



INTEGRATED  
REPORT  
**2017**







# **WELCOME TO OUR INTEGRATED REPORT 2017**

**GRI 102-1**

This is TOTVS Integrated Report 2017, the third edition of this document. It voluntarily complies with Global Reporting Initiative (GRI) and International Integrated Reporting Council (IIRC) guidelines, globally approved and recognized standards, covering the period from January 1 to December 31, 2017.

In this edition, we have adopted the new version Standards, in line with GRI Rules: Essential Option.

Our aim is to tell a story of transformation and openness, on a digital journey that goes far beyond the company's walls. Accordingly, this year, we have incorporated our stakeholders more deeply into the report. This is to recognize that you too are ever more important players in this story.

We are pleased to say that 2017 was a key year for TOTVS.

We advanced along our digital journey, supported by three pillars: people, clients and technology. Learn about the steps of this evolution and discover how we are opening ourselves up to be together with you.

In Chapter 10, we give a brief explanation of what an integrated report is, to help you understand the structure of this narrative. In Chapter 11, we present the GRI Index, a way of easily finding indicators and topics that are strategic to the company in the text.

If you would like to comment on anything, make a suggestion or ask any questions in relation to our report, please do not hesitate to email us at [relato@totvs.com.br](mailto:relato@totvs.com.br). We want to constantly improve.



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## MESSAGE FROM THE BOARD

Value creation for investors, ethics in business and appreciation of human capital were principles embodied by TOTVS over the course of 2017, in a context of slow, gradual economic recovery in Brazil. In this context, TOTVS' solutions helped companies of all sizes to raise their levels of productivity to get through this year. We sought to meet our clients' needs, in line with our strategic vision. We invested continuously in innovation, and improved our governance.

In particular, last year we created our Governance and Nomination Committee, in order to improve the company's corporate governance, evaluate the adoption of best practices, and select and appoint board members and executive officers, among other things.

The recent renewal of our Board of Directors also warrants highlighting. We elected new members based on their strong technical profile, contributing to our constant evolution.

Also in 2017, we made progress in terms of our internal organization, by revising, creating and publishing various policies to aid the development of our business in a responsible and sustainable way. All these policies are available on our Investor Relations website ([www.ri.com.br](http://www.ri.com.br)). We also revised our strategic risk map, as part of a profound process that involved the company's main leaders. At the same time, the Board of Directors continued to support the management of its digital transformation journey.

These are some of the aspects we have presented in this Integrated Report, while demonstrating our process of generating value in an interconnected, simple and effective way for our different stakeholders.

We sought to listen to these stakeholders when producing this report during the materiality process, which was enhanced through the use of interviews, consultations with specialists and an online survey, as well as sector studies and analyses. We believe in the potential of publications like this to improve management, and to allow companies and their customers and investors to visualize strategies and expand transparency and relationships of trust.

**We hope you enjoy this report!**

*Board of Directors, TOTVS*

GRI 102-10, 102-14





## MESSAGE FROM THE PRESIDENT

GRI 102-14

2017 was the year in which we reached the halfway point in our digital journey. It also marked the acceleration of TOTVS' transformation, as part of a movement that began at our company and in the digital world, but has also expanded beyond our own boundaries and technology, involving a new way to see the world.

We are turning into a company with a more open business vision, offering the world and society shared knowledge and experiences. And we are not alone.

Our clients, employees, investors, partners and suppliers are also protagonists on this path. It is a trajectory replete with lessons learned and challenges overcome.

Last year was marked by modest economic growth in Brazil, but TOTVS obtained solid results, such as total revenue growth of 2.0.

This performance is also linked to deep transformations in our business model. The adoption of a subscription model, among other measures, is based on our belief in the transformative power of technology and its potential to contribute to the evolution of society. The technological revolution under way is resulting from people's desire to share information in a collaborative and connected way.

This new culture means that people can consume products and services anytime, anywhere, and this is leading companies to focus on deciding which technologies to use to deliver their products and services. All this is part of our intense and dynamic ongoing journey.

As you will be able to see in this report, we had some important achievements in 2017, through our work in our People,

Clients and Technology pillars.

One of these pillars is Culture and Environment. Here, the #WEARETOTVERS campaign was the starting point to spread our fundamental attributes and promote TOTVERS' leadership on this journey.

In the Supply and Portfolio pillar, we launched Carol, our quality data and artificial intelligence platform, with the mission of expanding our clients' capacity for analysis and to speed up their decision making. In the Processes and Customer Service pillar, we implemented more agile methodologies and new management methods, in which we revisited all our development processes.

In the social field, we continued with our activities, as founders and funders of the Social Opportunity Institute (IOS), which last year hit new records for services and employability rates.

Being socially responsible is one of our company's values, and this is reflected in our participation in and commitment to the United Nations Global Compact and the Ethos Institute's Business Integrity and Anti-Corruption Pact.

In the new cycle in which we find ourselves, we have some important choices to make. Citizens, companies, government, the private sector, academia and society all want to find the best, fairest and most effective paths to grow.

On this journey, TOTVS continues to have the purpose of "simplifying the business world." For everyone.





All good stories need to present the scene where they begin and where the action takes place. Our journey starts with TOTVS. Here, we use letters and numbers to describe what we do and how we do it, and we make clear our voices and the principles of governance and transparency that govern our relations with other protagonists in this narrative.

# TOTVS //



## GRI 102-1, 102-2

When we talk about TOTVS, we are talking about a company of Brazilian origin, with international operations, which provides technology solutions for the market. At first, it focused on small and medium enterprises, but it now offers solutions to clients of all sizes.

Our main advantages include the development of applied technology based on platforms and the generation of segmented solutions, integrated into a distribution model underpinned by franchises, in Brazil and abroad. This allows us to have a broad presence, to be close to our clients, and to offer them agile, effective services.

In practice, we work like a software house, capable of operating in three dimensions (solutions, platforms and tools), adding ever more professionals and companies around us, in an open ecosystem that can track and integrate evolving demands and anticipate future trends.

Few software houses operate with this triple perspective. And TOTVS is now adding a fourth dimension: distribution of software components developed by the company, its franchisees and its partners, through the TOTVS Store.

In this way, we will take another step in our opening up to the market and society, and we will make a large share of our technology available to the innovation community. This opening-up movement includes promoting social and cultural diversity and having a presence in different business environments.

To make companies more competitive through intelligent solutions and simplify the business environment, TOTVS is present in all Brazil's business centers and leading centers elsewhere in Latin America and other continents.





GRI 102-3, 102-4, 102-6

## PRESENCE IN BRAZIL AND ABROAD

TOTVS is **present throughout Brazil and it has clients in more than 40 countries**. This extensive footprint is the result of our growth strategy through affiliates, channels and franchises, which we began in the 1990s. This allows us to always be close to our clients, to get to know their businesses and the specific features of their regions, and to win their trust.

Brazil is responsible for 96% of TOTVS' net revenue



- /// Leader in ERP in Brazil, with roughly 50% market share.
- /// Brazil's 20th most valuable brand (Interbrand ranking).
- /// Highest level of corporate governance (São Paulo Stock Exchange's Novo Mercado listing segment).
- /// Specialized business solutions for 10 industries.
- /// Only Brazilian technology company present in "2017 Global Innovation 1000 Study," a ranking published annually by Strategy&Business, PwC's strategic consulting arm.
- /// Around 7,800 TOTVERS across the world.



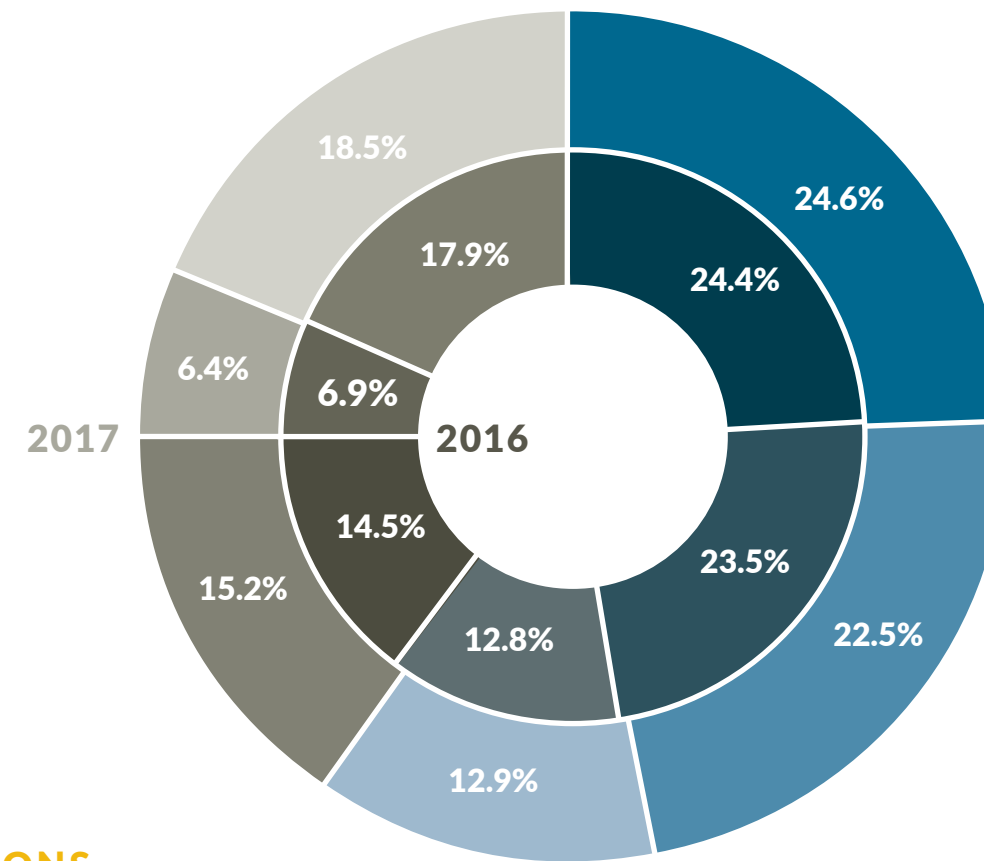
# #WE ARE TOTVERS



GRI 102-2, 102-6, 102-7

## BREAKDOWN OF TOTVS' REVENUE BY INDUSTRIES

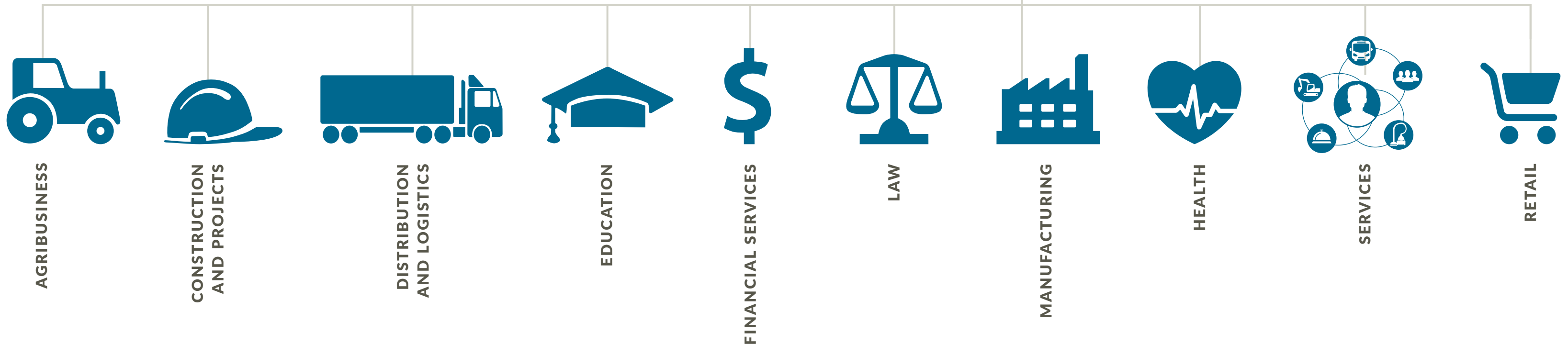
- Manufacturing
- Retail
- Distribution and Logistics
- Services
- Financial Services
- Other



TOTVS structures its businesses in line with offerings aimed at its clients' different operating industries. In all, there are **10 industry sectors**. The chart to the side shows a breakdown of total net revenue in 2017 and 2016 by industry. **Manufacturing and Retail**, together, account for **47% of total revenue**. Manufacturing is the most traditional industry in the use of management solutions.

This is a strategic sector for the integration of value chains, such as in Distribution & Logistics, Retail and Credit. It is going through a major new transformation, called "Industry 4.0," which has created opportunities to sell TOTVS solutions for process automation, supply chain synchronization, data capture and analysis, artificial intelligence, collaboration and sharing of information.

## SPECIFIC AND SPECIALIZED BUSINESS SOLUTIONS FOR 10 INDUSTRIES AND COMPANIES OF ALL SIZES





## CAPITAL MARKETS AND SHAREHOLDING STRUCTURE

GRI 102-7

TOTVS' shares have been traded on the Novo Mercado listing segment of the São Paulo Stock Exchange (known as B3) under ticker code TOTS3 since March 9, 2006. TOTVS ended 2017 with stockholders' capital of R\$989,841,000, composed of 165,637,727 common stocks. The Novo Mercado segment

is home to companies that have voluntarily adopted additional corporate governance practices to those required by Brazilian legislation. TOTVS was the first Brazilian software company to join Novo Mercado.

### A COMPANY WITHOUT CONTROLLING SHAREHOLDERS

**71.4%** free float:

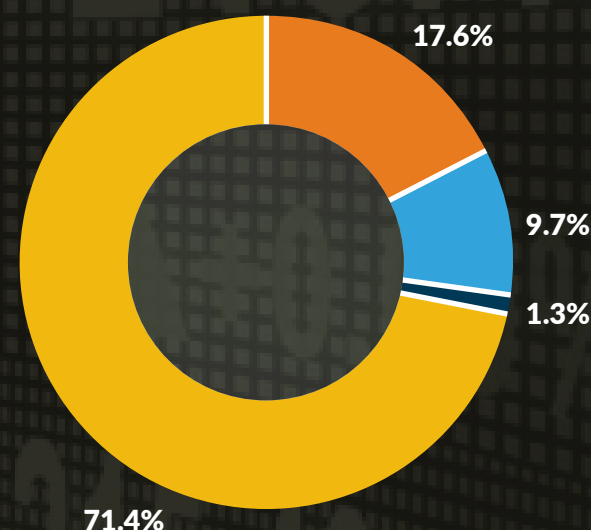
**98.5%** of the free float is composed of institutional investors; and

**88.6%** of the free float is composed of foreign investors.

In 2017, TOTVS' shares (B3: TOTS3) fell 24.3%, while the benchmark IBOVESPA index increased 26.9%.

### OWNERSHIP BREAKDOWN AS OF DECEMBER 31, 2017

- Directors and related persons
- PETROS
- Treasury stock
- Free-Float





## BOARD OF DIRECTORS

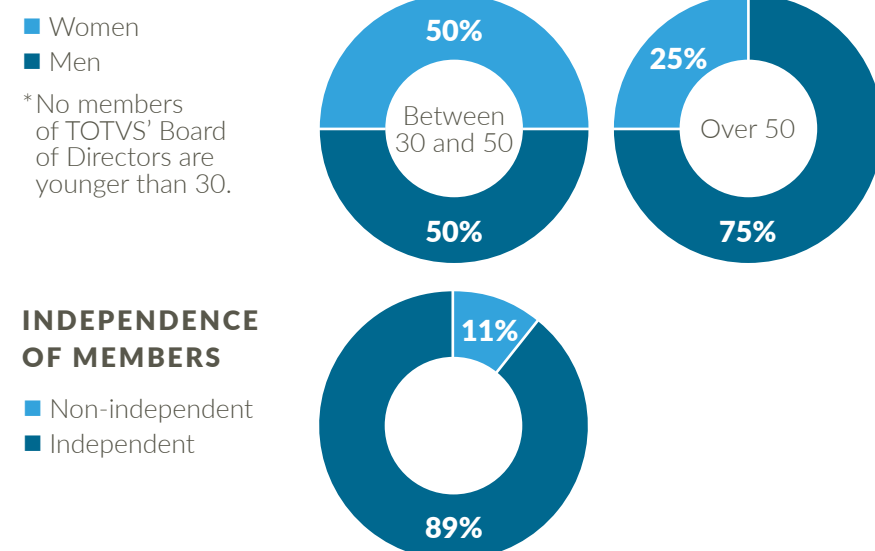
GRI 102-18, 102-26,  
102-29, 102-30

The Board of Directors is TOTVS' highest governance body. It is responsible for orienting the company's businesses in relation to strategic subjects and overseeing the Executive Board's implementation and execution of plans and operations. The board's composition and length of terms are defined in the Articles of Incorporation and general shareholders' meetings. The board is also tasked with identifying and managing risks and opportunities, as well as economic, environmental and social impacts.

In addition, the board is responsible for formulating and monitoring the implementation of long-term business policies and strategy. This includes setting the company's targets, purpose, mission, vision and values.

### COMPOSITION OF TOTVS' BOARD OF DIRECTORS

BY GENDER AND AGE GROUP (%)  
GRI 102-22, 405-1



### MEMBERS OF TOTVS' BOARD OF DIRECTORS

Strong corporate governance: **eight out of the nine members of the Board of Directors are independent**, including the chairman

GRI 102-10, 102-22, 102-23, 102-26



\* Guilherme Stocco Filho and Paulo Sergio Caputo joined the Board of Directors on April 5, 2018, replacing Germán Quiroga and Henrique Trinckquel, who were board members as of December 31, 2017. To find out more about our current board members and our governance structure, see **section 12 of our Reference Form**.



**GRI 102-26, 102-35, 102-36, 102-37**

The remuneration of the Board of Directors' members is monthly, fixed and aligned with market best practices. Executives receive fixed pay and also bonuses and benefits, **as described in item 13.1 of our Reference Form.**

**For more information about TOTVS' Board of Directors, click here.**

**To see our Reference Form, click here.**

**Click on the link to see** the internal rules of TOTVS' Board of Directors, including details about the functioning, structure, organization, duties and responsibilities of the board and the committees that report to it, as well as the relationship between the board, its committees and other company entities, in accordance with corporate governance best practices, Law 6,404 of 1976 (the "Corporation Law"), Brazilian Securities and Exchange Commission (CVM) regulations, the listing rules of the São Paulo Stock Exchange (B3) Novo Mercado listing segment, and the company's Articles of Incorporation.

**BOARD OF  
DIRECTORS'  
ADVISORY  
COMMITTEES**

The Board of Directors is advised by four permanent committees, whose main objectives are to evaluate and discuss significant business issues and contribute to the management of the board itself.

GRI 102-18

**AUDIT COMMITTEE**

Made up entirely of independent board members, this committee reviews the company's accounts and oversees compliance with legal provisions. It reports to the Board of Directors. Among other duties, it is responsible for advising the Executive Board on setting the parameters for TOTVS' risk management model and periodically evaluating its risk management policies, resources and maximum risk tolerance. **[Click here to see its members](#)**

**STRATEGY AND TECHNOLOGY COMMITTEE**

This committee evaluates, proposes and monitors the main guidelines of TOTVS' corporate and technology strategy. **[Click here to see its members](#)**

**PEOPLE AND REMUNERATION COMMITTEE**

This committee monitors search, retention and training activities related to TOTVS' human capital, besides having a consultative role when it comes to defining remuneration and benefits policies for TOTVERS, following IT market standards. It also presents the Board of Directors with an annual total remuneration distribution proposal for members of the Executive Board and Board of Directors, and tracks the respective payments.

**[Click here to see its members](#)**

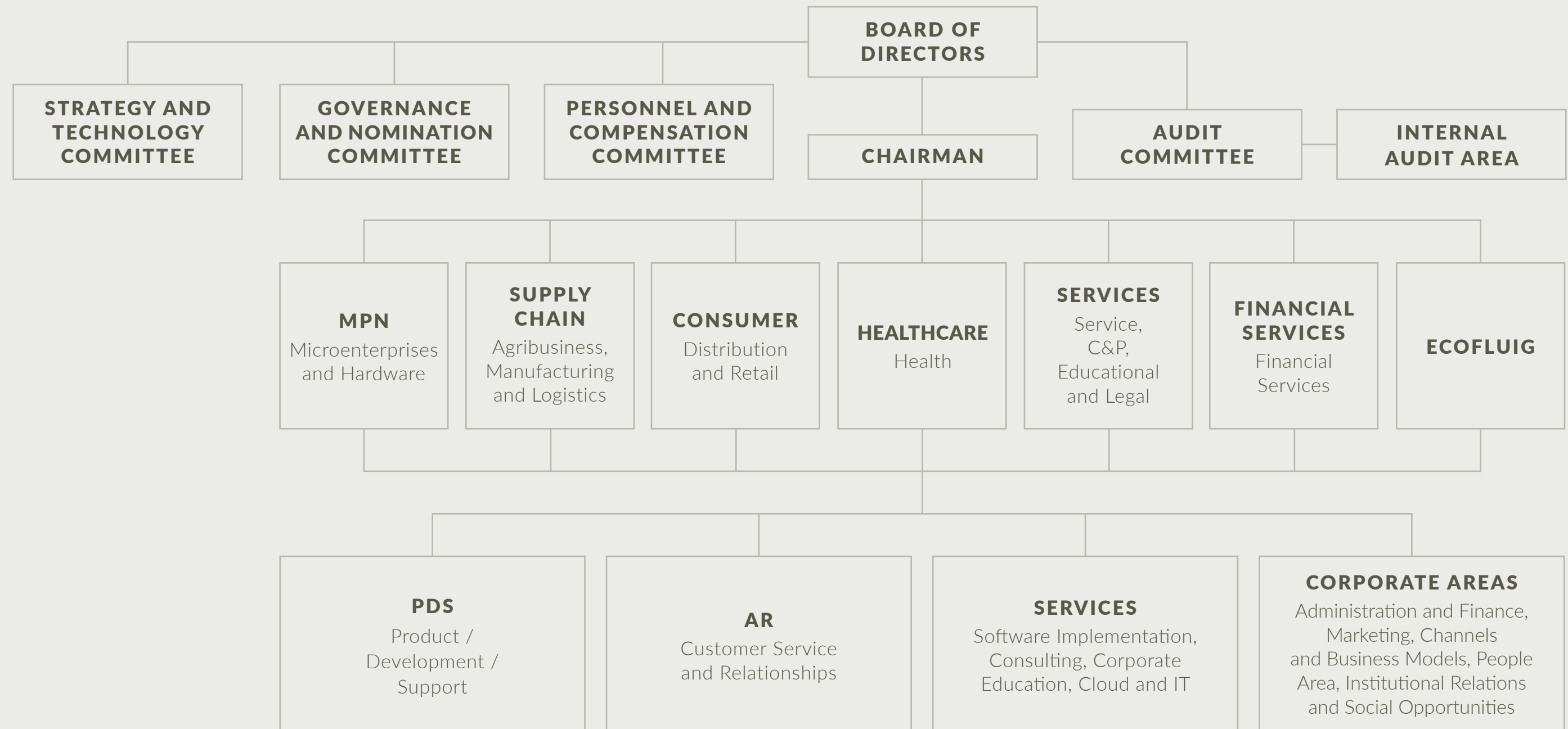
**GOVERNANCE AND NOMINATION COMMITTEE**

This committee promotes and tracks the adoption of corporate governance best practices, as well as the efficacy of the company's processes, proposing updates and improvements when necessary. It also selects and recommends members for the Board of Directors, advisory committees and Executive Board, and it supports the chairperson in organizing a formal and periodic process of evaluating the performance of the Board of Directors and its members. **[Click here to see its members](#)**



# GOVERNANCE STRUCTURE

GRI 102-18





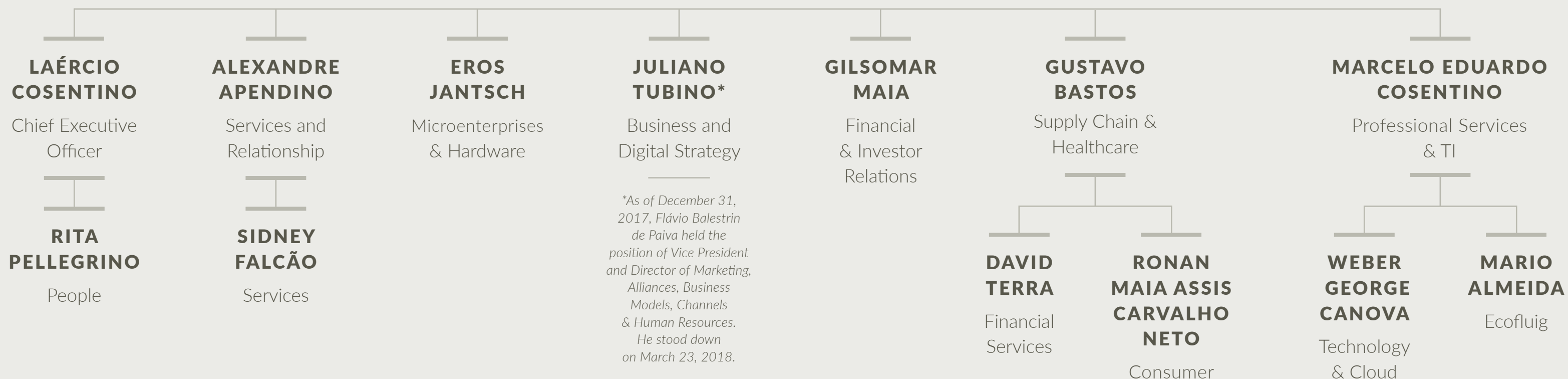


## EXECUTIVE BOARD

GRI 102-26

The company's **Executive Board**, composed of 10 executive directors, is responsible for administering and implementing the general policies and guidelines established by the Board of Directors. The executive directors are elected by the Board of Directors for a two-year fixed term. They may be reelected and dismissed by the Board of Directors at any time.

The Executive Board's current members are as follows:





## GOVERNANCE AND COMPLIANCE

GRI 102-16, 102-17

TOTVS is a company made up of people who are committed to ethics and client experience.

These elements are sustained by our Compliance and Risk Management Program and corporate governance structure, to guarantee the dissemination of our values throughout our production chain.

The **governance** structure, together with the **Code of Ethics and Conduct** and **corporate policies** (especially Compliance Policy), are the guardians of our principles. They establish business and conduct guidelines that must be reflected on and followed in the company's everyday routines.

As an element of the governance and compliance structure, compliance has the goal of analyzing the regulatory environment and internal rules, considering the company's processes and activities, and presenting recommendations aimed at ensuring that applicable requirements are met, based on proper risk measurement. In this context, this structure works in conjunction with other areas of the company in establishing and monitoring necessary action plans for appropriate risk control and mitigation. We seek constant evolution in the following areas: formalization, documentation, monitoring and reporting of risks; governance in the approval of documents (100% of organizational policies are approved by the Board

of Directors); transparent positions (public policies are posted on the company's website); and consistent consequence management.

Below you can see a complete list of organizational policies disclosed by the company, which guide its activities. All these documents underwent a rigorous process of development, discussion, recommendation and approval, overseen by the Board of Directors:

- /// **Policy on Producing and Publishing Regulatory Documents**
- /// **Corporate Compliance Policy**
- /// **Credit and Billing Policy**
- /// **Disclosure Policy**
- /// **Risk Management and Internal Controls Policy**
- /// **Litigation Management Policy**
- /// **Negotiation Policy**
- /// **Policy on Commercial and Institutional Relations with Public Organizations**
- /// **Information Security Policy**
- /// **Policy on Transactions with Related Parties**
- /// **Internal Rules of Board of Directors and Advisory Committees**





## GRI 102-25, 205-1

We wish to highlight the **Policy on Commercial and Institutional Relations with Public Organizations (Anti-Corruption Policy)**, published in July 2017. It applies to the TOTVS group, as well as contractors and suppliers.

This policy establishes conduct guidelines for TOTVS' relationships with public sector organizations, through any representative or agent, considering its values and principles set forth in the **Code of Ethics and Conduct**. The policy also reinforces TOTVS' commitment to comply with Brazil's Anti-Corruption Law (Law 12,846 of 2013), the United Nations Global Compact and the Ethos Institute's Business Integrity and Anti-Corruption Pact.

In order to prevent and administer situations involving potential conflicts of interest, in 2017 we published our Policy on Transactions with Related Parties, which provides for monitoring of records involving related parties and the management and control of such information. In addition, every year we conduct a census involving all members of the Board of Directors and key senior managers, in order to verify their participation as board members, employees and shareholders at other companies.

To internalize compliance with these documents as part of our corporate culture, we carry out continuous communication and training work with TOTVERS.

As part of this agenda, last year we held several events open to clients, partners and the general public, including the following:

- /// Second edition of panel discussion to discuss anti-corruption measures during the company's Social and Environmental



Responsibility Week, involving the directors of Instituto Não Aceito Corrupção (the "I Do Not Accept Corruption Institute");

- /// Webinar open to market players on December 9, International Anti-Corruption Day, to discuss measures to fight corruption in the corporate world, confirming TOTVS' position and engagement in this area.

TOTVS also works collaboratively with anti-corruption organizations on the following initiatives:

- /// **Ethos Institute's Anti-Corruption Working Group** – For example, we hosted the launch event of the Integrity App in São Paulo, organized by non-governmental organization

Alliance for Integrity, its Global Steering Committee, and Transparency International;

- /// Participation in and support for Ethos 360° Conference;
- /// **United Nations Global Compact** Working Groups – For example, we have signed up for the 10 Universal Principles derived from the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption;
- /// Transparency International – Participation in the production of a package of new anti-corruption measures.





## CODE OF ETHICS AND CONDUCT – A PRACTICAL GUIDE TO VALUES AND CULTURE

The **Code of Ethics and Conduct**, recently revised and approved by the Board of Directors, orients behavioral standards aligned with our values and business strategy. The document is a practical guide and it must be used in TOTVERS' everyday interactions and decisions based on the company's values and culture.

Considering the Code of Ethics and Conduct's guidelines, TOTVS maintains a **reporting channel** open to internal and external stakeholders to report misconduct. In 2017, the channel received 127 allegations, which were duly analyzed and responded to, compared with 71 cases reported the previous year. This suggests that the channel has been widely divulged by the company and used by its stakeholders.

The following actions have resulted from investigations of these allegations: dismissal with cause of professionals proven to have engaged in serious unethical behavior; warnings and suspension of professionals proven to have engaged in low and medium-level unethical behavior; e-learning regarding the Code of Ethics and Conduct; improvements to the monitoring

GRI 102-16, 102-17, 103-1, 103-2, 103-3

process of complementary customer service channels; and enhancements of internal policies, rules and procedures.

TOTVS also has an **Ethics and Conduct Commission**, which is aimed at fostering and promoting integrity and compliance with the values and standards of behavior contained in its Code of Ethics and Conduct. This commission is responsible for handling allegations, using a formal process to check alleged violations of the code, and referring cases to the appropriate bodies, together with an assessment of each occurrence for the purpose of taking appropriate disciplinary action.

The Ethics and Conduct Commission meets monthly to analyze investigations into allegations and action plans, when applicable. The Compliance area enjoys functional independence and it can gain access to meetings, numbers involved in investigations and negotiations regarding consequence management as part of the process of dealing with allegations, in order to make adjustments to rules and continuously improve the Compliance Program.

The **Ethics and Conduct Channel**, available to TOTVERS and other stakeholders, can be accessed at:

**0800 721 5966 in Brazil**  
**55 11 3232 0766 in other locations**  
**Monday to Friday, 9 am to 5 pm**  
**[www.totvs.com/eticatotvs](http://www.totvs.com/eticatotvs)**

**[Click here to see our code in full.](#)**

Commitment to integrity is based on TOTVS' values, which drive us to seek best practices regarding ethics and transparency, and to adhere to legal and sector requirements.

In this context, the company's integrity program and compliance system are evaluated annually through an independent external audit. The evaluation report contains a rigorous analysis of the compliance and anti-corruption program's eight pillars and involves assessments through substantive testing, as well as interviews and document analysis covering the compliance risk control environment.

Evaluation results and action plans are reported to the Audit Committee,\* which in turn reports its findings to the Board of Directors.

The end product is a roadmap to track the implementation of defined actions, resulting in a cycle of evolution and maturing in the theme, and providing an environment of greater security and refinement in terms of anti-corruption measures.

\* The Audit Committee is responsible for monitoring allegations submitted through the company's reporting channel, striving for enforcement of TOTVS' Code of Ethics and Conduct, warning the Board of Directors of fraud and other crimes, and suggesting responses.



## TRAINING ON CODE OF ETHICS AND CONDUCT AND ANTI-CORRUPTION MEASURES

GRI 205-1



BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY.

The Code of Ethics and Conduct's content is now presented on an e-learning platform, and communications reinforce the requirement for all TOTVERS to do this training.

The training is done annually, and in 2017, **4,552 people successfully completed it**. For those who do not have internet access, the training takes place in person.

In 2018, we will launch a thematic gamification platform to **train 100% of TOTVERS** on the new Code of Ethics and Conduct, which was approved recently. The new edition of training will promote greater engagement, as the learning process is more fun and interactive, involving simulations of real situations.

With regard to specific training on anti-corruption measures, **124 people**, including 100% of our franchisees' CEOs, professionals in strategic posts and those in areas of the company that are most exposed to risks, did in-person training with a specialized professional last year. At the end of the training, the participants signed an agreement stating that they were familiar with the Code of Ethics and Conduct and Policy on Commercial and Institutional Relations with Public Organizations (Anti-Corruption Policy). Training materials related to commercial partners were deployed in each business unit.



### TOTAL NUMBER AND PERCENTAGE OF PEOPLE TRAINED ON ANTI-CORRUPTION POLICIES AND PROCEDURES IN BRAZIL

(Based on the number of franchise units and not franchisees)

GRI 205-2

	Communicated	Trained
Board of Directors	9 100%	-
TOTVERS	7,768 100%	4,552 60%
Commercial partners (franchises)	48 100%	-

\* The company does not yet have data stratified by region, but it undertakes to present it in this way in the next report.



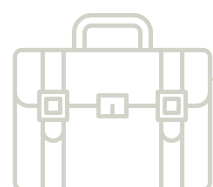
# RISK MANAGEMENT

GRI 102-30, 102-31, 102-33

TOTVS is committed to enhancing its risk management process, as it believes that decision making and business strategy are supported by the construction of scenarios and consistent analyses. To this end, it uses best practices and international benchmarks to implement practices that make sense in TOTVS' business environment and culture.

The strategic risk management process periodically reports its analyses to the Board of Directors, to ensure impartiality and impact assessments in guiding business decisions and monitoring strategic initiatives. These evaluations are conducted every six months for risks considered very high and high, and annually for risks considered medium and low.

Management of these risks is executed through the synergistic action of the company's different governance structures.



## BOARD OF DIRECTORS

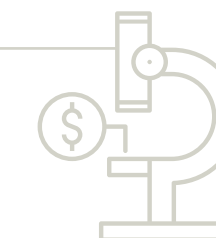
Sets strategic objectives to orient the work of identifying risks, besides tracking management actions in line with the company's business guidance.



## PROCESSES, INTERNAL CONTROLS, RISKS AND COMPLIANCE DEPARTMENT

Responsible for identifying, evaluating, treating, monitoring and communicating strategic risks and tracking the status of strategic, operational, financial and regulatory risks (compliance).

## INTERNAL AUDIT AREA



Responsible for auditing the company's risk management process through impartial and independent reports. It tracks the implementation of action plans for identified points and checks whether actions have been implemented as planned.

It also identifies opportunities to improve and prioritize processes to be audited, based on the risk management process, and expands the environment for substantive testing or continuous monitoring if new risks or bigger impacts and vulnerability regarding existing risks are identified.

## INDEPENDENT AUDIT AREA



Monitors and evaluates the company's internal control environment and risks considered relevant, in order to correctly produce and present the financial statements.

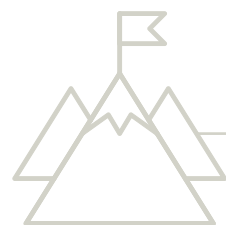
## AUDIT COMMITTEE



Monitors risk management work to guarantee that the language, methodology and mechanisms of adopted controls are appropriate, considering the structure, processes and evolution of residual risk following the implementation of actions plans defined by the company. It also ensures alignment of financial policies with strategic guidelines and business risk profile. It reports its conclusions to the Board of Directors.

Risk control and management practices are described in **TOTVS' Policy on Transactions with Related Parties and Risk Management and Internal Controls Policy**, which cover the following:





## GOVERNANCE AND RISK CULTURE

GRI 102-15

A culture of mapping and managing risks is disseminated at all levels of the company, and necessary actions are not restricted to a single executive or department. Managers are primarily responsible for day-to-day management of risks associated with their area or business process and spreading this culture among their team members, managing risk exposure through action plans defined and monitored by the Board of Directors;



## RISK, STRATEGY AND GOAL SETTING

Risk strategy and management must cover internal and external factors, as well as the impact of risks that may be misaligned with the guidelines established by the company, which could affect the achievement of business objectives and strategy;



## RISK IDENTIFICATION, EVALUATION AND TREATMENT

Risks are periodically identified, evaluated, prioritized and documented in a structured way so they can be treated properly.

Risks are categorized in line with their nature and origin, in risk categories. To this end, it is necessary to describe the processes for identifying, evaluating and treating them.

The methodology applied at the company is supported by the components of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and its Enterprise Risk Management Framework (COSO ERM) with respect to internal environment, risk assessment, control activity, information, communication and monitoring.

The main risks to which the company is exposed are as follows:

## STRATEGIC RISKS



Risks that affect strategic objectives, considering the internal and external environment;

## OPERATIONAL RISKS



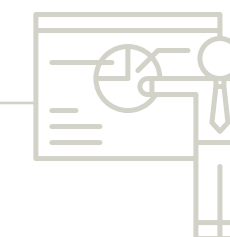
Risks related to the company's operations (processes, people and technology), which affect operational efficiency and the effective and efficient use of resources. They may manifest themselves in various ways, such as fraudulent acts, business stoppages, improper conduct by employees and deficiencies in contracts, resulting in financial and commercial losses, fines, legal impacts and/or reputational impacts;

## FINANCIAL RISKS



Risks associated with the exposure of the company's financial/accounting operations and the reliability of its financial statements. They may materialize as a result of the ineffectiveness of cash flow management aimed at maximization and the generation of operating cash, returns from financial transactions, the raising or usage of financial resources, and the possibility of issuing incomplete, inaccurate and late financial, managerial and tax reports, exposing the company to fines and penalties.

## REGULATORY/ COMPLIANCE RISKS



Risks related to compliance with rules and legislation, considering laws applicable to the sector of activity and general laws, both national and international (environmental, labor, civil and tax/fiscal).





## RISK MAP

GRI 102-15

In 2017, TOTVS' risk map was updated, and after an extensive identification, documentation, monitoring and reporting process, the Board of Directors concluded that there are 18 high-priority risks, grouped into strategic, financial, operational and regulatory categories. The risk map also makes it possible to classify each risk as low, medium, high or very high, in line with the level of impacts and vulnerability to which it is exposed, as shown in the results of qualitative and quantitative analyses. The process of updating the risk map involved gauging executives' perceptions through interviews, a risk poll, updating of forms, and tracking of indicators together with Risk Owners.\*

## CLIENT PRIVACY

GRI 103-1, 103-2, 103-3, 418-1

TOTVS strives to guarantee the privacy and security of its own data and that of its clients through an Information Security Policy that provides for mechanisms to protect the environ-

ment, a process for managing technical risks, and monitoring of occurrences. Furthermore, TOTVS conducts internal investigations into potential violations of the environment, data security and privacy, involving forensic analysis, electronic searches and interviews with those involved in suspected incidents. However, the company recognizes the need to constantly improve in this area.

In 2017 and previous years, there were no records of investigations exclusively involving violations of privacy, so we are unable to generate a specific indicator for the topic. Nevertheless, we have constantly enhanced our control environment to allow greater specification of occurrences and potential risks broken down by type of transaction/operation. The sector in which TOTVS operates is still lightly regulated in Brazil, but regulation has become stricter internationally, and this is likely to be repeated domestically, leading us to expand our internal control mechanisms.

\* Those responsible for identifying and effectively managing risks in their process or area of activity.



The background of the slide features a large, stylized illustration of a woman in a blue swimsuit rowing a boat. In the foreground, a man and a woman are seated at a desk, looking at a computer monitor. The woman is smiling. The overall color palette includes blue, orange, and white.

# STRATEGIES, PROSPECTS AND CHALLENGES ///

Having presented the background, it is time to talk about what we have faced in our journey together with our stakeholders. This includes opportunities and challenges on this path, strategies to deal with them, and our future prospects.



## CONTEXT OF EVOLUTION AND DIGITAL JOURNEY

GRI 102-15, 103-1

Watch this video to learn about TOTVS' vision for digital transformation.

We are experiencing a new digital age driven by the advent of new disruptive technologies and profound transformations in behavior. People are now consuming products and services in a different way, while organizations are challenged to **revalidate their own business models**. Individuals lie at the center of all these changes. People's decision to connect and share infor-

mation is now a decisive factor for digital evolution in business and the way we deal with the world in which we live.

In ancient times, human beings always sought to understand things on their own. When they started to work in groups and in a collaborative way, they realized it was possible to transform this understanding into knowledge, expanding and maximizing the benefits generated for everyone. When people became connected, they opted to express themselves and choose what they wanted to consume, at any time and anywhere, demanding that their needs be anticipated and promptly met.

In this context, transformation is the word that best sums up the moment that TOTVS and all other companies, large or small, whether or not they belong to the world of technology, are going through, or will go through. Those that do not incorporate the digital variable into their strategic plans will become obsolete, as the speed of transformation in the world requires ever faster responses for organizations. **Find out more.**

It has therefore become vital to companies' sustainability and competitiveness to think and do everything in a different way. All this movement is positive, and it provides opportunities for reinvention for all corporations. **Extensive connections between people and things** through technology are generating a world of shared data and creating countless possibilities for content production and collaborative solutions. This is the context for **TOTVS' digital journey**, which in 2017 was marked by the highlights presented in this edition of our Integrated Report.





## EVOLUTION OF SOFTWARE BUSINESS

GRI 103-1, 103-2, 103-3

In recent years, more demanding consumers and high-speed connected devices have triggered new digital business models, such as subscription services. These services are spreading across all industries, causing ruptures in traditional businesses and becoming a viable business model. As clients participate in active online communities, they become loyal to brands and generate more and more on-demand experiences. The market has grown year after year, and it is forecast to be worth US\$100 billion per year worldwide in the short term, according to Gartner, particularly driven by the fast-developing Internet of Things.

In this age of the shared economy, in which people are increasingly paying to use rather than own goods and services, we can perceive that many industries have been radically transformed

### SOFTWARE USERS

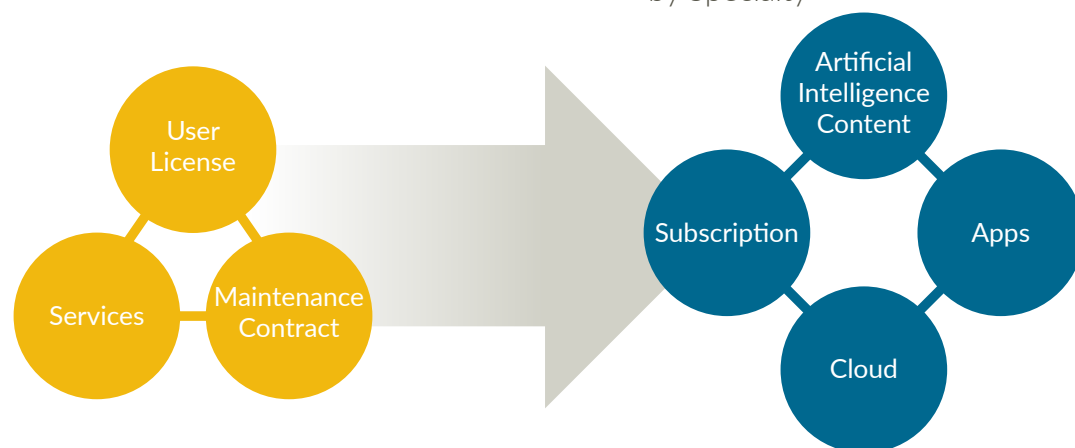
#### Application Software

- /// Process Automation
- /// Generation of Information and Content
- /// Control and Management
- /// Mobility

### EXTERNAL CONTENT / ARTIFICIAL INTELLIGENCE

#### Application Software Platform

- /// Process Automation
- /// Generation of Information and Content
- /// Control and Management by Specialty



## MOVE TO SUBSCRIPTION MODEL

In 2017, we recorded a 34.3% increase in TOTVS' subscription revenue, which now accounts for more than 20% of the company's total software revenue. Last year, we also gained more than 6,000 new subscription clients, which represents a 53.5% rise in relation to 2016.

This change represents an important step in the company's trajectory and long-term strategy, aimed at sustainable growth, predictable results and operational scalability of its business model. To enable this process, TOTVS rethought and reformulated not just the way it produces its software, but also how it sells it and interacts with clients. The company sought to understand what really makes sense to the lives of companies and people, in a context of new behaviors and forms of interaction.

The contrast is clear. TOTVS has evolved its business, previously focused on licensing, maintenance and service activities, to a subscription-based format. Closed, complex and user-focused software systems have been turned into platforms, which are steadily getting more open, integrated, specialized and aimed at identities, while prioritizing development in line with the mobile-first concept. They are cloud based, they include upgrades, they interact with legacy systems, and they process external data and information, via artificial intelligence, generating content to strengthen businesses.

In practice, clients now have a simpler and easier way to sign up for and use TOTVS' solutions. Merely by paying for a monthly subscription, which represents a low initial investment, they get free access to all the company's solutions on multiple devices and for multiple identities. They can enjoy the convenience and flexibility of the TOTVS Itera sales process (a commercial subscription model for small, medium and large companies). In this way, TOTVS is contributing to digital democratization, empowering ever more people and organizations via technology, and keeping clients within the core focus of its strategy.

by this phenomenon through the use of the internet, including the hotel, music and urban mobility sectors, and there are many others undergoing transformation. The profile of customers is changing. Today they are more connected and empowered, and they are looking for better consumer experiences, based on

a notably digital universe. This obviously applies to the software sector. Since 2015, TOTVS has been working to become a Software as a Service (SaaS) company. One of the fundamental innovations in this process was the implementation of a subscription model to replace the former licensing system.





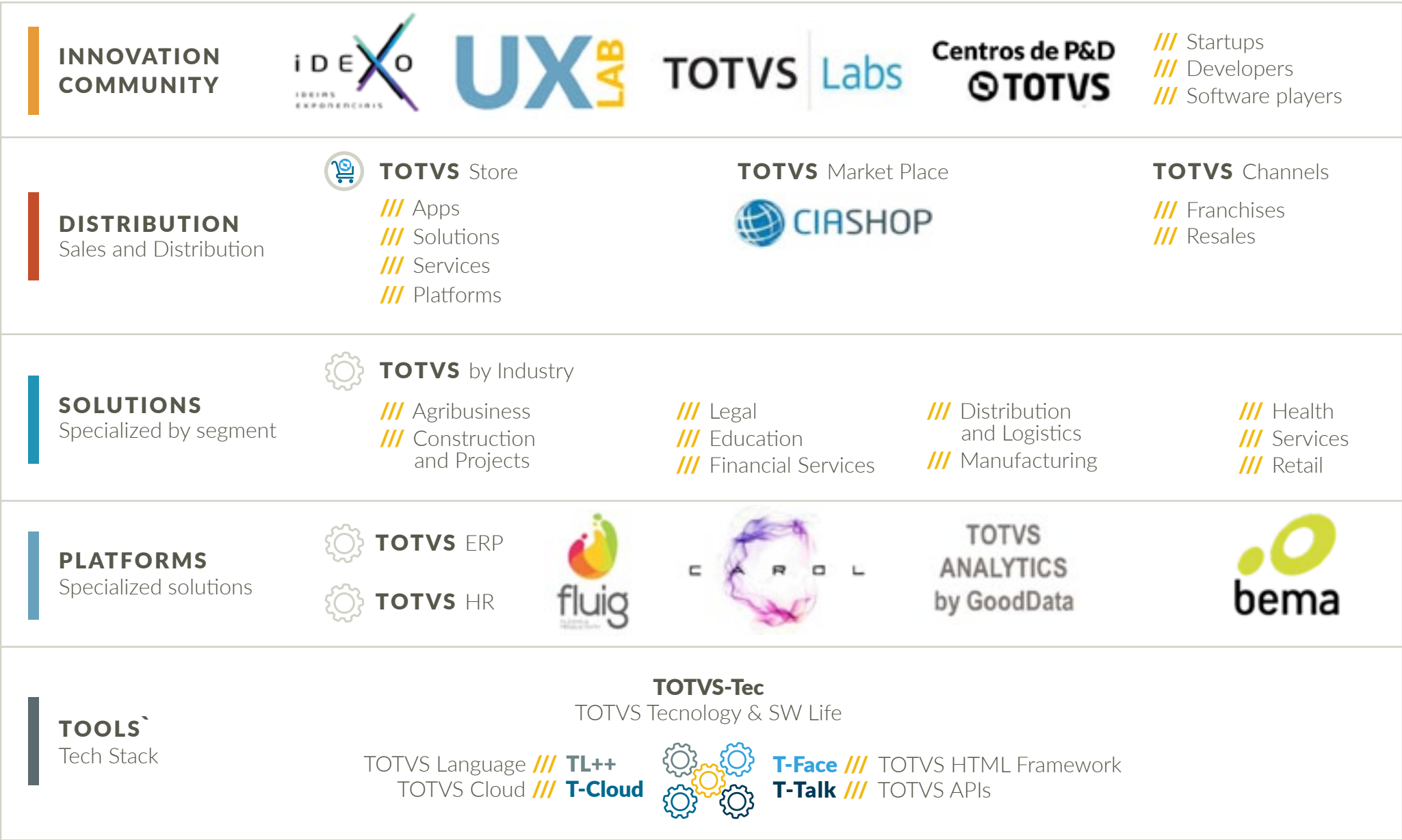
# BUSINESS MODEL AND STRATEGY

GRI 102-2, 103-2, 103-3

TOTVS supports its clients in their journey to the digital world, offering the best solutions and knowledge needed by companies of all sizes and sectors to harness digital opportunities. It has positioned itself as a partner, helping clients to understand this movement and whatever makes sense for their businesses. It is increasingly committed to providing its clients and its clients' customers with business solutions attuned to their needs, so they can enjoy all the benefits generated from new technologies.

The company's purpose is to "simplify the business world," through technological tools and platforms that generate specialized solutions in the core business of its clients' industries. They are sold and implemented in an agile and simple way through an extensive and digital distribution and business network, whose structures make it possible to integrate the community of innovators and developers with the TOTVS ecosystem.

# MODELO DE NEGÓCIOS





**Tools** /// TOTVS Tec is a platform that groups and consolidates the entire tech stack that supports the development of the company's software solutions, as well as solutions associated with management, business and collaboration. Over time, TOTVS has offered its own development languages and execution environments, which support all research, development and innovation activities. This strategy guarantees TOTVS' technological independence and convergence between the solutions it produces.

**Platforms** /// Every day, many new technologies appear in the market. Big data, artificial intelligence and the Internet of Things are some of the most talked about, tested and used. ERP is the foundation for all these new technologies. It has become the core of corporate information, serving as a fundamental pillar for all processes and accompanying data integration, guaranteeing compliance with clients' business, fiscal and information security rules.

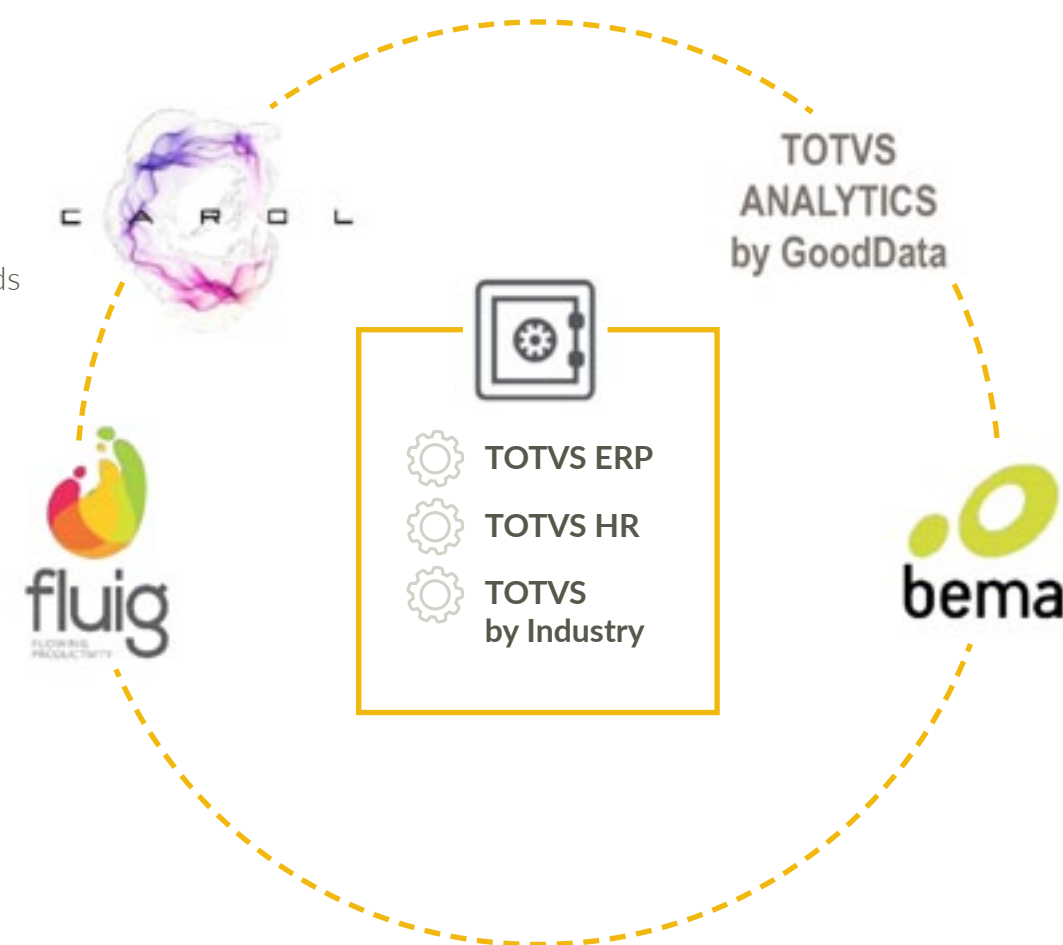
Around this main nucleus, we have positioned TOTVS' other solutions, which have evolved, becoming platforms that permit integration with apps and other market solutions, connecting to ERP in order to ensure the best solution for its clients. These solutions are as follows:

### DATA & INTELLIGENCE PLATFORM

/// Interprets data and recommends attitudes and actions

### PRODUCTIVITY AND COLLABORATION PLATFORM

/// Unifies systems, digitizes/simplifies processes, and exponentially boosts productivity and business development



### DATA ANALYSIS PLATFORM

/// Presents data in a structured way

### TOTVS IOTS AND RESPECTIVE MANAGEMENT

/// Captures and delivers information through devices

### ERP PLATFORM AND SEGMENT (BACK OFFICE AND SEGMENT)

/// Guarantees processing of corporate information, obeying business rules, laws and security requirements

### TOTVS HUMAN RESOURCES PLATFORM

/// Guarantees human resources management





**Solutions** /// The portfolio of Integrated Management Software offerings is structured in specialized business solutions, in 10 strategic economic industries (see more on page 13) and in line with the size of client companies. TOTVS knows the reality of these markets and has internally structured itself with specialized R&D, support, customer service and relationship teams, which understand the challenges of each of these industries and deliver solutions to meet their needs, from the back office to the core business of clients, helping them to transform the management of their operations.

**Distribution** /// TOTVS is a company with a global presence, structured in an extensive distribution model, covering the whole of Brazil and also present abroad. Based on a system composed of affiliates, franchises and channels, this model allows the company to be wherever its clients are, to get a better understanding of their day-to-day operations and their regional challenges and features, and to ensure synergies between TOTVS' solutions and best practices, concepts and processes in global, contemporary technology.

This broad distribution network reflects a physical and digital model that helps to increase TOTVS' market penetration, boost clients' business generation through marketplaces, and strengthen the internationalization of the company's brand.

This strategy of everyday proximity to clients is the result of TOTVS' continuous learning and experiences, in a trajectory marked by entrepreneurship and purposeful innovation. Combining organic and inorganic growth with a journey of overcoming challenges, it has been possible to overcome geographical and communication barriers, laying the foundations that allow TOTVS to compete globally with the biggest market players.

Below you can see who our clients are and our structures dedicated to their relations and management:

/// **SIZE OF COMPANIES**

/// **DISTRIBUTION AND RELATIONSHIP CHANNELS**

/// **HOW WE INTERACT WITH THEM**

**LARGE COMPANIES**

Companies with 500 employees  
10,000 companies in Brazil

**PRIVATE**

**PRIVATE STRUCTURE**

Exclusive channel, featuring qualified and specialized teams, which offer personalized and consultative support

**SMALL AND MEDIUM BUSINESSES**

Companies with 10 to 499 employees  
638,000 companies in Brazil

**58 CHANNELS  
52 FRANCHISES  
5 AFFILIATES**

**FRANCHISE SYSTEMS**

Each franchise operates exclusively in a geographical region in line with economic sector, and is a reference for small and medium business clients

**MICROENTERPRISES**

Companies with up to nine employees  
4.5 million companies in Brazil

**5K RESELLERS**

**RESELLERS**

Broad network of specialized resellers that support clients on the ground, providing all assistance and implementing products in person

PHYSICAL CHANNELS

**TOTVS STORE:** Generation of demand and TOTVS' entire portfolio available to sign up for 100% online, in an automated way, under the SaaS model, in the cloud and customizable via apps.

**DIGITAL CHANNEL**



## HOW DOES THE ACCELERATION PROGRAM WORK?

Every year, iDEXO holds three public contests for its acceleration program, called StartupX. Participation is completely free, and organizations legally constituted, resident and domiciled in Brazil may apply.

The evaluation process consists of analyzing projects in accordance with three criteria: **(I)** potential connections and synergies with associates; **(II)** economic and market feasibility of solution; and **(III)** novelty and innovation capacity of the proposed product or solution.

The focus is on finding exponential, early-stage startups in all sectors, and connecting them to large companies, boosting their ability to access investment and develop their consumer market, and bringing innovation solutions and technologies to the business world.

After being selected, the startups and their entrepreneurs go through a three-month residency at the institute. They have free access to iDEXO's coworking space, all its infrastructure, technical and business mentors, acceleration, programming challenges, and easy contact with the executives of associate companies, as well as content and support for the technical and technological development of their solutions.

Startups' contact with iDEXO takes place precisely in one of the most challenging phases for these entrepreneurs, the feared "Valley of Death," the initial operating phase, in which many of these young companies fail due to a lack of traction and access to essential technologies.

As a partner of these startups on this journey, iDEXO uses a hands-on approach and the methodology and content of two partners: Swedish school Hyper Island, based on an enterprising culture and mindset; and iMasters, a Brazilian platform aimed at developers (its virtual community contains 450,000 professionals). Every week, there are two or three days of mandatory activities, which amount to more than 200 hours of content by the end of the batch.

Another major distinctive feature of iDEXO is that it uses the equity-free model, meaning that it does not acquire a stake in startups, and nor does it demand any kind of intellectual property regarding whatever is developed. The institute also has different associates and not a single owner, enabling a greater diversity of connections and possibility of investment.

### GRI 103-1

**Innovation Community** /// In response to social changes caused by growing connectivity and the strategy of working as a provider of open management and business platforms (such as ERP, HR, fluig and Carol), TOTVS has opened its doors to more intense interaction with the innovation community.

In 2017, **iDEXO** was opened. This institute has the purpose of connecting startups, entrepreneurs and developers to large companies in the pursuit of new business solutions. Designed as an open innovation platform, the institute seeks to identify innovative ideas that have the potential for adoption and exponential growth. It helps startups to structure their business models, connecting their solutions to the market.

Located in an area specifically dedicated to its activities within TOTVS' new head office, iDEXO is different from all other initiatives in Brazil, providing TOTVS infrastructure and technologies (including APIs) to startups and the community of developers to create innovative business solutions. Furthermore, these companies may receive investment from TOTVS and other members of the institute, and sell their solutions at the TOTVS Store.

TOTVS has also other structures focused on research, development and innovation activities, which are described in Intellectual Capital.



## IDEXO – FACTS AND FIGURES:

- /// 1,300 m<sup>2</sup> space.
- /// 180 workstations and room to house up to 40 startups at the same time.
- /// 1 Fab Lab with 3D printer and laser cutter.
- /// 248 applications and 15 startups selected in first batch.
- /// 190 hours of content in three months of residence.
- /// Four associates: Banco ABC Brasil, Soluti, TOTVS and Visa.
- /// Partnerships established with Cisco, the government of Ontario, Canada, Mobile Marketing Association, ESPM, Intel, iMASTERS, Hyper Island and Advisor BPO.

# #WE ARE TOTVERS





## MAIN CHALLENGES

Having described this context, pointed out the risks along the way and presented the main players in this story, we need to show the challenges to be tackled on this journey. Thus, in keeping with our commitment to transparency and best practices regarding information, and aligned with the spirit of this Integrated Report, we will describe the challenges we have identified managerially as the main ones to be overcome in 2018 and the next few years, in order to ensure sustainable value creation for our chain of shareholders, TOTVERS, clients, suppliers and partners, as well as the innovation ecosystem and society as a whole.

2018 is a **Year of Execution** for TOTVS. The main challenge is therefore to execute transformations that we have been developing, to continue on our digital journey, and to further strengthen the #WEARETOTVERS culture.

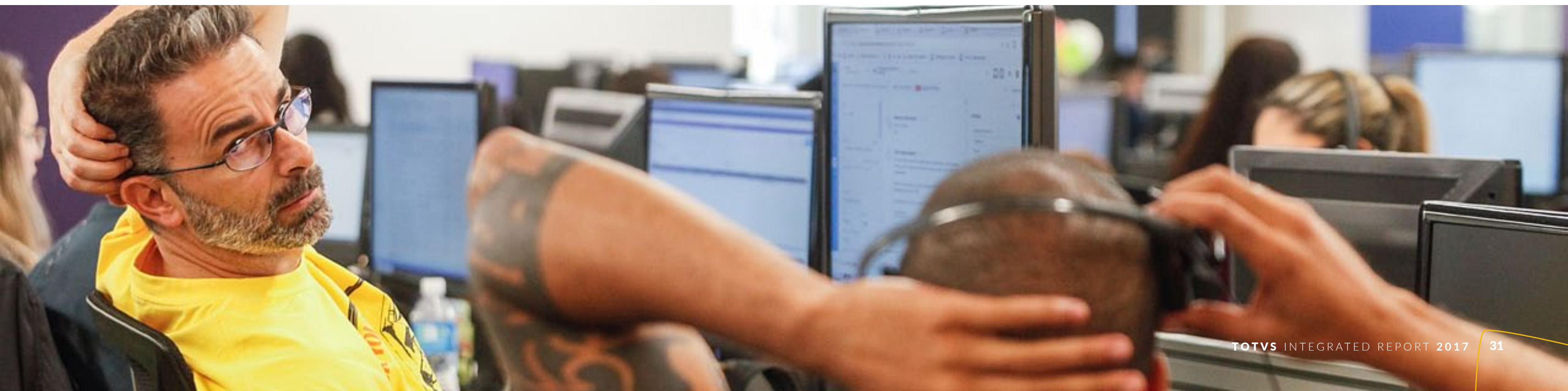
In 2018, we will guide our actions by the following principles:

**The ARC**, which represents the **Attitude, Results and Consequences** expected of TOTVERS in their actions. It encourages recognition of responsible engagement with the company's quality and growth.

The **TOTVS DIGITAL MODEL (TDM)** caps off the journey to transform our ERP, HR and segmented solutions into **platforms**, integrated with fluig, Carol and TOTVS Store. In 2018, we are committed to the materialization of TOTVS Store. To this end, the company will enter the stage of expanding the posting of APIs for its solutions and platforms, making the store an environment of connection between TOTVS and its clients, with apps, services and products available for sale and installation through TOTVS Store.

In this TDM context, **TOTVS INTERA** represents a **commercial subscription model** for TOTVS platforms and solutions. It offers a versatile subscription package, affordable to companies in any sector and of any size, with the best cost-benefit relationship in the market. The challenge involving the evolution of TOTVS Intera is to expand the base of clients in this modality, gaining their loyalty through the intensive and unlimited use of TOTVS' essential solutions.

Indispensable protagonists on this journey, the company has listened to its clients and learned about the challenges they face at their own companies, and their need to evolve, migrate, simplify or reimplement existing solutions. The principle of CONVERGENCE then arises, with the aim of proposing convergence between all the solutions used by clients, including TOTVS', based on the fluig platform, making clients' software legacy an IT asset.





## MAIN TRENDS TO KEEP AN EYE ON IN 2018



### ARTIFICIAL INTELLIGENCE

Technology and algorithms that make things and processes smarter, answering questions and offering insights to aid decision making or the performance of tasks.



### AUGMENTED VIRTUAL REALITY

Technology and visual interfaces in certain contexts, allowing different scenarios and visions to be shown.



### BLOCKCHAIN

Technology that allows the distributed authentication of any information.



### FOG COMPUTING

Technology that permits the use of local computing power, together with the centralization of data in the traditional cloud.



### INTERNET OF THINGS

Technology that connects objects to the internet.

**SECTOR'S PROSPECTS** /// Global spending on information technology will reach US\$3.7 trillion in 2018, up 4.5% from 2017, according to a forecast by Gartner, a research institute that is among the 500 largest companies listed on the New York Stock Exchange and NASDAQ. This growth will mainly involve digital business projects, blockchain, the internet of things, and the use of big data together with algorithms, machine learning and artificial intelligence. The biggest growth will be in the corporate software segment. Global spending in this area is forecast to rise 9.5% in 2018, to US\$421 billion. Gartner believes that organizations will expand their investment in corporate management systems, and part of their budgets will migrate to the software as a service (SaaS) model. **For more information, [click here.](#)**







Intellectual capital is composed of intangible organizational factors based on knowledge, such as patents, copyrights, software, rights and licenses; as well as “organizational capital,” including tacit knowledge, systems, procedures and protocols.

# INTELLECTUAL CAPITAL ///

GRI 103-2, 103-3, 205-2



## GRI 103-1



Our California office is a center for developing products, ideas and innovation. It is a base that lets us bring to Brazil whatever is happening around the world.

**MARCELO COSENTINO**

*Vice President of Professional Services & IT*

In this chapter, we describe the importance of our Research & Development area, as well as the investment we are making to gradually expand our knowledge and competence regarding the sectors in which our clients operate – something that has become a competitive advantage during our trajectory.

The objectives that guide the existence of these structures include the following: **I)** enhancement of the technical foundations of our software, permitting greater efficiency in the development of solutions; **II)** adoption of new technologies and evaluations of their impacts; **III)** implementation of technological alternatives to uphold and protect our operations; **IV)** constant refinement of concepts, functionality and usability; **V)** development of special products at the request of clients; **VI)** constant pursuit of new development methodologies; **VII)** integration of third parties' tools; and **VIII)** evaluation of new organizational models and their applicability.

Our dedicated research, development and innovation teams are organized as follows:

### R&D CENTERS

These centers specialize in the company's 10 strategic operating industries. They are staffed by specialists who understand the specific needs and challenges of each segment, translating them into innovative solutions and aligned with our clients' core businesses.

Each center is structured with specialized teams covering areas such as products, development, support, customer service and relationships, and services (implementation).

### UX LABS

Located in São Paulo, Brazil, this center hosts a team of researchers and designers who are exclusively dedicated to exploring market trends and improving the user experience of our solutions and services through constant research and observation in the field with clients.

In this lab, projects are guided by the design thinking approach, which involves empathy, collaboration and creativity, seeking constant improvements to our products' processes, interfaces and navigability.

### TOTVS LABS EUA

Attentive to international technological evolution, the company has had an innovation laboratory, TOTVS Labs, in Silicon Valley since 2012. It is focused on developing new technologies and solutions involving cloud computing, social media, big data, artificial intelligence (see "How Carol was born" on page 35) and mobile devices.

TOTVS Labs has a team of 22 people, including designers, scientists and engineers from different countries, such as Brazil, the United States, China, Russia and India. It also has the role of identifying and strengthening partnerships with local companies and startups.



## GRI 103-1, 103-2, 103-3

Together with other development centers located in Brazil, TOTVS' innovation hub on the American West Coast demonstrates the understanding and experience that technology changes society's behavior and the way business is done.

These teams are attentive to the market, which is increasingly looking for mobile solutions involving the cloud, cognitive technologies and artificial intelligence, generating a universe of shared data and creating opportunities to produce collaborative content and solutions. New business opportunities are created all the time and the focus is on offering greater convenience to clients, so they can access more innovative, faster, simpler technologies, which meet their needs in the best possible way.

At the same time, the company has been dedicating itself to implementing more agile and simpler service processes. This involves looking for and implementing disruptive business structures, without any intermediation and allowing potential economies of scale.

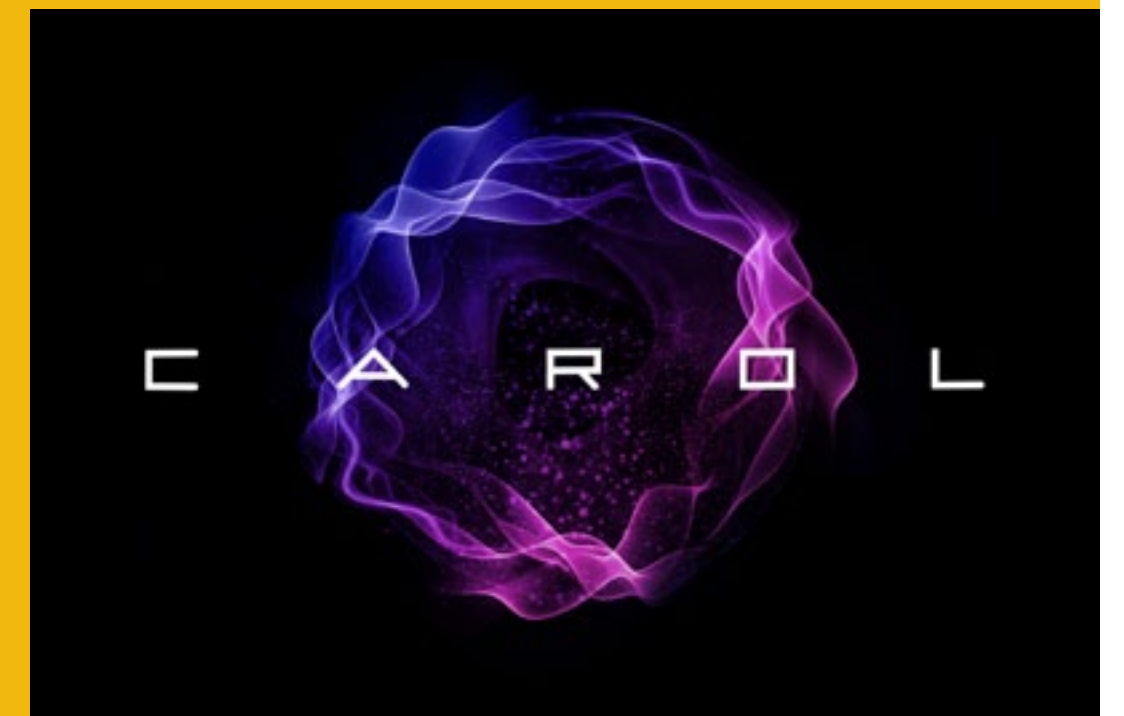
From these efforts, a new digital platform has emerged. As well as an e-commerce tool, it will be a new way of developing and delivering enterprise resource planning (ERP) software and other aggregated services, 100% in the cloud. To meet these demands, the company has been investing even more in research and development based on new technologies.

## HOW CAROL WAS BORN

Carol, TOTVS' artificial intelligence platform, was created from the very beginning by teams in California and New York, as well as a group of data scientists in Brazil.

Interaction, prototyping and cocreation on our artificial intelligence platform provides an example of how we make innovation happen. Simply put, Carol is like a child: if you don't teach it, it will not learn anything. On its own, with little interaction, a child may grow, but it will not develop its potentialities for the world. When it comes to artificial intelligence, learning takes place through algorithms, which search for appropriate information, attitudes and behaviors to support the evolution of this platform and its contribution to the development and journey of our clients, their partners and their sectors, in a linked way.

Intelligence ultimately lies in data. And it only functions if we can transform it into strategy and predictability for business. That is the purpose of Carol's first applications, which are starting to reach the market. The first was a tool to track university dropouts, which makes it possible to predict, 90 days in advance and with a 90% accuracy rate, the probability that a student will take a break from college. After this, a chatbot for hotels was launched, permitting management of all contact with guests, from pre-bookings to checkout.





## RESEARCH AND DEVELOPMENT – KEY NUMBERS



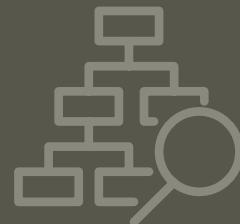
**+ R\$1**

billion allocated to R&D in the last five years.



**+ 10**

research and development centers in Brazil and abroad.



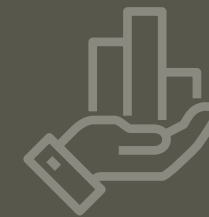
**2,239**

TOTVERS in R&D structure in Brazil and abroad (29% of our human capital).



**90+111**

90 patents and 111 software registrations.



**82**

projects delivered by UX Labs in 2017, involving around 2,000 internal and external clients, and six TOTVS business towers.



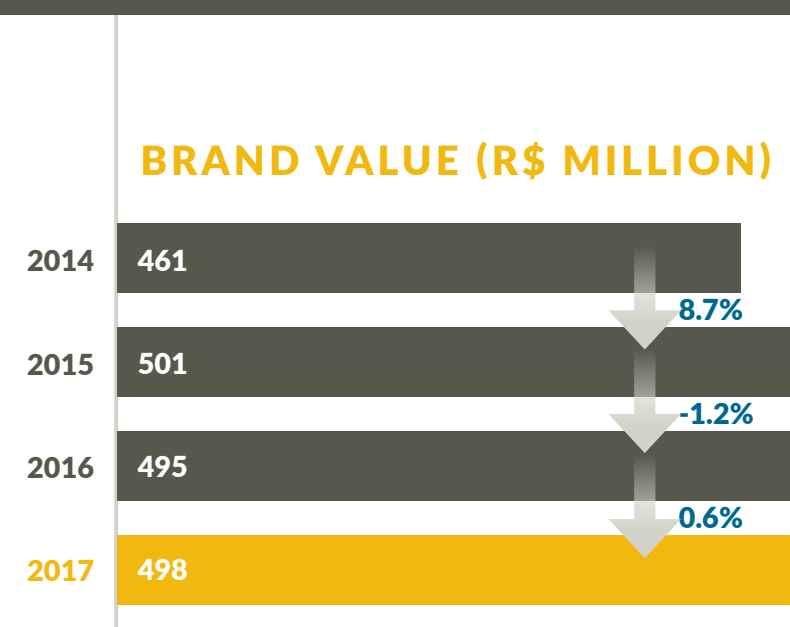
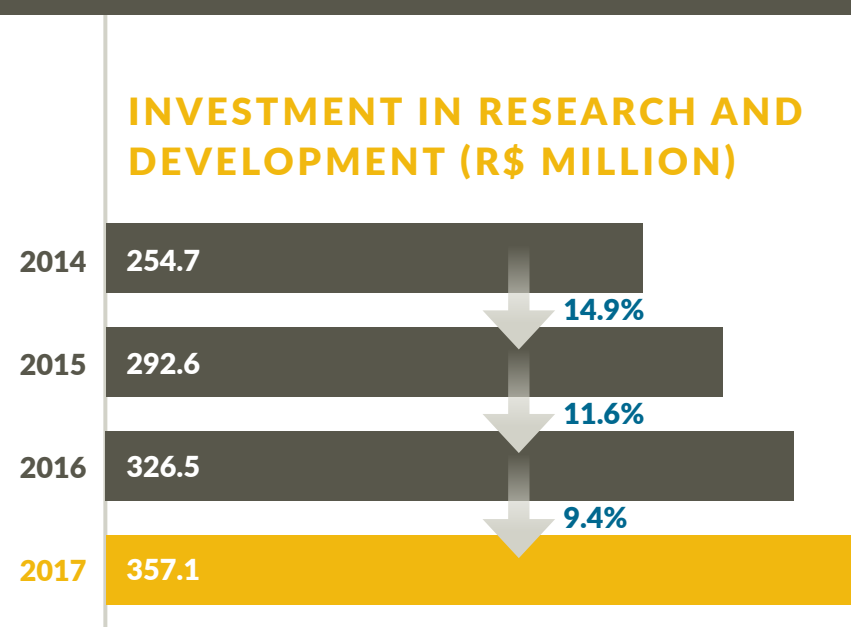
**Strategic**

partnerships with universities, research institutes, incubators and other companies for innovation projects.



**Agile**

Implementation of agile software development model, unifying and integrating all Innovation, Maintenance and Support teams.



\*According to Interbrand ranking





People's competencies, skills and experiences, as well as their motivation to innovate, including their support for the governance structure, risk management and ethical values; their ability to understand, develop and implement their organization's strategy with loyalty; and also their motivation to improve processes, goods and services, as well as the capacity to lead, manage and collaborate.

# HUMAN CAPITAL ///





In terms of cultural alignment, we continue to work on our pillars, notably culture, leadership and strategic alignment.

**SÉRGIO PAUPÉRIO SÉRIO FILHO**

*Executive Manager for Institutional Relations, Investor Relations and Social Opportunity*

GRI 102-16

TOTVS' culture evolved in 2017 in an unparalleled way. This was a milestone for our journey and our relationships with clients, suppliers and partners. A watershed that defines our company's main driver in this journey: people.

To understand this story, let us return to the past and recall the trajectory of TOTVS, a company that largely grew by acquiring dozens of other companies. Each one had its own practices. As a result, although TOTVS had its own culture, there was a lack of shared guidelines, a common language and a crystalized, clear and accessible way of acting.

The situation began to change in 2016, when the people area was restructured and repositioned in a more strategic manner.

This new way of acting marked the beginning of this evolution in TOTVS' culture. It involved mapping what TOTVERS' behavior ought to be during this digital transformation journey.

This process was built through a bottom-up methodology, listening to TOTVERS and taking their insights to the company's senior management. This made it possible to connect employees' demands in relation to culture with the company's strategic drivers.

The attributes that define the company were born then: People, Clients and Technology. Clients and people are helping to strengthen a sense of unity, identity and purpose, reflected in the creation of the #WEARETOTVERS campaign and the entire communication plan for disseminating this new culture.



## #WEARETOTVERS CULTURE

GRI 102-16

### Technology + Knowledge are in our DNA

We have built a legacy for an ever-changing-world. We are always thinking about how to combine technology and knowledge to keep boosting innovation now and forever. We are creative and not afraid of making mistakes.

### We value competent people who are nice people

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

### Our customers success is our success

We anticipate the needs of our customers. We deliver quality in solutions that are more essential, simpler and more agile for businesses. Always there and nearby.



# #WEARETOTVERS



However, our transformation was just beginning. And it was deeper than the new concept itself (although this is extremely important). It also involves new internal actions, a review of processes, and new tools.

The dissemination of the culture’s attributes and everything surrounding it is, in itself, a continuous project, given the company’s dynamism and its desire to overcome the new challenges that continually appear for our clients and the market.

One of the signs of evolution in our culture is the implementation of a new model for evaluating TOTVERS’ performance, which has two aspects: employees’ competencies, and the process of targets focused on the organization’s strategy in this digital transformation journey.

The new model puts the same emphasis on behavior and results. This reinforces one of the elements of TOTVS’ culture: how is as important as what. This shows that the behavior the company requires of its employees is being incorporated into the company’s processes, and that our culture is not merely a declaration of intent framed on a wall.

Another striking initiative was a change in our parameters for training leaders. Competencies such as process, project and finance management continue to be relevant, but the main focus is now on people management. This means that leaders must be active listeners, give feedback, understand differences between generations, and plan succession (fundamental to business sustainability in the long term), among

other points. In addition, all senior management levels are now trained based on the same methodology – a practice seldom seen in the market.

### HIGHLIGHTS

- /// In 2017, 350 company leaders, including managers and executives, were trained.
- /// There were three in-person training modules, focusing on basic principles of people management, ascendant communication and high-performance team management.
- /// In 2018, the target is to train 500 coordinators.

This vision of TOTVERS’ training culminated in December 2017 with the launch of **TOTVS University**, a new model of collaborative learning, which fosters people’s thirst for learning and self-development, supported by different methodologies. In this model, the company allows all TOTVERS to go far beyond the knowledge proposed for their track at each moment in their career.

In 2018, the process continues with the structuring of career tracks for TOTVERS and the strengthening of this model.

In addition to TOTVS University’s content, in 2017 we also offered approximately **100,000 hours of training**, representing an average of **14 hours per TOTVER**.





AVERAGE TRAINING HOURS BY WORK CATEGORY AND GENDER

GRI 404-1

	2015			2016			2017		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Vice Presidents, Directors and Executive Managers	33.17	29.89	33.76	8.37	7.76	8.54	48.21	46.19	48.72
Managers	37.27	40.08	36	20.5	26.48	17.87	29.16	55.84	23.45
Coordinators	36.32	38.46	35.25	21.49	26.75	19.15	14.08	14.47	13.92
Specialists	28.87	31.62	27.97	21.47	21.03	21.64	12.15	18.38	10.21
Analysts	29.02	31.76	27.49	19.6	19.17	19.81	12.77	13.65	12.35
Technicians and Assistants	16.59	14.63	18.05	19.28	17.95	20.27	12.33	11.09	13.38

\*Refers to TOTVS operational training hours, not including figures for acquired companies Bematech, Ciashop, CNMET, Virtual Age and Neolog, whose data and method of measuring this indicator have not yet been incorporated into TOTVS' ecosystem. In 2017, figures for PC Informática were incorporated.

INVESTMENT IN COURSE

GRI 404-2

	2015	2016	2017
Number of TOTVERS	6,521	5,942	5,567
Amount invested (R\$)	5,996.484	4,776,709	6,785,837
Number of scholarships awarded*	1,243	1,701	1,422

\*Includes scholarships for undergraduate degrees, language courses, immersion courses, MBAs, master's and doctorates.

HOW IS AS IMPORTANT AS WHAT

Performance assessments now incorporate equal weightings for employees' targets and their behavior. This is part of the evolution in TOTVS' culture, in which the way something is done is considered to be as important as the result itself.

NOT AFRAID OF MAKING MISTAKES

The innovation sector, in Brazil and across the world, requires freedom to make mistakes. Our employees are trained to work with excellence. However, fear of punishment or hierarchical reprimand must not interrupt the process of evolution: it is opposed to the idea of innovating. As a result, in addition to all its risk management controls and investment, TOTVS explicitly specifies the expected conduct in such cases for its employees: if you make a mistake, do it quickly, admit it, and then correct it immediately.





PERFORMANCE ASSESSMENT  
IN 2017

GRI 404-3

	2016		2017	
	Men	Women	Men	Women
Number of employees subjected to performance and career development assessment	3,197	1,670	4,466	2,107
(%) by gender			88%	85%
(%) leadership positions	88.9%	90.9%	98.8%	99.6%
(%) other positions	79.2%	82.5%	99.0%	98.5%
Total				

All units in Brazil, not including franchises.  
“Leadership positions” includes analyst-leaders, coordinators, managers, executive managers, directors and vice presidents.  
Non-leaders include apprentices, interns, assistants, technicians, analysts and specialists.



WEARETOTVERS

#WEARETOTVERS is a symbol of pride in belonging, and it has yielded better-than-expected results. Last year, its usage grew 60%. Overall, this digital indicator reflects progress in employees’ engagement with the company, which is also reflected in other metrics.

This effect can be seen in some important human resources management indicators. For example, the employee absenteeism rate in 2017 fell to 1.55, the lowest in the company’s history. By way of comparison, across all Brazilian technology companies, the average figure is three times higher, around 4.5.

In a ranking of the best places to work at, TOTVS scored a 95% favorability score for diversity, which means working with people who think or behave differently from you. This is crucial at a creative and innovative company.

Last year, we launched our Healthier program. TOTVS believes that balance in life is fundamental to people. Connected to the growing demand for health and well-being, the program is basically split into three pillars:

- /// **#activelife:** actions focused on health, diet and encouragement to regularly do physical activities.
- /// **#wellness:** actions focused on mental health.
- /// **#myfinances:** actions reinforcing and encouraging the proper and conscious use of money.

Monitoring, guidance and practices make up the three pillars, incentivizing and supporting habits and a healthy lifestyle to promote the well-being of TOTVERS and their families.



GRI 201-3, 401-2

## HEALTHIER PROGRAM ACTIONS

- /// **Talks:** by renowned professionals about each of the program's pillars;
- /// **Mother's Love:** tracks and offers support and health guidance to pregnant women at the start of gestation up to their baby's first birthday;
- /// **Always Well:** orients and monitors patients with chronic diseases;
- /// **By Your Side:** tracks and monitors all cases of hospital care, even after discharge;
- /// **24/7 Medical Center:** specialized service to answer questions on health and well-being by phone;
- /// **Count on Me:** guidance and personal support for TOTVERS and their families;
- /// **Sharing the Fruits:** every Thursday, together with nutritional advice;
- /// **Nutritional Encounters:** talks and chats on topics related to healthy eating and physical activity;
- /// **Corporate Workplace Accident Prevention Week:** reventive health and safety initiatives;
- /// **Moreover:** meetings every two weeks with finance specialists, addressing the conscious use of money;
- /// **E mais:** vaccination campaign, breastfeeding room at the head office in São Paulo and also in Joinville, as well as medical assistance at the headquarters.

TOTVS also has a private pension plan aimed at giving TOTVERS a benefit to complement the government pension scheme. This benefit involves monthly contributions by TOTVERS and TOTVS. Directors and other senior executives can contribute up to 5% of their pay, while executive managers and other

TOTVERS can contribute 2% of their pay. In both cases, the company adds the same percentage.

In addition to these initiatives, we also offer some other benefits to TOTVERS:

- /// **Life Insurance:** all TOTVERS.
- /// **Health Insurance:** full-time TOTVERS and apprentices.
- /// **Dental Insurance:** full-time TOTVERS and apprentices.
- /// **Medical Check-up:** executive managers, directors, vice presidents and president.
- /// **Private Pension:** full-time TOTVERS and apprentices (9).
- /// **Daycare Assistance:** full-time TOTVERS and apprentices, in line with their respective local collective work agreements (9).
- /// **Meal Assistance:** all TOTVERS (in line with their respective local collective work agreements). *Aimed at restaurants.*
- /// **Food Assistance:** only for TOTVERS at TOTVS' sites in Rio de Janeiro, Bematech and CMNet. *Aimed at grocery stores, supermarkets and bakeries.*
- /// **Transport Assistance:** all TOTVERS (benefit established by Consolidated Labor Laws).
- /// **Company Car:** executive managers, directors, vice presidents and president.
- /// **Fuel Assistance:** executive managers, directors, vice presidents and president.

(9) Benefit not available to TOTVERS at PC Informática, TQTVD, Assis, Bematech and CMNet. /// Health insurance, dental insurance and private pensions cover apprentices, but not interns. /// Private pensions do not cover TOTVS Software, Assis, Bematech and CMNet.



We comply with Brazilian legislation on maternity leave. On average, 82% of TOTVERS were still at the company 12 months after returning from their leave.

**RETURN TO WORK AND RETENTION RATES AFTER MATERNITY LEAVE** GRI 401-3

2017	
How many employees were entitled to maternity leave?	147
How many employees took maternity leave?	147
How many employees returned to work after the end of their maternity leave?	145
How many employees who returned from maternity leave were still employed 12 months after returning?	120
What proportion of employees returned to work after their maternity leave?	99%
What proportion of employees were still with the company 12 months after returning from their leave?	82%

1. Sites covered: TOTVS and affiliates / Bematech Softwares Bematech Hardware / CMNet.  
2. There is no monitoring of paternity leave.

In 2017, TOTVS' indicators for lost workdays and number of injuries rose, due to an increase in commuting accidents. On the other hand, the absenteeism rate fell.

**NUMBER OF INJURIES, OCCUPATIONAL DISEASES AND LOST WORKDAYS** GRI 403-2

	2016	2017
Occupational diseases	0	0
Lost workdays – accidents	277	614
Number of injuries (accidents with and without sick leave)	40	59
Deaths	0	0

1. Includes TOTVERS at affiliates in Brazil but does not include franchises.  
2. Does not include minor injuries that only required first aid.  
3. Regarding lost workdays, this indicator only includes cases when employees did not return to their activities by the day after the incident, and the days were counted as of this date.

**ABSENTEEISM RATE**





## INSPIRATIONAL HEAD OFFICES

Digital heroes need proper headquarters. Inspired by the concepts of collaborative, creative and integrated work, TOTVS' new head office was opened in June 2017, following total investment of **R\$280 million**. Of this sum, R\$ 80 million was spent directly by the company to equip the new building properly and the rest was allocated by investors through a build-to-suit project.

In the past, the company's employees were spread across eight sites in and around São Paulo. Bringing together these units and physical infrastructure was aimed at increasing connectivity and inspiration for innovation among TOTVERS.

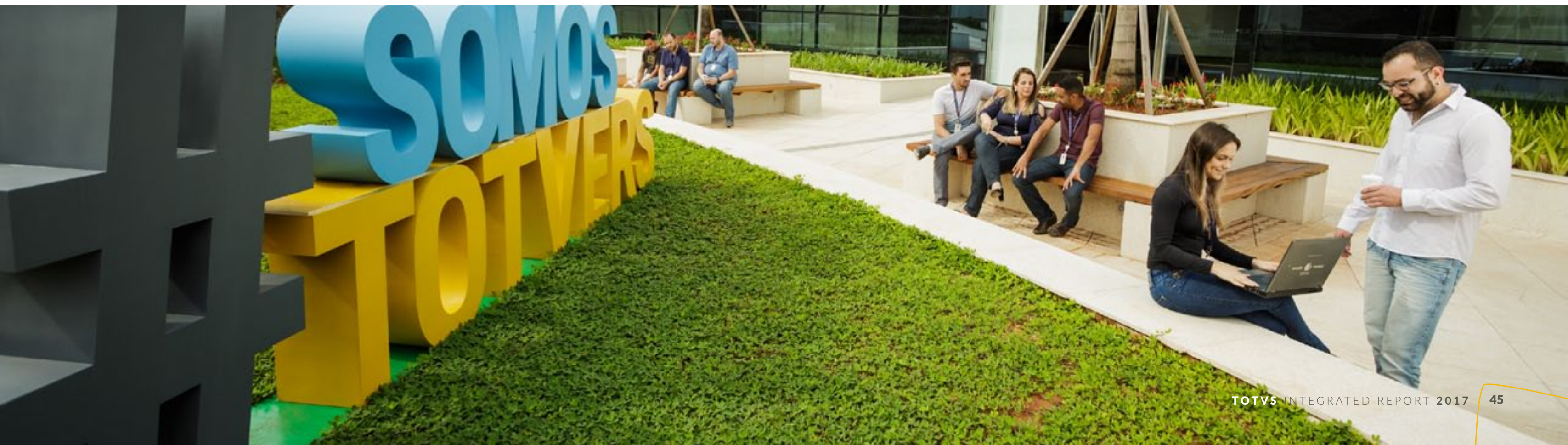
The building's architectural design was based on the physical and organizational philosophy of state-of-the-art technology companies in Silicon Valley. The office has around 65,000 square meters of floor space and it houses the company's **3,200 employees** (2,000 in development and innovation, and the other 1,200 in administrative and customer service areas).

This infrastructure closely reflects the company's digital transformation journey and the evolution of its culture. It stimulates a **collaborative environment** and the formation of multifunctional teams, which work in a synergistic way, bringing together different areas and internal clients, without losing sight of benefits for end clients.

The head office also features a 174-m2 laboratory designed for innovation, which hosts developments based on the concept of design thinking. It also contains games rooms, a multifunctional terrace, a picnic room and even a slide that links two floors.

The iconic building is not an isolated fact. In an organic way and in line with its strategy, TOTVS has been reequipping or building new facilities for its affiliates across the country, based on the architectural style of its head office in São Paulo. TOTVS is a single company, and its buildings convey its practices and culture wherever they are.

**GRI 102-3, 102-10**







## TECH TALENTS

TOTVS wants to do more and overcome its challenges. Productivity and competitiveness are two of these challenging subjects. As barriers for development in the information technology market decline progressively, in a more open and collaborative market, innovating is imperative.

Internally, the biggest challenge is to have inspiring leaders capable of promoting development, innovation and the retention of our tech talents. One initiative to address this issue is Programmed Future, in which we train potential job candidates. Outstanding participants are kept in our pool of talents and they are called when opportunities arise. They want to work at TOTVS and we begin our relationship with them based on this intention, which is particularly intense for the technology development area, which demands highly specialized professionals.

Because of the advance of artificial intelligence, people are increasingly relying on very specific competencies as well as suitable cognitive structures and logic to read and work with data and algorithms. These professionals are sought in the corporate market, academia and in particular in the geek universe. At the same time, TOTVS is developing an internal program to train data scientists.

As the use of artificial intelligence advances in the solutions we offer to our clients, in the industries in which we operate, our demand for these professionals grows.

Reflecting the attention we give people – as one of the pillars of our culture – in 2017 alone, 6,000 candidates applied for our Trainee Program.

In all, 75 selected trainees underwent training in various areas of our company. In practice, this was the first joint trainee and training process conducted by the company.

Of these group of trainees, seven have been hired. They embody high tech culture and the meaning of being a TOTVER. In other words, they are innovative, restless, curious, proactive and collaborative, always looking for simple and nimble solutions, with excellence and a thirst to learn more.

We believe in the transformative power of technology and the empowerment of individuals and organizations that maximize benefits and values generated by them.

## SPECIAL RECRUITMENT

We have professionals specialized in seeking talents in technology communities created by fans themselves. One knows each other and recommends another one. To find the best ones, we locate the communities around which these young people organize themselves and swap programming challenges within the world of data science. It is a highly dynamic, innovative and cutting-edge environment, from which a national ranking of programmers and data scientists has emerged.



WHO WE ARE

GRI 102-8

Number of employees by type of contract	Men	Women
Fixed-term	93	69
Permanent	4,932	2,367
Total by gender	5,025	2,456

Number of employees by type of employment	Men	Women
Full time	4,932	2,387
Part time	93	69
Total by gender	5,025	2,456

Number of employees by region	Men	Women
South region	1,361	717
Southeast region	3,203	1,512
Center-West region	385	198
Northeast region	108	44
North region	0	0
Total	5,057	2,471

Note: The number of part-time employees includes interns and young apprentices. The figures include TOTVERS at affiliates in Brazil, but they do not include franchises.

DIVERSITY AND  
EQUAL OPPORTUNITIES

GRI 405-1

Functional category by gender (%)	Men	Women
Vice presidents, directors and executive managers	84.0	16.0
Managers	69.9	30.1
Coordinators	69.4	30.6
Specialists	73.9	26.0
Analysts	66.7	33.3
Technicians and assistants	55.9	44.1

Functional category age group (%)	Under 30	Between 30 and 50	Over 50
Vice presidents, directors and executive managers	0	86.2	13.8
Managers	2.4	89.5	8.1
Coordinators	9.6	86	4.5
Specialists	11.7	79.6	8.7
Analysts	43.4	54.4	2.3
Technicians and assistants	72.3	25.6	2

Distribution of people with disabilities in positions at the company (%)	
Leaders*	2
Specialists	3
Analysts	22
Technicians and assistants	73
Total	100

\*At TOTVS, leadership positions are considered to be president, vice president, director, manager and coordinator.



BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING.



ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.



DIVERSITY BY POSITION,  
AGE GROUP AND GENDER (%)

GRI 405-1

	Under 30		Between 30 and 50		Over 50	
	Men	Women	Men	Women	Men	Women
Vice presidents, directors and executive managers	0	0	82.7	17.3	92.3	7.7
Managers	80	20	67.9	32.1	88.2	11.8
Coordinators	63.3	36.7	69.4	30.6	82.6	17.4
Specialists	76.3	23.7	73.5	26.5	74.7	25.3
Analysts	69.6	30.4	64.2	35.8	71.8	28.2
Technicians and assistants	58.5	41.5	48.9	51.1	50.0	50.0

TURNOVER

GRI 401-1

In 2017, 1,379 people joined the company and 1,710 left it. The turnover rate was **20.52%**, up 1.78 percentage points from **18.74%** in 2016.

The numbers in the following tables represent TOTVERS at Brazilian sites and also in foreign operations.

EMPLOYEES HIRED AND TURNOVER  
IN 2017 BY GENDER\*

	Employees hired	Departures	Turnover
Men	932	1082	19.9%
Women	447	628	22.0%
Total	1,379	1,710	20.7%

EMPLOYEES HIRED AND TURNOVER  
IN 2017 BY AGE GROUP\*

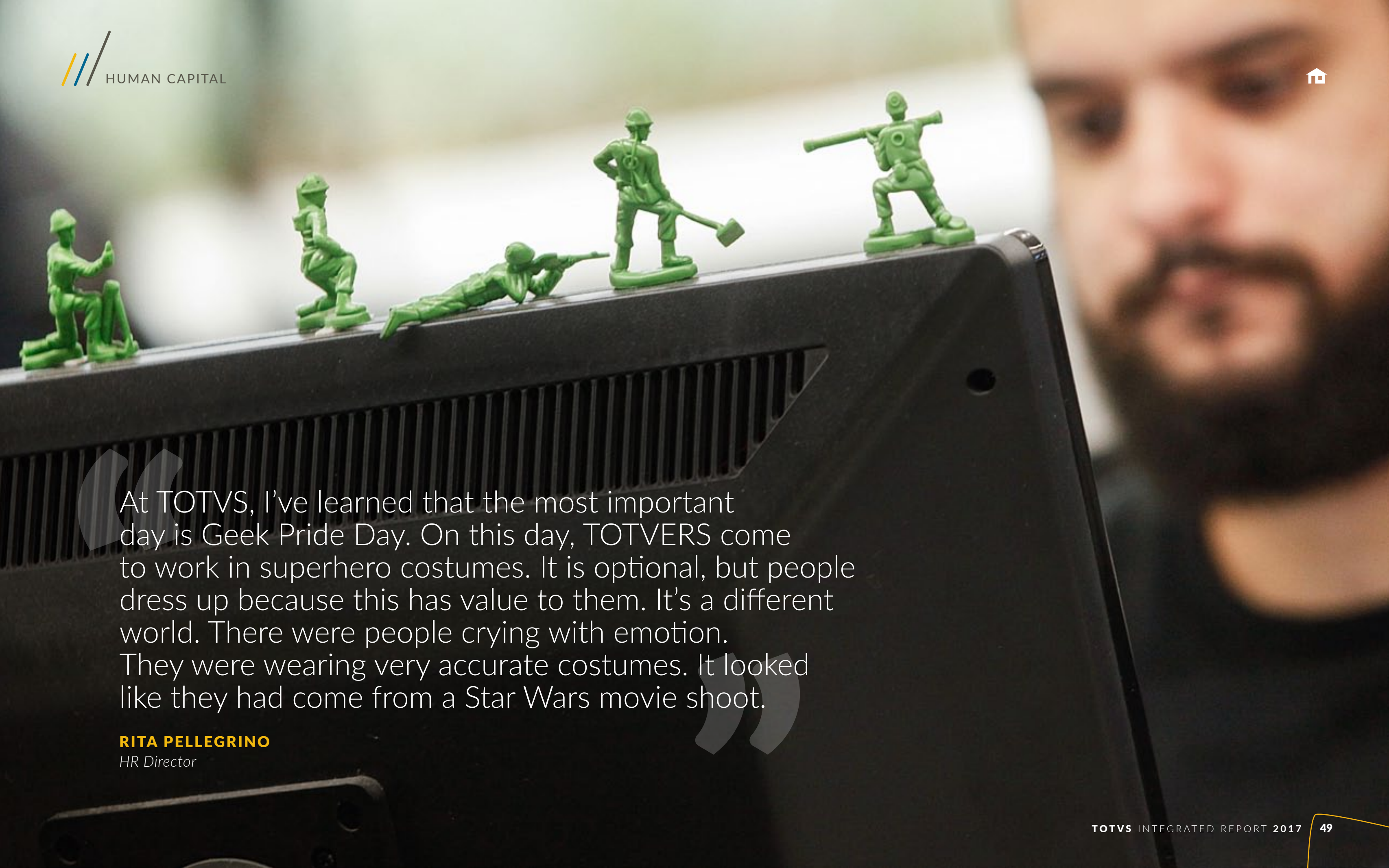
	Employees hired	Departures	Turnover
Under 30	811	506	24.5%
Between 31 and 50	538	908	16.1%
Over 50	30	92	19.5%

\* Includes TOTVERS at affiliates in Brazil, but not franchises.

CONTRATAÇÕES E ROTATIVIDADE  
EM 2017 POR REGIÃO\*

	Employees hired	Departures	Turnover
South region	307	513	19.8%
Southeast region	934	1,014	20.8%
Center-West region	113	155	23.2%
Northeast region	25	28	17.8%
North region	-	-	-





At TOTVS, I've learned that the most important day is Geek Pride Day. On this day, TOTVERS come to work in superhero costumes. It is optional, but people dress up because this has value to them. It's a different world. There were people crying with emotion. They were wearing very accurate costumes. It looked like they had come from a Star Wars movie shoot.

**RITA PELLEGRINO**

*HR Director*





# FINANCIAL CAPITAL ///

Set of resources that is available to an organization to be used to produce goods or provide services. It is obtained from funding, such as debt, shares or grants, or generated by investment.





HIGHLIGHTS OF FINANCIAL RESULTS

Valor investido\* (em reais)

	2015	2016	2017
Net revenue	2,262,248	2,183,786	2,227,330
Total liabilities	2,662,075	2,443,912	2,493,625
Net assets	1,237,732	1,220,916	1,261,577

At a company, numbers reflect the results of decisions, achievements, setbacks, partnerships and relationships. As a result, the numbers in TOTVS’ financial results are fundamental to understand this shared journey with its stakeholders.

In 2017, the company resumed its growth path. Net revenue grew 2.0% organically, driven by a 34.3% increase in subscription revenue, which now represents 20.7% of total software revenue. This growth in subscription revenue is a result of the digital journey TOTVS is going through, which is increasingly transforming it into a subscription company.

As a consequence of this transition, costs and expenses rose faster than revenue. This factor, combined with the effects of Brazil’s economic recession, led to a reduction in net earnings and EBITDA in the period.

Despite lower profits, the maintenance of financial discipline led to a 26.6% rise in net operating cash flow and a 32.7% reduction in net debt.

NET REVENUE

The company’s net revenue amounted to **R\$2.3 billion** in 2017, mainly the result of growth in recurring revenue, which went up 8.7%, accounting for 65.8% of total net revenue in the year, up 4 percentage points from 61.7% in 2016.

Subscription revenue was the main driver of this advance. It totaled R\$307.9 million, up 34.3% year-over-year. It represented 20.7% of software revenue, up from 16.4% the previous year. Over the course of 2017, the company gained 6,166 new subscription clients, 53.5% more than in 2016.

Subscription revenue increased 9.5% between the third and fourth quarters. This was the fastest growth in this revenue in a single quarter since we began our transition to this model.

On the other hand, licensing revenue declined 0.7% between 2016 and 2017, reflecting a 16.2% drop in the number of sales, largely due to the migration of a share of the sales pipeline for new clients to the subscription modality.

Maintenance revenue remained practically unchanged between 2016 and 2017, rising 0.9%, reflecting the lower volume of license sales in previous periods, higher non-payment by clients and a rise in partial contract termination resulting from spending cuts by clients.

The combination of different behavior in the two business models (licensing + maintenance and subscription) raised software revenue 6.2% during 2017.



GRI 201-1

SUBSCRIPTION REVENUE (ARR)

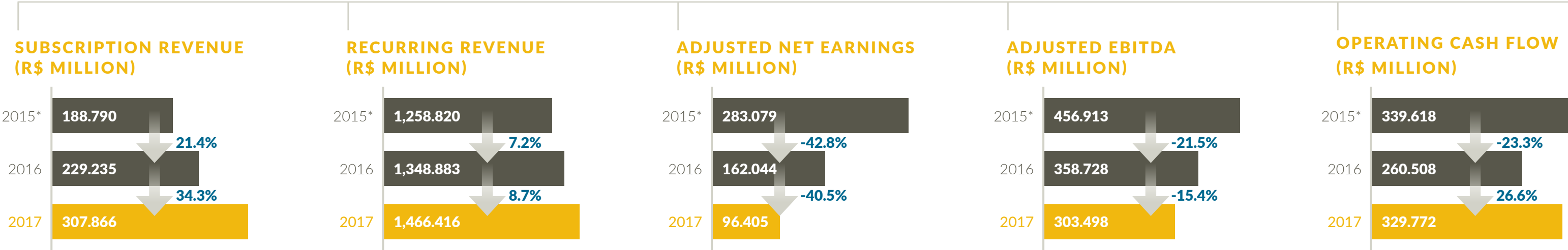
As mentioned previously, subscription sales accelerated last year, leading software revenue to resume an upward path over the course of 2017.

However, we believe that revenue in itself is not the best parameter to gauge the performance of subscription sales between quarters, given that the first monthly payment due through TOTVS Intera is billed the month after a sale is made.

Thus, sales made in the first month of a quarter affect the two following months of that same quarter. Likewise, a sale made in the second month of a quarter only boosts sales in the quarter's third month, while sales in the last month of a quarter contribute to revenue in the first months of the following quarter.

Accordingly, **Annual Recurring Revenue (ARR)**, a metric widely used in the SaaS model, allows comparisons between periods by annualizing all existing subscriptions, regardless of the month of sale. ARR also captures the effect of subscriptions sold each quarter, which will add to subscription revenue in subsequent periods.

Subscription ARR amounted to R\$ 368 million in 4Q17, up 41.5% from 4Q16 and 10.1% higher than in 3Q17, and it represents a net addition of R\$ 33.9 million in the quarter, up 35.1% from 4Q16. The sum of R\$ 368 million is 19.5% higher than subscription revenue of R\$ 309.7 million in 2017, which represents an addition to 2018 revenue arising from sales made in 2017.



\* Pro Forma





## CONTRIBUTION MARGIN BY BUSINESS (SOFTWARE, SERVICES AND HARDWARE)

The reduction in adjusted software contribution margin in 2017 is mainly a consequence of faster growth in research and development expenses than increases in the prices of maintenance and subscription contracts. This growth is essentially associated with salary rises arising from collective work agreements in the period and innovation investments in innovation, largely related to specialized business solutions, open platforms and the micro and small enterprises segment.

In the case of services, the reduction in contribution margin is mainly a result of a slowdown in project sales and a smaller deployment of service and consulting professionals. This situation was more intense in the first half of 2017.

The adjusted hardware contribution margin fell, both in 2017 and in the last quarter of the year, as shown in the chart, due

to a drop in sales of tax invoice printers and lower financial grants in the third quarter, because of a rise in stock levels.

## EBITDA

In 2017, there was a 15.4% decline in adjusted EBITDA, basically due to a combination of four factors: disproportional growth in commercial expenses amid our transition to a subscription model; higher general and administrative expenses, mainly arising from cost inflation and additional spending involving the integration of operations at companies acquired in previous periods; lower service income because of a smaller deployment of professionals; and lower hardware income, mainly due to a reduction in sales of tax invoice printers and lower financial grants.

## NET EARNINGS

The company's adjusted net earnings in 2017 were **R\$96.405 million**, down 40.5% from R\$162.044 million in 2016. This

reduction in net earnings year-over-year was faster than the reduction in EBITDA, mainly due to growing depreciation and amortization expenses and the higher share of negative financial income in relation to EBITDA in the period.

## CASH FLOW

TOTVS' cash flow last year was R\$308.3 million, up 56.7% from 2016. This was largely due to a 92.3% drop in investment in working capital and lower investment in fixed and intangible assets in the period, following investments related to new facilities in 2016.

## DEBT

Gross debt (loans + financing + bonds + liabilities arising from acquisitions of net escrow deposit investments) amounted to R\$709.5 million in the fourth quarter of 2017, compared with R\$693.9 million in the fourth quarter of 2016. Gross debt was maintained, despite a bond issue worth R\$200 million in the third quarter of 2017.



## ECONOMIC CONDITIONS

GRI 103-1, 103-2, 103-3

If TOTVS' numbers help to tell its story, numbers about present circumstances put this narrative in the context of the Brazilian and global economy, which directly influences our trajectory and that of our stakeholders.

Economic growth was 3% in 2017, the highest since 2011. Despite uncertainty surrounding President Donald Trump's political proposals, as well as conflicts and tensions in specific parts of the world, which negatively marked 2017, recovery of the Chinese market and economic growth in the Euro Zone, driven mainly by Germany, Spain and France, were factors responsible for an improvement in global economic conditions.

Latin America saw a slight recovery compared with 2016, caused by an improvement in global trade, higher commodity prices, and lower financial volatility in international markets.

The Brazilian economy grew 1% in 2017 and inflation as measured by the IPC-A index ended that year at 2.95%, below the ceiling in the Central Bank's target range and the lowest level in the last 19 years. The benchmark Selic interest rate, which was 13.75% at the end of 2016, fell to 7.25% in December 2017, while the US dollar rose 1.99% against the Brazilian real.

Brazil's balance of performed well and direct foreign investment increased, largely due to improved confidence in the market. Despite these positive signs, Brazil's fiscal crisis continues to be the government's main priority. It is looking for solutions to increased revenues and contain expenditure.

However, the public pension reform will be targeted in the government's last year. Despite the negative effects of politics and slow economic recovery, Brazil continues to be a country with many business opportunities. The reduction in interest rates and inflation, combined with a recovery in GDP, leads us to believe in the reestablishment of Brazilian economic growth in the upcoming year.

## MAIN HIGHLIGHTS

### /// Net Revenue

R\$2,227.3 million (up 2.0% from 2016)

### /// Recurring Revenue

R\$1,466.4 million in 2017 (up 8.7% from 2016), accounting for 65.8% of net revenue in 2017, up 4 percentage points from 2016.

### /// Net Revenue

In 2017, it grew as a result of 6.2% growth in software revenue, representing 66.6% of total revenue due to expansion in subscription revenue.

### /// Subscription Revenue

R\$307.9 million in 2017 (up 34.3% from 2016)

### /// Annualized Recurring Subscription Revenue

R\$368 million in 4Q17 (up 41.5% from 4Q16 and up 10.1% from 3Q17)

### /// Adjusted EBITDA

R\$303.5 million in 2017 (down 15.4% from 2016)

### /// Adjusted Net Earnings

R\$96.4 million in 2017 (down 40.5% from 2016)

### /// Net Operating Cash Flow

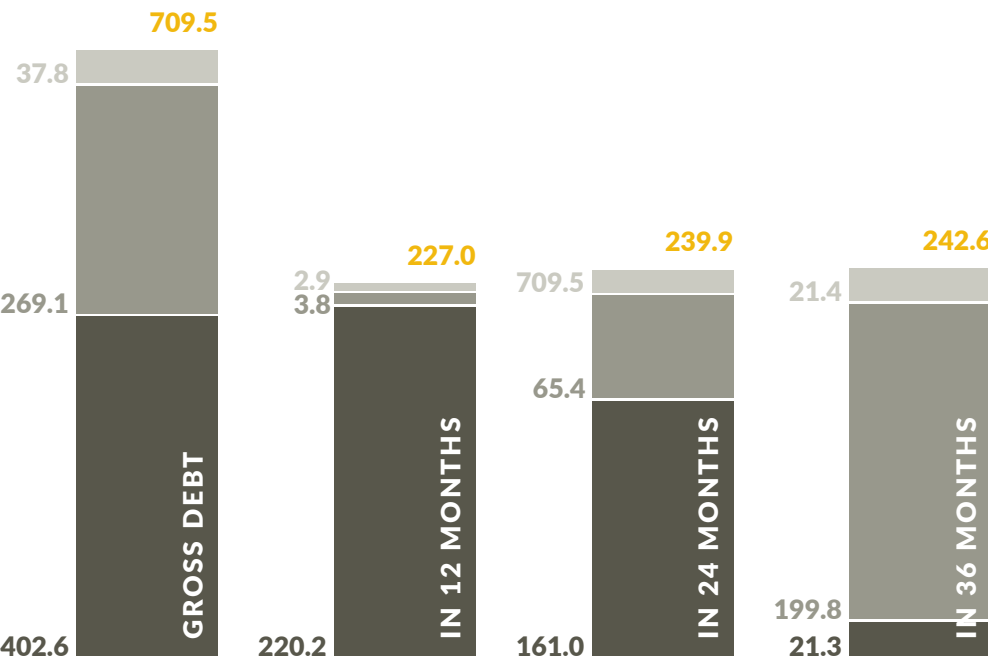
R\$329.8 million in 2017 (up 26.6% from 2016)

### /// Net Debt

R\$322.3 million in 2017 (down 32.7% from 2016), corresponding to 1.1 times adjusted EBITDA in 2017, compared with 1.3 times adjusted EBITDA in 2016



GROSS DEBT AMORTIZATION SCHEDULE



DISTRIBUTION OF VALUE ADDED

GRI 102-48, 201-1

TOTVS generated financial value of R\$1.524 billion, shared between its employees, the government, financial institutions and creditors, as well as its shareholders.

Stakeholder	2017 R\$ thousand	2016 R\$ thousand	Variation %
Value added	<b>1,524,273</b>	<b>1,506,455</b>	<b>1.18</b>
People	<b>933,519</b>	<b>847,305</b>	<b>10.18</b>
Taxes and contributions	<b>364,155</b>	<b>356,809</b>	<b>2.06</b>
Remuneration of third-party capital	<b>133,341</b>	<b>150,072</b>	<b>-11.15</b>
Remuneration of shareholders' equity	<b>93,258</b>	<b>152,269</b>	<b>-38.75</b>

DISTRIBUTION OF VALUE ADDED (%)

	2015	2016	2017
Shareholders (remuneration of shareholders' equity)	<b>14.4</b>	<b>10.11</b>	<b>6.12</b>
Employees (remuneration, benefits and charges for employees)	<b>54.88</b>	<b>56.24</b>	<b>61.24</b>
Government (taxes and contributions)	<b>21.38</b>	<b>23.69</b>	<b>23.89</b>
Retained profit/losses during year	<b>5.06</b>	<b>4.09</b>	<b>2.44</b>
Interest and rent (remuneration of third-party capital)	<b>9.34</b>	<b>9.96</b>	<b>8.75</b>
Investments in the community	-	-	-





TAX INCENTIVES\*

GRI 103-1, 103-2, 103-3, 201-4

Form of financial aid received	2017 (R\$ thousand)
Tax incentives/credits	11,410
Grants for investment, research and development, and other relevant kinds of grants	6,275
Other financial benefits received or receivable from any government body for any operation	17,118
Total	34,803

\*TOTVS uses tax benefits and other financial grants provided for by Brazilian legislation, such as the Information Technology Law.

FOR MORE INFORMATION,  
VISIT OUR WEBSITES:

GRI 102-45

/// The information in our consolidated financial statements encompasses the company’s operations and those of its subsidiaries and companies in which it has invested directly and indirectly. A list of all these entities can be seen in our standardized financial statements on our website.  
[Click here.](#)

/// [Complete information in our 4Q2017 Results Press Release](#)

/// [Presentation on 4Q2017 Results](#)

/// [Other information and contact details related to investor relations](#)







**Social and relationship capital – Institutions and relationships inside and between communities, groups of stakeholders and other networks. It encompasses shared standards, values and behaviors; the trust and commitment desired from external stakeholders; brand and reputation intangibles; and social license to operate.**

# SOCIAL AND RELATIONSHIP CAPITAL ///



Stories are always the outcome of interactions between their characters, especially their protagonists. This applies to TOTVS' trajectory and the journey we are describing here.

This is a narrative of transformation and leadership. All leading companies recognize the responsibility of working to positively influence the environment around their business. This is the case with TOTVS, the foremost company in its sector in Brazil and Latin America, and one of the largest in the world. Therefore, in addition to the standards demanded by law and relationship best practices, we seek to uphold our core business' shared values in our relations with all our stakeholders: proximity, presence, agility, transparency and defense of shared interests such as ethics, development and social justice.

In 2017, we continued to contribute to the development of the technology sector, by participating in associations, sector organizations and development forums. We also made progress toward our goals in the social area, such as by achieving record employability at the Social Opportunity Institute (IOS). We expanded our presence on social networks and digital media, offering content presented through a multiplatform concept.

Our efforts in this area also included projects such as iDEXO, an initiative to promote entrepreneurship and innovation, connecting startups, new entrepreneurs and developers with large companies, as part of projects to co-create value for the business environment.

## OUR STAKEHOLDERS

**GRI 102-40, 102-42, 102-43, 102-44**

The identification and definition of initiatives to promote engagement with stakeholders is one of the functions of TOTVS' Institutional Relations and Social Opportunity area, together with other corporate areas, such as Marketing. These areas define the strategy, actions and their frequency of deployment.

In 2017, as part of the process of defining high-priority topics for this report, we held interviews with the company's leaders and market specialists, besides conducting an online poll of TOTVERS, our clients and suppliers.





## IOS - 20 YEARS SOWING KNOWLEDGE TO HARVEST OPPORTUNITIES



BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS;

AND



MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES.

The Social Opportunity Institute (IOS), a civil society organization of public interest, grew out of an initiative by employees of Microsiga, now part of TOTVS, to provide low-income youth with free access to information technology. Over time, both the beneficiaries and the content offered have been expanded, and students completing the free vocational training have got jobs with the support of partner companies.

IOS is present in four Brazilian states (São Paulo, Rio de Janeiro, Minas Gerais and Santa Catarina), and it has so far provided training to more than 32,000 people aged 15 to 29, including people with disabilities, since it was founded in 1998.

In line with its business strategy, TOTVS assigns all its annual social investment to IOS' projects, through direct donations. **In 2017, we invested more than R\$5 million in the institute, representing nearly 6% of the company's net earnings.**

Last year, IOS exceeded its target for employability and set an annual service record early, in October. Also in 2017, the institute launched a pilot project aimed at training Future Talents, focusing on programming, the installation of software, infrastructure and networks, citizenship, employability and behavioral development.

**32,000 students**  
trained over the course of 20 years

**10,259 students**  
completed vocational courses between 2010 and 2017

**5,756 students**  
employed in the job market between 2010 and 2017

GRI 203-1

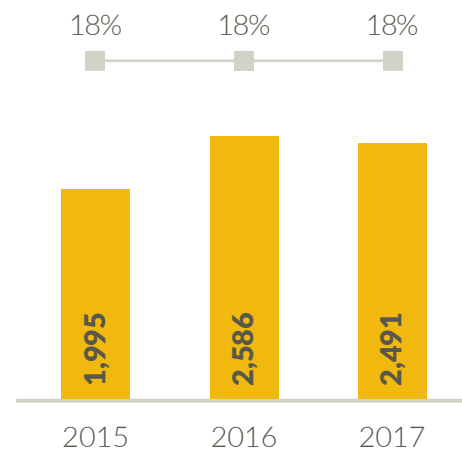




## IOS' HIGHLIGHTS IN 2017

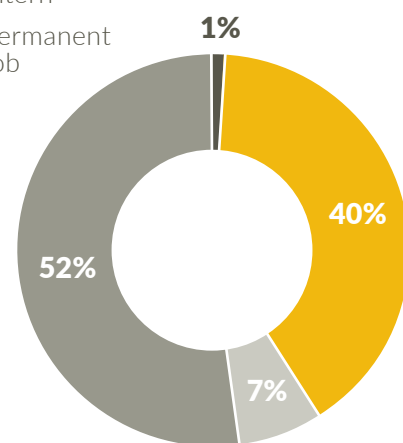
### IOS' STUDENTS

- Student who passed or failed courses
- Drop-out rate

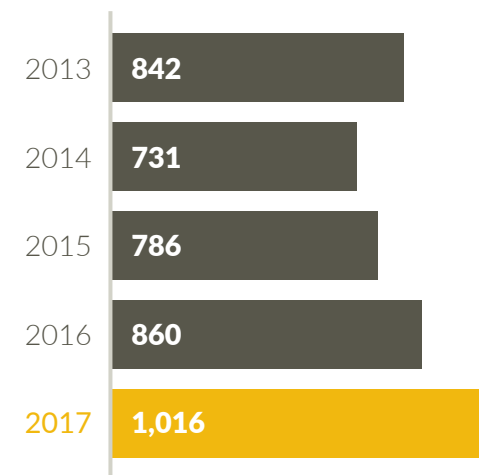


### TYPE OF EMPLOYMENT

- Entrepreneur
- Apprentice
- Intern
- Permanent job



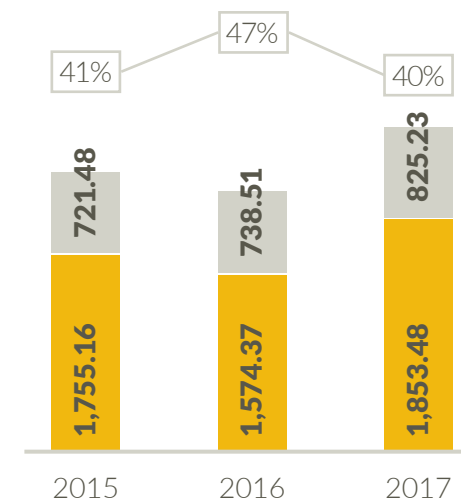
### EMPLOYMENT OF IOS STUDENTS\*



\*The number of IOS students getting jobs increased 18% between 2016 and 2017

### FAMILY INCOME OF STUDENTS

- Monthly family income of enrolled students
- Average monthly salary of employed students



## CORPORATE SOCIAL RESPONSIBILITY AND ENGAGEMENT OF TOTVERS

### PROMOTING DIALOGUE

In 2017, we held another edition of TOTVS' Social Responsibility Week, based on the theme of "Corporate Citizenship – What do I have to do with this?" More than 600 people participated in the five-day event, in person and via remote connection. In panel discussions, TOTVERS, IOS' team and external specialists debated the role of each person and each organization in building a more conscious, diverse and ethical society.

### SHARING KNOWLEDGE

To develop closer links between TOTVERS and IOS students, we ran a campaign called "Share Knowledge and Transform Lives."

Besides visiting TOTVS sites, students took part in chats and talks about the labor market, IT careers, technology and opportunities.

The meetings were led by TOTVER volunteers from company sites in São Paulo, Belo Horizonte and Rio de Janeiro, and they involved more than 300 students from the institute.





## VOLUNTARY COMMITMENTS

GRI 102-12

### PRINCIPLES OF THE GLOBAL COMPACT

### ETHOS AND UNITED NATIONS

Since 2014, we have been signatories to the United Nations Global Compact, an initiative that mobilizes companies to incorporate fundamental and internationally accepted values into their business practices, in the areas of human rights, labor relations, the environment and anti-corruption efforts, reflected in 10 principles. In this Integrated Report, we communicate our progress in relation to the Global Compact. To see TOTVS'

results with regard to the Global Compact in previous years, visit the [UN Global Compact's](#) website.

We are also members of the Business Integrity and Anti-Corruption Pact, an initiative led by the Ethos Institute to unite companies around the goal of promoting a more ethical market and eradicating bribery and other forms of corruption.







## DEFENDING THE COUNTRY'S INTERESTS

GRI 102-12

TOTVS believes that participating in institutional defense in favor of aspects it considers essential to Brazil's development means strengthening its responsibility as a company and expanding its positive social impact.

The Institutional Relations and Social Opportunity team, now in its fifth year, has been working to make TOTVS a leader in the country's development agenda. Through a plan produced in partnership with sector organizations, over the course of 2017, we sought to foster closer links with the executive and legislative branches, in a technical and transparent manner, in order to devise and enhance public policies that can generate economic growth and social progress through the use of technology.

The growing participation of TOTVS and trade associations in Brazilian political life, combined with heightened visibility of the use of technologies as drivers of development, has stimulated the public sector's interest in debates that permeate the sector's regulatory agenda, including subjects related to the business environment and the prosperity of the IT sector.

We also had collaborative interactions related to the aforementioned subjects within the scope of the Presidential Economic and Social Development Council, the Ministry of Science, Technology, Innovation and Communications' Science, Technology and Innovation Council, the science, technology and in-

novation commissions of the House of Representatives and Senate, the municipal government of São Paulo, and other thematic parliamentary commissions. Participation in the working groups of trade associations such as BRASSCOM and ANPEI was also essential to generate content and to address the topics presented here.

## PUBLIC POLICY PROMOTION

	Amount invested* (in R\$)
2015	<b>1,272,821.00</b>
2016	<b>1,511,788.72</b>
2017	<b>2,304,137.82</b>

*\*Includes expenses involving membership of trade associations, sector organizations, agendas and development forums to contribute to improving the IT business environment and promote public policy discussion.*

The topics worked on in 2017 included the ending of tax relief on payroll expenses, conflicting tax jurisdiction related to software, improvements to Law 11,196 of 2005 and the structuring of a manual for applying this law's important corporate tax incentives, the IT Law, the Brazilian Digital Strategy, the National IoT Plan, labor reform, and public policies for Manufacturing 4.0. Each one of these topics required the company to take a stance on the path to be taken by the country, in order to ensure sustainable development, wealth creation and improved corporate competitiveness.



## ENGAGEMENT WITH TRADE ASSOCIATIONS AND SECTOR ORGANIZATIONS GRI 102-13

In 2017, we also participated in the following trade associations and organizations:

- /// Board of the Institute of Studies for Industrial Development (IEDI)
- /// Board of the Brazilian Association of Information Technology and Communications Companies (BRASSCOM)
- /// National Association for Research and Development by Innovative Companies (ANPEI)
- /// Brazilian Association of Software Companies (ABES)
- /// Brazilian Association of the Electrical and Electronic Industry (Abinee)
- /// Rio de Janeiro and Minas Gerais branches of the Association of Brazilian Information Technology Companies (Assespro/RJ and Assespro/MG)
- /// Manufacturers' Board of the Brazilian Association of Trade Automation (AFRAC)
- /// Association to Promote the Excellence of Brazilian Software (SOFTEX)
- /// Brazil-United States Business Council (CEBEU)
- /// Transnational Companies Forum (FET)
- /// Business Mobilization for Innovation (MEI)
- /// Technology Council of Municipal Government of São Paulo
- /// McKinsey Advisory Council on Study of IoT
- /// IT Advisory Council of American Chamber of Commerce (Amcham)





## PUBLIC SECTOR AND CODE OF CONDUCT

GRI 102-17

The long-term sustainability of our business and the success of our results will largely come from our culture and the ethical principles we adopt, maintain and communicate to TOTVERS and our other stakeholders, including our clients, shareholders, suppliers, partners and society.

In essence, **TOTVS' Code of Conduct** has the goal of strengthening our culture, which we define as: "Being a company of owners without frontiers, based on people who provoke innovation."

We apply the ethical principles and rules of conduct in our code to ensure and maintain respect between our stakeholders. These are some of the items we address in our code, which the whole company undertakes to be aware of.

## ETHICAL AND IMPARTIAL CONDUCT

We cherish ethical and responsible conduct in our relations with the public sector, prohibiting any unlawful attitude, in accordance with the Anti-Corruption Law (Law 12,846 of 2013).

## /// Gifts and presents

We comply with Resolution 3 of 2000, which regulates the treatment of gifts and presents given to public officials, as well as the policies and codes of respective public agents, organizations and entities to which they belong.

## /// Monetary donations to public agents

All kinds of contributions, donations or payments to public officials, whether monetary or otherwise, are explicitly prohibited.

## IDEXO AND THE INNOVATION COMMUNITY

iDEXO is an important channel for connection between TOTVS and the innovation community. It is a nonprofit institute funded by the company and other members, which has the purpose of connecting startups, entrepreneurs and developers to large companies in the pursuit of new business solutions. Created as an open innovation platform, the project aims to identify innovative initiatives that have the potential for adoption and exponential growth, to structure businesses, and to connect them with the market.

The idea is to create a large ecosystem based on the concept of co-innovation, encouraging connections between new entrepreneurs and established companies, enabling joint innovation and the creation of solutions to meet organizations' and sectors' demands. Three times per year, the institute will select startups or independent developers who wish to join iDEXO to collaborate on projects, always starting with a business challenge.

To find out more, visit <https://www.idexo.com.br/>





## TECHNOLOGIES THAT MAKE OUR CLIENTS' RELATIONSHIPS MORE DYNAMIC

The cliched view that technology leads to colder and more distant relationships in society does not fit our story. On this journey, technology is the driving force for dynamic, more interactive and effective relations. Carol, TOTVS' quality data and artificial intelligence platform, marks a new era in the company's innovation and it is taking interaction with organizations to a new level.

By accelerating the capacity for analysis and the speed of decision making, in light of the growing volume of information, Carol brings more intelligence, productivity and efficiency to business, as well as better working, service and consumer experiences for employees, clients and society in general. This has enabled the development of specific solutions for many different sectors. In education, for example, Carol uses more than 230 variables to predict, with a 90% accuracy rate and 90 days in advance, the probability of a student enrolling at a university.

Likewise, other TOTVS platforms are facilitating the routines of our stakeholders and their production chains. These platforms include fluig, which allows the creation and sharing of content and projects, almost like an internal social network for companies; Analytics, which enables companies to analyze and generate indicator reports, based on ERP or CRM system data; and Bemacash, a management system incorporated into point-of-sale hardware.

Over the course of 2017, TOTVS Analytics was enhanced to offer even more agile information to clients and indicate how their company is evolving. On the fluig platform, the interface



was adjusted to make it faster and to add complementary solutions to aid management and decision making.

TOTVS has in-depth knowledge of the needs and specific features of each sector. As a result, it relates in an integrated and engaged way with its clients. We perceive this characteristic to be a high-value aspect of our relationships. All this, combined with our internal dynamics, in which TOTVERS have the freedom to propose and create new things, strengthens us on our journey, through closer and more productive relationships.

To present our innovations for the sectors in which we operate, and above all to listen to our clients, the **Sensational Experiences Space** in our head office includes completely visual environments,

which show real situations in order to demonstrate what technology is able to provide. Innovation and technology together have a positive impact on companies' productivity and everyday routines.

The space is divided into the following areas: Supply Chain (encompassing the Agribusiness, Manufacturing and Logistics industries), Consumer (including Fashion, Food Services, Supermarkets and General Stores), Healthcare and Professional Services (including Education, Construction & Projects, Hospitality, Services and Legal). There is also an interactive table with a 70-inch touchscreen, presenting the "TOTVS City" in 3D, featuring graphic simulations, videos and demonstrations of all the industries in which the company operates.



## CLIENTS

GRI 102-43

We are a business-to-business (B2B) company, 100% focused on our clients. We believe that our technology is capable of affecting our clients' customers, and so we seek to be continually in contact with all our stakeholders through important relationship mechanisms, including the following:

### /// Segmented newsletter

This newsletter contains personalized content for each of our operating industries, including news, details of new product features, and articles written by our specialists. It is sent to all our clients and other stakeholders.

### /// Meetups

Meetings for the technical community (IT professionals, students and TOTVERS) to debate key trends in technology development.

### /// Digital transformation events

Meetings between our CEO, executives, clients and prospects to present and discuss the impacts of digital transformation on business. In 2017, we held eight events across Brazil, in Porto Alegre, Goiânia, Cuiabá, Manaus, Curitiba, Fortaleza, Campinas and Joinville.

### /// Webinars

Events transmitted via the internet, aimed at empowering companies in their markets and clarifying sensitive topics for their management, such as regulatory and tax obligations. In 2017, we held 293 webinars.

### /// Clients' Portal

Our main channel for communication with our clients, providing all necessary information about their support, consultations and demands, as well as relevant news for them.

### /// Ombudsman Office

Our clients can use an Ombudsman Office that is separate from our organizational structure, which reports directly to our Board of Directors.

### /// Testing and research

We basically have three main moments when we consult our clients:

**Constant market research:** this helps us to understand our clients' main needs. For example, it feeds our innovation roadmap and guides our R&D teams' activities.

**Client consultations:** our innovation model is based on getting an in-depth understanding of our clients' needs. To this end, we consult them even before we have formatted our solutions, so that we can jointly build models that are better aligned with their market.

**Pilot projects:** these are run in partnership with strategic clients, resulting in new tools, which are developed on demand and tested on site before being opened up to the market.



## AWARDS

### /// 200 biggest IT companies

In 2017, TOTVS was once more ranked among the 200 biggest IT companies, according to a report titled Anuário Informática Hoje. TOTVS was also rated the most efficient software company.

### /// LinkedIn Top Companies

We came seventh in the LinkedIn Top Companies survey, out of the 25 companies that Brazilians would most like to work at.

### /// Global innovation ranking

TOTVS was the only Brazilian IT company present in the 2017 Global Innovation 1000 Study, which ranked the world's 1,000 publicly listed companies that invest the most in research and development, compiled by Strategy& (PwC's strategy consulting firm).

### /// Top of Mind in HR

For the sixth consecutive time, we came first in the Top of Mind Awards in the HR Management Technology category. In 2017, we featured among the five companies with the most votes out of all participants in all categories.

### /// Best reputation

For the second year in a row, Laércio Cosentino was rated one of the 100 business leaders with the best reputation in Brazil. He came 29th in the ranking, produced by Spanish consulting firm Merco.





## TOTVERS

GRI 102-43

TOTVER is the name given to the professionals who work at TOTVS. They are curious, collaborative, digital and results driven. We believe that TOTVERS play an essential role in guaranteeing that our attitudes are aimed at generating the best experiences for our clients and for us to stay plugged into technology.

Our relationship with TOTVERS and efforts to engage them are part of the #WEARETOTVERS campaign, implemented in 2017. It is guided by three attributes: “Technology + knowledge are in our DNA,” “We value good people” and “Our clients’ success is our success.”

All the company’s communications are produced by the Internal Communications area, which specializes in corporate affairs and disseminating information, programs and best practices. TOTVS also has a Climate and Engagement Commission, composed of professionals from various areas, who continuously contribute their perceptions and recommendations regarding communications with internal stakeholders.

TOTVS’ Internal Communications area features some important channels to talk with TOTVERS:

### /// Moreover Leadership

Prior alignment regarding the company’s subjects. It is also an important channel to report about strategic subjects and major decisions made by the company.

### /// TOTVS Connected

Newsletter sent every two weeks that contains corporate, local and specific area news, including about international markets.

### /// FLUIG

We use fluig to post news, create landing pages for campaigns and publish focused information, through specific communities and groups.

### /// TV TOTVER

Monthly program that discloses all the company’s news. In addition to the main program, news and content related to every site and area are presented daily. TV TOTVER is produced internally and transmitted simultaneously across Brazil and international markets.

### /// TOTVS Connected podcast

Every month, TOTVERS receive a podcast, through WhatsApp or TOTVS Connected, describing the company’s main news. The format is a way to get close to TOTVERS’ young and dynamic language.

### /// Other channels

TOTVS also communicates through WhatsApp and text message with TOTVERS who have corporate smartphones.

Keeping TOTVERS always well informed and engaged, in an environment that provides a healthy and friendly climate, is one of the ways TOTVS “values good people.”

#WE ARE TOTVERS



## SOCIAL MEDIA

In the present context of greater connectivity and intense digital mobilization between people, we are present in various types of media, developing closer relationships and communication with our stakeholders, mobilizing thousands of followers and connecting them with TOTVS' purposes. So far, we have the following metrics:

/// **Facebook** 355,000 followers

/// **Linkedin** 329,172 followers

/// **Youtube** 15,696 subscribers

/// **Instagram** 11,200 followers

### A PLACE FOR GOOD PEOPLE

Watch this 65-second video about TOTVS' new head office in São Paulo. [Click here!](#)

## /// Youtube

In 2017, we revamped our two YouTube channels:

**TOTVS channel:** focused on content, it features videos about management, technology and the geek world.

**TOTVS Solutions channel:** focused on products, it features video cases, webinars and demos for our clients.

We understand that our fans are increasingly consuming relaxed and interactive content, so our two channels deliver precisely this kind of high-value content.

## /// Instagram

We recently launched TOTVS' Instagram channel. Every day, we show our followers the company's routines, focused on behind-the-scenes human experiences, including real photos, stories and other content.

## ACCESS OUR DIGITAL CHANNELS

/// **Site** <http://www.totvs.com>

/// **Facebook** <https://www.facebook.com/totvs>

/// **Twitter** @totvs

/// **YouTube** <http://www.youtube.com/totvs>

/// **Instagram** <https://www.instagram.com/totvs/>







## SUPPLIERS

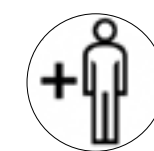
GRI 102-9, 102-43, 204-1, 414-1

TOTVS' supply chain is present across Brazil. It largely focuses on the development of software programs that the company sells, as well as suppliers of databases, which are sold on to clients and technology platform providers. Other services are also significant, such as consulting assignments on different subjects, cleaning and maintenance, marketing, audits, and the supply of office and administrative materials. Through Bematech, the company also works with suppliers of raw materials and end products.

In order to strengthen relations with our suppliers, selection and procurement processes are conducted in line with our Supplier Contract Administration Policy and our Code of Ethics

and Conduct, involving fair criteria, considering items such as the supply of materials and services, deadlines and costs. We also consider aspects such as labor practices and the non-existence of slave-like and child labor. Thus, we do not hire suppliers that have been blacklisted and fined by the Labor Ministry for involvement in slave labor, and we encourage our suppliers to adopt the principles and clauses set forth in Brazil's Anti-Corruption Law.

Most purchases and contracts involve local suppliers (located in the same municipality as the companies and affiliates of TOTVS and Bematech S/A, since its incorporation in November 2017).



BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS.



MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES.



SUPPORT THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOR.



SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOR.





All renewable and non-renewable environmental resources and environmental processes that supply goods or services that support prosperity in the past, present and future of an organization. These include water, land, minerals, forests, biodiversity and ecosystem quality.

# NATURAL CAPITAL ///





## ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

In the contemporary world, all organizations need to take into account the environmental impacts of their actions. This applies to TOTVS' journey and those of its stakeholders. The efficient management of natural resources and responsible behavior in the context that permeates our activity are also part of the commitment made by TOTVERS and the company.

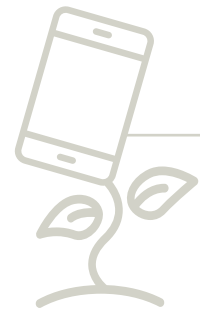
An example of this is provided by Bematech's plant in the municipality of São José dos Pinhais, Paraná. The company tracks the indicators and impacts involved in its manufacturing process, from assembly to the delivery of equipment to clients. It also runs annual continuous improvement programs. (See more details below.)

We also prioritize fair relationships in the value chain and we promote a sustainable productivity environment. Likewise, we make business decisions in a responsible way, with the aim of protecting our brand, culture and values in the long term.

To provide a perspective, we bear in mind that our products and services also enable the sustainable development of our chain of clients. Examples of this impact can be seen in the use of agricultural management, logistics routing and industrial optimization software. This does not only allow our clients to simplify their business processes and lower their costs, but also cuts waste and spending on inputs across the planet.

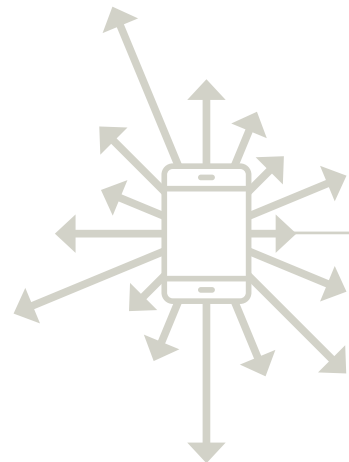






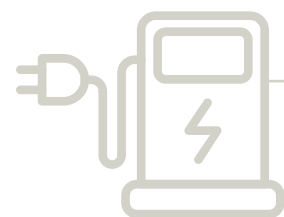
### DIGITAL AGRICULTURE

The conservatism of past decades has given way to the growing presence of technology in the field, through the widespread use of smartphones and tablets, as well as other technologies such as the IoT, automation and artificial intelligence. From planning and crop growing to harvest and delivery, there is a series of opportunities for efficiency gains, optimized use of resources, improved productivity and sustainable development.



### PAPERLESS TECHNOLOGIES

With an eye on demand for effective communication with customers, adherence with compliance rules and cost reduction, health insurers are looking for new solutions. The TOTVS Health Guide is an example of a multiplatform tool that helps health insurance customers to find medical service providers, book consultations, send messages, and see statements and other records, as well as many other functionalities.



### SUSTAINABLE LOGISTICS

It is estimated that logistics activities account for around 10% of worldwide energy consumption, and even more in countries

that rely heavily on road transportation, such as Brazil. To make its operations more efficient, cut costs and make progress in terms of social and environmental responsibility, TOTVS offers the sector's companies new technologies to optimize routes, the number of trips and distances traveled, enabling lower fuel consumption and greenhouse gas emissions.

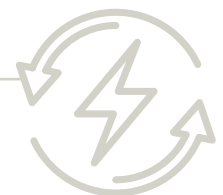
### RESPONSIBLE TECHNOLOGIES

We spread technologies that do not harm the environment and that contribute to the socially and environmentally responsible management of our clients' operations in sectors such as agribusiness, manufacturing, health and retail.



### ENERGY EFFICIENCY

Automation, management and intelligent management projects can reduce manufacturers' energy consumption, improve their profitability and help them to comply with environmental requirements. In addition, automation is part of a set of technologies that can increase productivity, reduce costs and speed up production chains, generating positive effects in the economy.





# ENERGY CONSUMPTION AT OUR SITES

In 2017, we recorded an increase in our energy consumption, particularly due to the move to our new head office, which raised our employment capacity to 3,500, more than double the 1,500 capacity of our previous head office. Thus, we concentrated all our operations in São Paulo at a single address. On the other hand, our new infrastructure favors energy savings, as the building was designed to facilitate the entry of sunlight and natural ventilation, it has solar panels on its facade, and it contains efficient VRF air conditioning systems.

GRI 302-1

Energy purchased	Type of source (million GJ)	2016 (million GJ)	2017
Electricity	Mixed predominantly renewable	11.7	16.7

Figures for TOTVS' head office in São Paulo (the previous head office in 2016 and the start of 2017, and the new head office as of April 2017). A supply contract for the new head office was taken out in the unregulated power market.

## FOCUS ON CONTINUOUS IMPROVEMENT

GRI 417-1

When it comes to the environment, Bematech is a special chapter in TOTVS' journey. Besides developing solutions mainly designed to boost the digital journey of micro and smaller entrepreneurs – important protagonists in our story – the company has the TOTVS group's only manufacturing operation.

Considering financial, social and environmental dimensions, as part of the concept of sustainability, Bematech has been investing more strongly in staff training for at least six years, to empower its teams, which have become multipliers and implementers of best practices.

During each new annual cycle, around 30 projects are developed using the Kaizen methodology. Kaizen is a Japanese word meaning “change for better” or “continuous improvement.” Kaizens are carried out internally, focusing on activities or processes that present opportunities for improvement. For example, significant improvements have been made to key production indicators, cutting costs by eliminating waste worth approximately R\$3 million since this initiative was adopted.

Other projects are designed to involve and benefit the community surrounding Bematech, from the design of training and income generation programs for homemakers to the involvement of employees as volunteers in renovating a rest home. Also from the social perspective, the company has provided more training for the inmates of Piraquara Women's Prison in Paraná, where the company has a component assembly line.

In 2017, training and improvement projects were also extended to other units, besides the hardware plant, involving teams of employees in the cities of Curitiba (Paraná) and São Paulo.







USINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES

CONSUMPTION OF MATERIALS AND WASTE MANAGEMENT

The materials used to produce Bematech equipment include plastic, mechanical, electronic and cabling components. These items are largely made up of materials from non-renewable sources, such as plastic, ferrous and/or non-ferrous metals (steel, aluminum and iron, among others), heavy metals (copper, silver, gold and nickel) and conducting metals (aluminum and copper). Product packaging is made of cardboard, which comes from a renewable source.

GRI 301-1

Total materials used in production (kg)*	2016	2017
Components: plastic, mechanical, electronic and cabling	409,758	435,355

\*These figures refer to Bematech’s plant.



PRINTERS	Total KG
Quantity	183.386
Plastic components	135.417,8
Mechanical components	56.037,2
Electronic components	101.229
Cabling components	34.109,8
Total weight	326.793,8

READERS	Total KG
Quantity	30.920
Plastic components	2.040,7
Mechanical components	0
Electronic components	1.855,2
Cabling components	2.473,6
Total weight	6.369,5

CPUS	Total KG
Quantity	27.721
Plastic components	12.141,8
Mechanical components	37.922,3
Electronic components	25.059,8
Cabling components	3.548,3
Total weight	78.672,2

INTERFACES	Total KG
Quantity	27.457
Plastic components	0
Mechanical components	439,3
Electronic components	878,6
Cabling components	0
Total weight	1.317,9

SAT	Total KG
Quantity	29.922
Plastic components	0
Mechanical components	14.781,5
Electronic components	4.548,2
Cabling components	2.872,5
Total weight	22.202,2

435.355,6



In relation to waste management, due to the nature of our business, we have a structure aimed at complying with relevant environmental laws, covering packaging, storage and final disposal processes, as well as training on environmental issues and opportunities to improve processes.

The volume of waste sent to sanitary landfills has fallen considerably in the last two years, due to better segregation of materials, and so the percentage of materials recycled has risen. Between 2015 and 2017, the amount of hazardous and non-hazardous waste sent to landfills has fallen 88% and 69.15%, respectively. The recycling rate was 87% in 2017 (encompassing cardboard, plastic and electronic waste). In addition, 12% of waste was classified as non-recyclable, and 1% was classified as hazardous waste.

TOTAL WEIGHT OF WASTE, BY TYPE AND DISPOSAL METHOD

GRI 306-2

The following numbers refer to TOTVS' head office in São Paulo and Bematech.

Bematech (KG)

	2015	2016	2017
Landfill Class I – Hazardous	4,150	1,170	490
Landfill Class II – Non-Hazardous	36,270	13,440	11,190
Reuse of electronic materials	7,368	11,753	13,094
Recycling	49,168	61,005	57,200
Total	96,956	87,368	81,974

TOTVS (KG)

	2015	2016	2017
Reuse of electronic waste (non-hazardous)	8,906	6,965	3,931
Recycling (non-hazardous)	9,915	9,210	8,881
Total	18,821	16,175	12,812




UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

RESPONSIBILITY FOR PRODUCTS

GRI 417-1

Labeling information follows standards recommended for this type of equipment. The manuals that accompany the products made by Bematech (printers, computers, readers, authenticator and transmitter systems, and accessories) contain information on their safe use and proper method of disposal. The company's goal in 2018 is to simplify its packaging so that the same model can be used for several kinds of equipment. This will reduce inventories and consumption of material (cardboard).





The information presented in TOTVS' Integrated Report 2017 was oriented by the results of its materiality process. Initiated in the previous reporting cycle, in 2017, the survey included interviews with the company's executives and other senior management, consultations with external specialists, and an online poll of TOTVERS, suppliers and clients.

# OUR MATERIAL TOPICS ///

GRI 102-43, 102-44, 102-46, 102-48





The process also included analysis of studies of national and international trends , the sector’s risks and impacts, and internal strategic policies, commitments, research and documents. Materiality is an important guiding principle for reporting and strategic management of integrated business sustainability. It helps to identify what is important for the company, to manage critical points, and to establish targets and action plans.










As a result of the listening and document analysis process, we identified the topics of most relevance to the company and consulted stakeholders, through convergence between internal and external visions, based on the described consultation sources. The material topics – presented below – guided the content included in this document, as well as the reported indicators.

TOTVS is committed to steadily improving the materiality consultation process, to make it ever more consistent. As it evolves, the process will incorporate new perspectives, through even wider consultations with different stakeholders, about the future of the business, its negative impacts and the capacity to generate positive value for society, within its sphere of influence.



## FIND OUT OUR MATERIAL TOPICS AND WHY THEY ARE IMPORTANT TO US

GRI 102-47, 102-49, 103-1

	<b>Solutions based on science and information technology; creation and development of Brazilian technologies</b>	TOTVS is the only Brazilian company that has its own language to develop its ERP systems. It is the leader in the country and Latin America as a whole, and it is an exception to Brazil's economic tradition of generating income through commodities. Through investments in research and new technologies, it generates prosperity and income, helping to boost the domestic economy. It also trains technology sector professionals, who are valuable assets for society. By promoting technological innovations, the company also benefits the development of solutions in areas such as the IoT, artificial intelligence and other innovations with social and environmental impacts, directly related to Brazil's economic progress.
	<b>Relations with clients</b>	Client loyalty and proximity has always been an important asset in TOTVS' strategy. It has also paved the way for the company's new business model, focused on services and subscriptions. TOTVS has a differentiated distribution model, involving franchises, ensuring a wider local presence and the capacity to be closer to clients. This model is an important attribute of the company's and a pillar of its strategy for evolution.
	<b>Economic performance and impacts of crisis</b>	The recent economic crisis in Brazil and worldwide has significantly affected the financial performance of not just TOTVS, but many other companies. Internally, difficulty in achieving individual and area targets during this period demonstrated the need to strengthen our focus on performance. This subject is part of the transformation process the company is going through.
	<b>Digital transformation and new business models</b>	TOTVS is reformulating its business model and changing its organizational culture, to adapt to the digital transformation under way in society, considering technological, market, legal and behavioral aspects. This process has profoundly impacted the company and its relationships with its stakeholders.
	<b>Quality of services and products</b>	Service quality is a key factor in TOTVS' business model and its relations with its clients. This topic is related to the principle that "our clients' success is our success," which has been widely promoted by the company.
	<b>Security, client privacy and information management</b>	Data and information are some of TOTVS' main operating assets and they involve its relations with its clients and internal stakeholders. This topic demonstrates the importance of establishing control actions, policies and mechanisms.
	<b>Relations with government</b>	This type of stakeholder is very important to the company's strategy, as it has a direct impact on initiatives related to innovation and new technologies, for example. This demonstrates the need to establish relationships without losing sight of governance and compliance aspects.
	<b>Business restructuring</b>	This reflects the process the company is going through, including the change in organizational culture, and the impacts of acquisitions and the integration of new cultures.
	<b>Transparency, relationships and engagement/loyalty in the TOTVS ecosystem</b>	Relations with different stakeholders are based on transparency criteria. TOTVS is recognized for this, and this company value affects its stakeholders' engagement and loyalty.





# ABOUT THE INTEGRATED REPORT ///

An integrated report explains how an organization generates value over time. However, value is not only generated by the organization or within it. It is also influenced by the external environment, it is created through relations with stakeholders, and it is linked to the resources available to the company and its environment.



**GRI 102-46, 102-48, 102-50 ,102-51, 102-52, 102-53, 102-54, 102-56**

Thus, as described by the International Integrated Reporting Council (IIRC), an integrated report aims to provide insights about:

- /// The external environment that affects an organization;
- /// The resources and the relationships used and affected by the organization, referred to as financial, manufactured, intellectual, human, natural, social and relationship capital;
- /// How the organization interacts with the external environment and different types of capital to create value over the short, medium and long term.

Throughout our report, we convey the concepts behind each of these kinds of capital.

The methodology for defining indicators will follow the company's evolution in tackling the challenges presented by the Global Reporting Initiative (GRI) and Integrated Report of the International Integrated Reporting Council (IIRC).

In this edition, we adopted the new version of standards, in line with the GRI Rules: Essential Option. Replacing version G4 of the sustainability indicators adopted in last year's report, the new standards require a new structure and format.

The data contained in this publication refers to the period from January 1 to December 31, 2017. However, our plan is for the next edition published by the company to cover 2018 and 2019. This report has not been submitted to external assurance.

Our Integrated Report 2017 also shows the company's results and progress in line with the 10 Principles of the United Nations

Global Compact, to which we have been a signatory since 2014. In addition to TOTVS' website, this publication, adopted as our Communication on Progress (COP), is also available [here](#).

To obtain more information about this report, feel free to contact us at [relato@totvs.com.br](mailto:relato@totvs.com.br).

## FIND OUT MORE ABOUT THE SUBJECT

If you wish to learn more about the subject, visit the two institutions' websites and read about the proposed models:

- /// **International Structure for Integrated Reports**
- /// **IIRCC**
- /// **10 steps to help you prepare a basic report, using the "Let's Report!" model**
- /// **GRI**
- /// **Global Compact**







**GRI INDEX**

GRI 102-55



CODE	GRI INDICATOR	PAGE/RESPONSE	GLOBAL COMPACT PRINCIPLES
102-1	Name of the organization.	2, 7	
102-2	Main brands, products and services.	7, 10, 26	
102-3	Location of headquarters.	8, 45	
102-4	Number of countries in which the organization operates and the names of the countries in which its main operations are located.	8	
102-5	Nature of ownership and legal form of the organization.	Publicly listed corporation	
102-6	Markets in which the organization operates.	8, 10	
102-7	Size of the organization: total number of workers and operations, net sales, capitalization and number of products or services provided.	9, 10, 11, 36	
102-8	Total workers, by type of employment, work contract, region and gender.	47	<b>/// Principle 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.
102-9	Description of the organization's supply chain, including its main characteristics, brands, products and services.	70	
102-10	Significant changes during the period covered by the report.	4, 12 , 45	



102-11	Precautionary approach or principle.	We do not formally follow the precautionary principle, but we are evolving in the process of analyzing the main risks and impacts in our operations.	
102-12	Charters, principles or other externally developed initiatives, of economic, environmental and social nature, which the organization subscribes to or endorses.	61, 62	
102-13	Main memberships of national or international trade associations and/or advocacy organizations.	63	
102-14	Declaration from the organization's most senior decision maker	4, 5	
102-15	about the relevance of sustainability to the organization and its sustainability strategy.	21, 22, 24	<b>/// Principle 7</b> Businesses should support a precautionary approach to environmental challenges.
102-16	Description of main impacts, risks and opportunities.	16, 18, 38, 39	<b>/// Principle 1</b> Businesses should support and respect the protection of internationally proclaimed human rights.  <b>/// Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.



<b>102-17</b>	Internal and external mechanisms adopted by the organization regarding ethical behavior and compliance with legislation and issues related to organizational integrity.	16, 18, 64	<p>/// <b>Principle 2</b> Businesses should make sure that they are not complicit in human rights abuses.</p> <p>/// <b>Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>
<b>102-18</b>	The organization's governance structure, including committees of the highest governance body.	12, 13, 14	
<b>102-22</b>	Composition of the highest governance body and its committees.	12	
<b>102-23</b>	Whether the chairperson of the highest governance body is also an executive officer.	12	
<b>102-25</b>	Processes used by the highest governance body to guarantee the prevention and administration of conflicts of interest.	17	
<b>102-26</b>	Roles performed by the highest governance body and senior executives.	12, 13, 15	
<b>102-29</b>	Role performed by the highest governance body in identifying and managing impacts, risks and opportunities arising from economic, environmental and social issues.	12	
<b>102-30</b>	Role performed by the highest governance body in analyzing the efficacy of the organization's risk management processes for economic, environmental and social topics.	12, 20	



<b>102-31</b>	Frequency with which the highest governance body analyzes impacts, risks and opportunities arising from economic, environmental and social issues.	20	
<b>102-32</b>	The highest-level body or position that formally analyzes and approves the organization's sustainability report.	The data contained in this publication has been approved by the Board of Directors.	
<b>102-33</b>	Process adopted to report critical concerns to the highest governance body.	20	
<b>102-35</b>	Remuneration policies applied to the highest governance body and senior executives.	13	
<b>102-36</b>	Process adopted to determine remuneration.	13	
<b>102-37</b>	How stakeholders' opinions are requested and taken into account in relation to remuneration, including the results of votes on remuneration policies and proposals, if applicable.	13	
<b>102-40</b>	Groups of stakeholders engaged by the organization.	58	
<b>102-41</b>	Percentage of all employees covered by collective bargaining negotiation agreements.	Collective bargaining covers 100% of TOTVERS. It follows the standards and limits determined by legislation.	<b>/// Principle 3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
<b>102-42</b>	Base used to identify and select stakeholders for engagement.	58	
<b>102-43</b>	Approach adopted by the organization to involve stakeholders.	58, 66, 68, 70, 77	



<b>102-44</b>	Main topics and concerns identified during engagement of stakeholders and measures taken by the organization to address these topics and concerns.	58, 77	
<b>102-45</b>	Entities included in the organization's consolidated financial statements or equivalent documents.	56	
<b>102-46</b>	Process adopted to define the report's content and limits of aspects.	77, 81	
<b>102-47</b>	Material topics identified in the process of defining the report's content.	79	
<b>102-48</b>	Effects of any reformulations of information supplied in previous reports and the reasons for these reformulations.	55, 77, 81	
<b>102-49</b>	Significant alterations to the periods covered by previous reports in relation to material topics and limits of topics.	79	
<b>102-50</b>	Period covered by the report (e.g. financial or calendar year) for the information presented.	January 1 to December 31, 2017	
<b>102-51</b>	Date of most recent previous report (if applicable).	2016	
<b>102-52</b>	Report issuing cycle (annual, every two years, etc.)	Annual	
<b>102-53</b>	Contact details for questions about the report or its content.	relato@totvs.com.br	
<b>102-54</b>	GRI Standards option chosen by the organization.	Essential	



<b>102-55</b>	Summary of GRI content for the chosen option.	82	
<b>102-56</b>	Current policy and practice adopted by the organization to submit the report to external assurance.	None	
<b>103-1</b>	Reason why topics are material.	18, 22, 24, 25, 29, 34, 35, 54, 56, 79	
<b>103-2</b>	For each material topic, describe how the organization manages the material topics.	18, 22, 25, 26, 33, 35, 54, 56	
<b>103-3</b>	Describe how the organization administers the material topic or its impacts and how the management approach is evaluated.	18, 22, 25, 26, 33, 35, 54, 56	
<b>201-1</b>	Direct economic value created and distributed, including revenues, operating costs, remuneration, donations and other investments in the community, accumulated profits and payments to providers of capital and governments.	52, 55	
<b>201-3</b>	Coverage of obligations of defined benefit pension plan that the organization offers.	43	
<b>201-4</b>	Significant financial aid received from the government.	56	



202-1	Change in the ratio between the lowest salary and the local minimum salary, by gender, in significant operational locations.	The lowest salary paid by TOTVS is the minimum salary established by law. The national minimum salary is R\$937. Some states where we operate (such as São Paulo, Rio de Janeiro and Paraná) have a regional minimum salary. There is no difference in payments between genders.	
202-2	Procedures for local hiring and the proportion of senior managers recruited in the local community in significant operational locations.	There is no specific procedure for local hiring. However, whenever possible, the company seeks to favor hiring senior managers from local communities.	/// <b>Principle 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.
203-1	Development and impact of investments in infrastructure and services offered, especially to benefit the public, through commercial engagement and pro bono products, services or activities.	59	
204-1	Policies, practices and proportion of spending on local suppliers in significant operational locations.	70	
205-1	Percentage of total business units evaluated for corruption-related risks.	17, 19	/// <b>Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.




<b>205-2</b>	Communication and training on anti-corruption policies and procedures.	19, 33	<b>/// Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.
<b>205-3</b>	Confirmed cases of corruption and measures taken.	No cases of this kind were reported.	<b>/// Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.
<b>301-1</b>	Materials used, by weight or volume, including raw materials, those associated with processing, goods, semi-finished parts and packaging.	75	<b>/// Principle 7</b> Businesses should support a precautionary approach to environmental challenges.  <b>/// Principle 8</b> Businesses should undertake initiatives to promote greater environmental responsibility.
<b>302-1</b>	Energy consumption within the organization.	74	<b>/// Principle 7</b> Businesses should support a precautionary approach to environmental challenges.  <b>/// Principle 8</b> Businesses should undertake initiatives to promote greater environmental responsibility.
<b>306-2</b>	Total weight of waste, by type and disposal method.	76	<b>/// Principle 8</b> Businesses should undertake initiatives to promote greater environmental responsibility.



<b>401-1</b>	Total workforce, and new hiring rates and staff turnover, by age group, gender and region.	48	<b>/// Principle 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.
<b>401-2</b>	Benefits granted to full-time employees that are not offered to temporary or part-time employees.	43	
<b>401-3</b>	Return-to-work and retention rates following parental leave, by gender.	44	<b>/// Principle 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.
<b>403-2</b>	Rates of injury, occupational diseases, lost workdays, absenteeism and work-related fatalities, by region and gender.	44	
<b>404-1</b>	Average hours of training per year, per employee, by gender and functional category.	41	<b>/// Principle 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.
<b>404-2</b>	Programs to manage competencies and continuous learning.	41	
<b>404-3</b>	Percentage of employees who regularly receive performance and career development analyses, by gender.	42	<b>/// Principle 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.
<b>405-1</b>	Composition of groups responsible for corporate governance and breakdown of employees by functional category, gender, age group and other diversity indicators.	12, 47, 48	<b>/// Principle 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.
<b>414-1</b>	Percentage of new suppliers selected using social criteria.	70	



415-1	Total value of contributions to political parties and politicians, by country and recipient.	We prohibit all kinds of contributions, donations and payments to public officials, monetary or otherwise, as well as any type of support to the election campaigns of public or private agents.	 <b>Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.
417-1	Type of information on products and services demanded for labeling procedures, and the percentage of products and services subject to these requirements.	74, 76	
418-1	Total number of legitimate complaints about violations of privacy and loss of clients' data.	22	



# INTEGRATED REPORT 2017



Graphic Design, Drafting,  
Artwork and Revision

/// [SELU.] CONTEÚDO & DADOS

Framework of Integrated  
Report and GRI Guidelines

/// SOCIETÁ CONSULTORIA

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Coordination and  
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/// INSTITUTIONAL RELATIONS  
AND SOCIAL OPPORTUNITY

Support

/// SUPPLIER CONTRACT ADMINISTRATION

/// PEOPLE ADMINISTRATION

/// INTERNAL AUDIT

/// BEMATECH

/// CHANNELS AND BUSINESS MODELS

/// COMPLIANCE

/// FACILITIES

/// CORPORATE GOVERNANCE

/// SOCIAL OPPORTUNITY INSTITUTE (IOS)

/// MARKETING

/// PLANNING AND CONTROLLERSHIP

/// PROCESSES, INTERNAL CONTROLS AND RISKS

/// HUMAN RESOURCES

/// WORKPLACE HEALTH AND SAFETY

/// INVESTOR RELATIONS

/// PROCUREMENT