholders. The number of shares to be granted to each executive depends on individual performance measured using the "9 Box" methodology, which takes into account the actual performance of each executive during the fiscal year. Evaluations are conducted individually by the executive's manager, with subsequent calibration by a body that includes the presence of the Chief Executive Officer and the Human Relations Department. The final result of this body is

submitted for the consideration of the People and Compensation Committee and final deliberation of the Board of Directors;

(c) **Benefits:** refers to the set of benefits granted to professionals such as health plan, meal voucher, private pension, life insurance, among others. The set of benefits is the same for all professionals, however, there may be differences in the amount of benefits granted depending on the geographic region in which the professional works.

The Company's numbers referring to variable compensation demonstrate alignment with the result.

Further details are available in item 13 of our [Reference Form](#).

22. In relation to principle 4.1: "The company must have a statutory, independent and qualified audit committee":

a. please state whether the issuer has a statutory audit committee and whether it abides by the following recommended practice: "The statutory audit committee must: (i) advise the board of directors on monitoring and control of the quality of financial statements, internal controls, risk management and compliance; (ii) be formed of mostly independent members, coordinated by an independent director; (iii) have at least one independent member with proven experience in the corporate accounting, internal control, financial and audit areas, cumulatively; and (iv) have its own budget for hiring consultants for accounting, legal or other matters, when the opinion of an external expert is necessary";

b. in the event of failure to adopt the recommended practice or its partial adoption, in line with Code guidelines, please give the issuer's justification on the subject, which may include describing the alternative practices adopted for the monitoring and control of the quality of the financial statements, internal controls, risk management and compliance;

c. in the event of indication of adoption of the practice, in line with Code guidelines, please state the reason why in issuer's view the operation of the statutory committee adheres to recommended practices.

Practice adopted.

Pursuant to Articles 20 and 23 of its [Company's Bylaws](#), the Company has a statutory audit committee, which is responsible for:

- (i) giving an opinion on the hiring and dismissal of independent auditing services;
- (ii) evaluating quarterly information, interim financial statements and financial statements;
- (iii) monitoring the Company's internal audit and internal control area activities;

- (iv) evaluating and monitoring the Company's exposures to risk;
- (v) evaluating, monitoring, and recommending to management corrections or improvements to the Company's internal policies, including the related party transaction policy;
- (vi) evaluating whether the Company has the means to receive and process information on noncompliance with legal and regulatory provisions applicable to it, in addition to internal rules and codes, including specific procedures for protecting the provider and confidentiality of information; and
- (vii) giving an opinion on proposals from management bodies to be submitted to the General Meeting, regarding modification of capital stock, issuance of debentures or subscription warrants, investment plans and/or capital budgets, dividend distribution, conversion, merger, consolidation or spin-off, tax issues and structured financial market transactions.

The Audit Committee must be made up of at least three members, the majority being directors, all independent and at least one must have recognized experience in corporate accounting matters. Currently, the Audit Committee is composed of three independent directors, one of them being the Coordinator.

According to the [Corporate Internal Audit Regulations](#), the Audit Committee shall annually approve an internal audit plan, composed of work hours, as well as budget requirements, resources necessary to set the priorities of the audit universe, using a methodology based on risk, including risks of fraud and concerns of the Company's senior management and the Audit Committee.

Moreover, TOTVS Internal Audit activities shall be free from interference by any organization, in the selection of areas or processes to be audited, scope of work, frequency of evaluation, dates or content of the reports, in order to maintain its independence and objectivity.

As provided for in Article 31 of the [Charter of the Board of Directors](#), the Committees have operational autonomy and have, when necessary, their own budget approved by the Board, to cover their operating expenses.

In accordance with article 36, item (viii) of the [Charter of the Board of Director](#), the Audit Committee is responsible for making a recommendation to the Board with regard to the independent auditors to be hired by the Company, for replacing such auditors and for issuing an opinion on their hiring for any other services, for analyzing the scope and focus proposed by the independent auditors and for evaluating their fees and the results of the services rendered, supervising their activities to assess: (i) their independence; (ii) the quality of the services rendered; and (iii) the adequacy of their services to the needs of the Company.

23. In relation to principle 4.2: "The supervisory board, if installed, must be endowed with the administrative resources and support necessary to enable its members to carry out their individual independent oversight responsibilities effectively":

a. please state whether the issuer abides by the following recommended practices:

i. "The supervisory board must have its own internal rules that describe its structure, operation, work program, its roles and responsibilities, without creating burdening the individual performance of its members";

ii. "the minutes of the meetings of the supervisory board shall observe the same rules for disclosure as minutes from the board of directors";

b. in the event of failure to adopt the recommended practices or their partial adoption, please give the issuer's justification on the subject.

Not applicable.

24. In relation to principle 4.3: "The independent auditors report to the board of directors. The board should ensure the independence of the independent auditors in their performance":

a. please state whether the issuer abides by the following recommended practices:

i. "The company must establish a policy for contracting extra-audit services from its independent auditors, approved by the board of directors, prohibiting the contracting of extra-audit services that could compromise the independence of the auditors. The company may not hire an auditor which has performed internal audit services for the company within the last three years as an independent auditor";

ii. "The independent audit team should report to the board of directors, through the audit committee, if there is one. The audit committee must monitor the effectiveness of the independent auditors' work, as well as their independence. It must also evaluate and discuss the annual work plan of the independent auditor and send it to the Board of Directors for consideration";

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject.

Practices adopted.

25. In relation to principle 4.4: "The company must structure its internal audit in a manner compatible with the size, complexity and risks of its business, with the board of directors being responsible for the qualification and independence of the internal audit team professionals in relation to the executive board":

a. please state whether the issuer abides by the following recommended practices:

i. "The company must have an internal audit area directly linked to the board of directors";

ii. "if outsourcing this activity, internal audit services should not be exercised by the same company that provides audit services of the financial statements. The company may not hire an auditor which has performed independent audit services for the company within the last three years as an internal auditor";

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject;

c. in the event of indication of adoption of practices, in line with Code guidelines, please state the reason why, in the issuer's view, the operation of the internal audit adheres to the recommended practice, describing how the internal audit is structured and its suitability and the complexity of its activities.

Practices adopted.

In the Company's view, it adheres to the practice, since on May 04, 2018 it approved the [Corporate Internal Audit Regulations](#), available on the Investor Relations website, through which it regulates its operation, the scope of which covers, but is not limited to, examining and evaluating the adequacy and effectiveness of the organization's governance, risk management and internal controls, as well as the quality of performance in fulfilling the attributed responsibilities so that the Company reaches its targets and objectives. Moreover, in 2017, the Internal Audit team was increased in order to improve the scope of its work.

Under the terms of the [Corporate Internal Audit Regulations](#), the Audit Chief Executive reports to the Audit Committee, reporting directly to the Board of Directors and, administratively, to TOTVS Administrative and Financial Vice-Chairperson.

The Audit Committee will also approve all decisions related to performance evaluation, appointment or dismissal of the Audit Chief Executive, as well as the approval and annual adjustment of the compensation of the Audit Chief Executive.

26. In relation to principle 4.5: "The company must have an appropriate risk management process and maintain internal controls and integrity/compliance programs appropriate to the size, risk and complexity of its activities":

a. please state whether the issuer abides by the following recommended practices:

i. "The company must adopt a risk management policy approved by the board of directors, including the definition of the risks against which protection is sought, the instruments used for this, the organizational structure for risk management, the evaluation of the suitability of the operational structure and internal controls in verifying its effectiveness, in addition to establishing guidelines for setting acceptable limits for the company's exposure to these risks";

ii. "It is the responsibility of the board of directors to ensure that the executive board has internal mechanisms and controls to be aware of, evaluate and monitor risks in order to maintain them at levels compatible with the limits set, including the integrity/compliance program aiming at compliance with laws, regulations and external and internal standards";

iii. "The executive board shall evaluate the effectiveness of risk management and internal control policies and systems as well as the integrity/compliance program at least annually and report to the board of directors on such evaluation";

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject;

c. in the event of recommended adoption of the practices, in line with Code guidelines, please give the following information:

i. how these practices are adopted by the issuer;

ii. the date of the board of directors' most recent evaluation of the executive board on the effectiveness of the risk management policies and systems and of the integrity or compliance program.

Practices adopted.

The Company maintains a [Policy of Risk Management and Internal Controls](#), which has been revised recently by the Internal Controls, Risks and Compliance Department and approved by the Board of Directors on June 11, 2019, and it is reviewed every two years or more often, should any need for alteration be identified.

The information on risk management, internal controls and the integrity/compliance program is described in item 9 of this Report, referring to principle 2.1, as well as our [Reference Form](#), items 4 and 5.

In addition to the information in principle 2.1 (Item 9 of the Report), the measures adopted to strengthen integrity mechanisms include:

Compliance Due Diligence for Suppliers: processes and procedures for identifying and assessing compliance risks in with supplier relations.

Registration of Commercial and Institutional Relations with Government Agencies: procedures for registering in-person interactions of a commercial or institutional nature with government agencies.

Training on the Code of Ethics and Conduct: all employees undergo training by completing an e-learning course on the Code of Ethics and Conduct.

Training on Interaction with Government Agencies: on-site training course for all internal teams that interact with Government Agencies.

Anticorruption clause stipulating compliance with the Code of Ethics and Conduct: contracts with suppliers and clients must include an anticorruption clause.

Statement of Commitment to Integrity and Statement of Responsibility, Compliance and Social and Legal Commitment: under which Franchisee Units undertake to comply with Federal Law 12,846/2013 (Anticorruption Law), the TOTVS Code of Ethics and Conduct and the principles of the UN Global Compact.

Audit of the Program: the Integrity Program is audited periodically, and the audit results and the pertinent action plans are reported to the Audit Committee.

The duties of the Internal Control, Risk and Compliance Board are described in item 5.1 of the [Reference Form](#) and in item 18 of this Report, referring to principle 3.1.

The practices established by the [Policy of Risk Management and Internal Controls](#) were evaluated by the Executive Board, presented to the Audit Committee on September 25, 2017 and to the Board of Directors on December 21, 2017.

27. In relation to principle 5.1: "The company must have a code of conduct that promotes its ethical values and principles and reflects organizational identity and culture and a channel for complaints to receive criticisms, doubts, complaints and denunciations":

a. please state whether the issuer abides by the following recommended practices:

i. "The company must have a conduct committee, endowed with independence and autonomy and directly linked to the board of directors, responsible for implementing, disseminating, training, reviewing and updating the code of conduct and the complaint channel, as well as conducting assessments and proposing corrective measures relating to breaches of the code of conduct ";

ii. "The code of conduct, drawn up by the executive board, with the support of the conduct committee, and approved by the board of directors, shall: (i) discipline the internal and external relations of the company, expressing the expected commitment of the company, its directors, officers, shareholders, employees, suppliers and stakeholders to the adoption of appropriate conduct standards; (ii) manage conflicts of interest and provide for the abstention of the member of the board of directors, audit committee or conduct committee, if any, as the case may be, who is conflicted; (iii) clearly define the scope of the actions intended to ascertain the occurrence of situations understood as having been carried out with the use of privileged information (for example, the use of privileged information for commercial purposes or to obtain advantages in the trading of securities); (iv) establish that ethical principles must be the bases for negotiation of contracts, agreements, proposed amendments to the articles of incorporation, as well as policies that guide the whole company, and establish a maximum value of the third-party goods or services that managers and employees can accept free of charge or favored";

iii. "the complaints channel must be independent, autonomous and impartial, with operating guidelines set by the executive board and approved by the board of directors. It must be operated independently and impartially, and it must guarantee the anonymity of its users and promote, in a timely manner, the necessary investigations and measures. This service may be carried out by a third party of recognized capacity";

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject, and other means used by the issuer may be used for receipt of critics, doubts, complaints, and reports;

c. in the event of recommended of the adoption of the practices, inform, in line with Code guidelines, the composition and the manner of operation of the conduct committee and the complaints channel, if the complaints channel is internal or if it is in charge of third parties.

Practices adopted.

The Ethics and Conduct Committee is made up of 5 to 7 members chosen by the Chief Executive Officer and validated by the Board of Directors. The Committee should necessarily have a representative of the Human Relations Department, a representative of the Internal Audit and a representative of the Legal Department or a member with legal training. The Commission meets at least every two months and is coordinated by one of its members, elected annually. The term of office of the members of the Commission is of two years. Decisions are taken by a majority of votes, with each member having one vote and the coordinator having the casting vote.

The Company has a [Code of Ethics and Conduct](#) ("CODEC"), approved by the Board of Directors and applicable to all directors, managers and shareholders who participate in the company's control and to all employees, service providers, suppliers and partners.

The document provides an overview of the ethical conduct and principles that guide the commitment of TOTVS to the integrity of its business activities and to its internal and external relations.

The Company also maintains a complaints channel open to all internal and external participants for reporting any ethical or behavioral misconduct that guarantees the anonymity and confidentiality of the whistleblower's identity.

All reports received are treated impartially by the Commission of Ethics and Conduct, which is responsible for receiving reports and for concluding, through a formal process, if the Code of Ethics and Conduct was violated and for determining the measures applicable to the violator.

28. In relation to principle 5.2: "The company shall establish mechanisms to deal with situations of conflicts of interest in the company's management or general meetings":

a. please state whether the issuer abides by the following recommended practices:

i. "the company's governance rules must ensure the separation and clear definition of duties, roles, and responsibilities associated with the terms of office of all governance agents. The decision-making levels of each instance must also be defined to minimize any conflicts of interest";

ii. "the company's governance rules shall be made public and shall determine that a person who is not independent in relation to the matter under discussion or deliberation in the management or supervisory bodies of the company shall express his or her conflict of interests or particular interest in a timely manner. If he or she does not do so, the rules must provide that another person shall manifest the conflict if he or she is aware of it and that, as soon as the conflict of interest is identified in relation to a specific subject, the person involved shall exit, including physically, the discussions and deliberations. The rules shall provide that such temporary exit be recorded in the minutes";

iii. "the company must have mechanisms to manage conflicts of interest in the votes submitted to the general meeting, to receive and process allegations of conflicts of interest, and to annul votes cast in conflict, even after the conclave."

b. in the event of failure to adopt the recommended practices or their partial adoption, in line with Code guidelines, please give the issuer's justification on the subject;

c. in the event of recommended adoption of the practices, in line with Code guidelines, please inform the mechanisms used by the issuer to implement such practices.

Practices adopted.

The Company adheres to the practice described in the Code, as evidenced in its [Company's Bylaws](#) and in item 12.3 of the [Reference Form](#), and the member of the Board of Directors may not have access to information or participate in meetings of the Board of Directors related to matters over which he or she has or represents conflicting interests with those of the Company.

In this sense, section 48 of the [Charter of the Board of Directors](#) provides that:

"Article 48 - In the event of a conflict of interests or private interest of one of the members of the Board in relation to a particular matter to be decided, it is the duty of the member of the Board to communicate this fact in a timely manner to the other members.

Paragraph One - In the event that any member of the Board, who may have a potential private benefit or conflict of interest with any decision to be made, does not express his or her benefit or conflict of interests, any other member of the Board who is aware of the situation may do so. The lack of voluntary manifestation of that member will be considered a violation of these Rules if said private benefits or conflict of interests is confirmed.

Paragraph Two - As soon as the conflict of interest or private benefit has been identified, the person involved shall exit the discussions and deliberations and temporarily withdraw from the meeting until the closing of the matter, but such person may, prior to withdrawing, provide information, offer details, give explanations and answer any questions of the Board.

Paragraph Three - The manifestation of the situation of conflict of interest or private benefit shall be included in the minutes of the meeting.

Paragraph Four - The competence of the Board on the subject of conflict of interest does not exclude the competence of the General Meeting provided by law."

According to section 128 of Law 6.404/76, it is the responsibility of the board of the general meeting to direct the works of the meeting and, therefore, to evaluate the issues related to the conflict of interests of the shareholders during the conclave, but the shareholder himself/herself must acknowledge and declare to the meeting his or her conflict.

Subsequent communications are usually channeled through the Investor Relations Department.

29. In relation to principle 5.3: "The company shall have governance policies and practices to ensure that any and all related-party transactions are always carried out in the best interests of the company with full independence and absolute transparency"

a. please state whether the issuer abides by the following recommended practices:

i. "the articles of incorporation shall define which transactions with related parties shall be approved by the board of directors, to the exclusion of any members with potentially conflicting interests";

ii. "the board of directors shall approve and implement a related party transactions policy that includes, among other rules: (i) a provision that, before the approval of specific transactions or guidelines for contracting transactions, the board of directors shall request from the executive board market alternatives to the transaction with related parties in question, adjusted for the risk factors involved; (ii) prohibition of forms of compensation for advisors, consultants or intermediaries that generate conflicts of interest with the company, the administrators, the shareholders or classes of shareholders; (iii) prohibition of loans in favor of the controlling shareholder and the administrators; (iv) the assumptions of transactions with related parties that must be based on independent appraisal reports, prepared without the participation of any party involved in the transaction in question, be it a bank, lawyer, specialized consulting firm, among others, based on realistic assumptions and information endorsed by third parties; (v) that corporate restructurings involving related parties must ensure fair treatment for all shareholders";

b. in the event of failure to adopt the recommended practices or their partial adoption, please give the issuer's justification on the subject;

c. in the event of recommended adoption of the practices, in line with Code guidelines, please inform how the issuer implements and verifies the adoption of such procedures:

Item (a) (i) - Practice adopted.

Item (a) (ii) - Partially adopted practice: Management considers it "partially adopted" because the [Policy on Related Party Transactions](#) does not expressly refer to the prohibition of forms of compensation for advisors, consultants or intermediaries that generate conflicts of interest with the company, its managers, shareholders or classes of shareholders. As to the assumptions of transactions with related parties that must be based on independent appraisal reports, prepared without the participation of any party involved in the transaction in question, be it a bank, lawyer, specialized consulting firm, among others, based on realistic assumptions and information endorsed by third parties, the policy does not establish the assumptions, and it only allows the Board of Directors to determine in which situations it occurs.

The Company's [Policy on Related Party Transactions](#), approved on March 11, 2019, provides for the procedures, principles and methodology used to approve transactions with related parties and manage potential conflicts of interest.

Under the terms of the [Policy on Related Party Transactions](#), these are the criteria to approve related-party transactions:

- (i) If there are clearly demonstrable reasons, from the business standpoint, for the transaction to be carried out with the related party;
- (ii) If the transaction is carried out in terms at least equally favorable to the Company as those generally available in the market or those offered to or by a third party not related to the Company, under equivalent circumstances, considering the cost for the Company to monitor the transaction;
- (iii) The results of evaluations performed or opinions issued by a specialized and independent company, if any;
- (iv) Whether or not a competitive process has been carried out for the contracting and its result;
- (v) The pricing methodology used and other possible alternative pricing methods for the transaction; and
- (vi) The extent of the related party's interest in the transaction, considering the amount of the transaction, the financial situation of the related party, the direct or indirect nature of the related party's interest in the transaction, and the continuing or non-continuing nature of the transaction, in addition to other relevant information.

In the opinion of the Management, the discretionary power of the Board, which has a strong presence of independent members, efficiently controls any potential conflicts envisaged in the Brazilian Code of Corporate Governance.

All and any related-party transactions must be submitted to the Board of Directors for approval, in accordance with the [Bylaws](#):

“Article 19 – The Board of Directors, among the other attributions conferred upon it by law or the Bylaws of the Company, is responsible for: (...) **(xiv)** considering and voting on any matters or agreements by and between (a) the Company and any of its subsidiaries (excluding wholly-owned subsidiaries) and (b) the Company or its subsidiaries (wholly-owned or not) and any Managers and/or shareholders (including companies directly or indirectly controlled by such managers and/or shareholders or any third parties related thereto).”

In addition, the transaction must first be submitted to the Audit Committee, accompanied by a report from the Legal Department, which will analyze whether the guidelines of this [Policy on Related Party Transactions](#) were observed in the process regarding the transaction to be submitted to the Board of Directors.

The Audit Committee also is responsible for evaluating and monitoring, jointly with the Management, the Compliance and Legal departments, and for the adequacy of the related-party transactions carried out by the Company and their respective evidence.

Under article 19, paragraph 1 of the [Bylaws](#), the Company is prohibited from extending financing to its directors and officers, except to the extent that financing is made available to employees or clients, thereby ensuring the equitable treatment of all stakeholders. In addition, any loans between the Company and third parties requires approval from the Board if the loan amount exceeds 5% of the subscribed capital (article 19, item XXI, of the [Bylaws](#)).

The Board, by its own will or by recommendation of the Audit Committee, may determine that the transaction, due to its relevance or other characteristics, be examined by a special independent committee set up to deliberate on the matter pursuant to CVM Guidance Update 35 ("Special Committee").

Although the policy does not contain any express provision, article 19, item XXIII of the [Bylaws](#) envisages that the Board has the power to *"express opinions on the terms and conditions of corporate reorganizations, capital increases and other transactions that result in the transfer of control, and register if they assure the fair and equitable treatment of the shareholders of the company."*

30. In relation to principle 5.4: "The trading of shares or other securities issued by the company by shareholders, managers, members of the supervisory board and other statutory bodies, and any persons with access to information, shall be guided by principles of transparency, equity and ethics":

a. please state whether issuer abides by the following recommended practice: "the company shall adopt, by resolution of the board of directors, a securities trading policy, which, without prejudice to compliance with the rules established by CVM regulations, establish controls that enable the monitoring of the negotiations conducted, as well as the determination and punishment of those responsible in case of non-compliance with the policy";

b. in the event of failure to adopt the recommended practice or its partial adoption, please give the issuer's justification on the subject;

c. in the event of indication of the adoption of the practice, inform, in line with Code guidelines, the controls implemented to monitor the negotiations carried out and the method of verification of any non-compliances.

Practice adopted.

The Company adheres to the practice recommended by the Code, as it has a [Trading Policy of Securities](#).

According to the Negotiation Policy, the Company's Investor Relations Officer may, as a form of control and supervision, request from the brokerage firms the trading history of the "Linked Persons" (under the terms of said policy) with securities issued by the Company or related to them, in order to check any violations to the Trading Policy.

31. In relation to principle 5.5: "Management shall ensure that the managers and other employees understand, clearly and objectively, the principles and rules on contributions and donations of values or assets to philanthropic, cultural, social, environmental or political activities":

a. please state whether the issuer abides by the following recommended practices:

i. "In order to ensure greater transparency regarding the use of company resources, a policy shall be prepared on its voluntary contributions, including those related to political activities, to be approved by the board of directors and executed by the executive board, containing clear and objective principles and rules";

ii. "the policy should provide for the board of directors to be the body responsible for approving all disbursements related to political activities";

iii. "the policy on voluntary contributions of state-controlled companies or companies having repeated and relevant business relations with the State must prohibit contributions or donations to political parties or persons related to them, even if permitted by law";

b. in the event of failure to adopt the recommended practices or their partial adoption, please give the issuer's justification on the subject;

c. in the event of indication of adoption of the practice, inform the date of approval of the policy and, if the issuer discloses the policy, the locations in the worldwide computer network where the document can be consulted.

Practice adopted.

On September 25, 2018, the Board of Directors approved the [Contributions, Donations and Sponsorships Policy](#), the purpose of which is to set guidelines and rules to be complied with when making contributions, donations and sponsorships by the TOTVS Group, which was published on the Company's Investors Relations website and on the website of the Securities and Exchange Commission of Brazil (CVM).

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