

# COP

GLOBAL  
COMPACT

 COMMUNICATION ON PROGRESS



SOMOS

ETOTVERS



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## WELCOME TO COP REPORT 2019

Since 2014, TOTVS has been a signatory to the United Nations Global Compact and annually reports its results and advances on the issues that make up the commitment undertaken by the company.

As we will show on the following pages, our strategy and businesses are aligned with the 10 Principles of the UN Global Compact and the UN Sustainable Development Goals (SDGs).

Our adherence to the Compact reaffirms our commitment to aligning our business decisions, products, services and operations anchored in the guaranteeing human rights, promoting the agenda of diversity and inclusion, establishing healthy labor relations, respecting and conserving the environment and combating all forms of corruption.

The 2019 Communication on Progress (COP) report details the advances made on our corporate sustainability agenda and was structured in accordance with the Global Compact principles.

**Happy reading!**



## THE 10 PRINCIPLES OF GLOBAL COMPACT

- 1



**RESPECT**  
and support the protection of internationally proclaimed human rights
- 2



**ENSURE**  
the company is not complicit in human rights abuses
- 3



**UPHOLD**  
the freedom of association and the effective recognition of the right to collective bargaining
- 4



**ELIMINATE**  
all forms of forced or compulsory labor
- 5



**ELIMINATE**  
all forms of child labor
- 6



**STIMULATE**  
practices that eliminate any type of discrimination in employment and occupation
- 7



**SUPPORT**  
a precautionary approach to environmental challenges
- 8



**UNDERTAKE**  
initiatives and practices to promote greater environmental responsibility
- 9



**ENCOURAGE**  
the development and diffusion of environmentally friendly technologies
- 10



**WORK AGAINST**  
corruption in all its forms, including extortion and bribery



## TECHNOLOGY, INNOVATION AND COLLABORATION FOSTERING DEVELOPMENT

Simplifying the business world is the reason for TOTVS' existence. It's through technology and innovation with purpose that we connect ideas, people and organizations, breaking down barriers between the physical and the digital worlds, while contributing daily to drive competitiveness across industry and build a Brazil that GETS THINGS DONE. A Brazil that is increasingly more digital, prosperous, productive, inclusive and sustainable.



We believe that this is the right path for development and I am pleased to reaffirm once again our commitment to Global Compact, a United Nations (UN) initiative we have been supporting for five years.

In this report, we will relate our progress on the ten principles making up the Compact, in the areas of Human Rights, Labor, Environment and Fight against Corruption. Our actions are aimed at increasingly improving the integration of the Global Compact and its principles into our business strategy, our culture and our daily operations. We are also committed to contributing to the achievement of the Sustainable Development Goals (SDG), the global agenda led by the UN.

In this regard, the Institute of Social Opportunity (IOS), sponsored by TOTVS, promotes access to technology and education for socially vulnerable youth and disabled people through professional training programs. The results achieved make us very proud: in 2018, more than 3,000 students enrolled in its programs, with an indirect impact on over 10,000 people, 1,215 students employed and a 43% increase in household income of these youth. As for the environment, our technologies contribute to a more efficient use of resources in the operations of our clients in sectors such as Manufacturing, Logistics and Agribusiness. Meanwhile, the Integrity Program guides our conduct in all our interactions with stakeholders, contributing to a more transparent and ethical business environment.

These are a few examples of our actions, enabled by continuous collaboration and exchange of experiences with our clients, employees, investors, partners and suppliers. Continue to rely on us to multiply these results and let's jointly move ahead towards another cycle of learning and development in favor of business sustainability and people.

**Dennis Herszkowicz**, *Chief Executive Officer of TOTVS*



# WHO WE ARE AND HOW WE WORK



# TOTVS IN BRAZIL AND AROUND

We are the leading Brazilian multinational in Enterprise Resource Planning (ERP) software. For over 36 years we have been providing business solutions, management software, technology platforms and consulting services to companies of all sizes. Our purpose is to support clients by creating innovative solutions to help them simplify the business world. We develop, market and implement technology tools and platforms with specialized solutions in 12 business segments: agribusiness, construction and projects, distribution, education, financial services, hospitality and tourism, legal, logistics, manufacturing, health, services and retail.

One of our core differentials, therefore, is the development of applied technology based on platforms and the creation of segmented solutions, integrated with a distribution model based on own units and franchises, in Brazil and abroad, which enables presence, proximity, as well as rapid and efficient customer service. In 2019, we entered a new market and started structuring our techfin division (technology for financial services), whose core objective is to simplify, expand and cheapen the access of our clients to credit and other financial services.

**11 BRANCHES, 52 FRANCHISE TERRITORIES**  
IN BRAZIL AND **5 BRANCHES** ABROAD

OVER **30,000 CLIENTS**  
IN **41 COUNTRIES**

**+ 7,800 TOTVERS**, HOW OUR EMPLOYEES  
ARE KNOWN

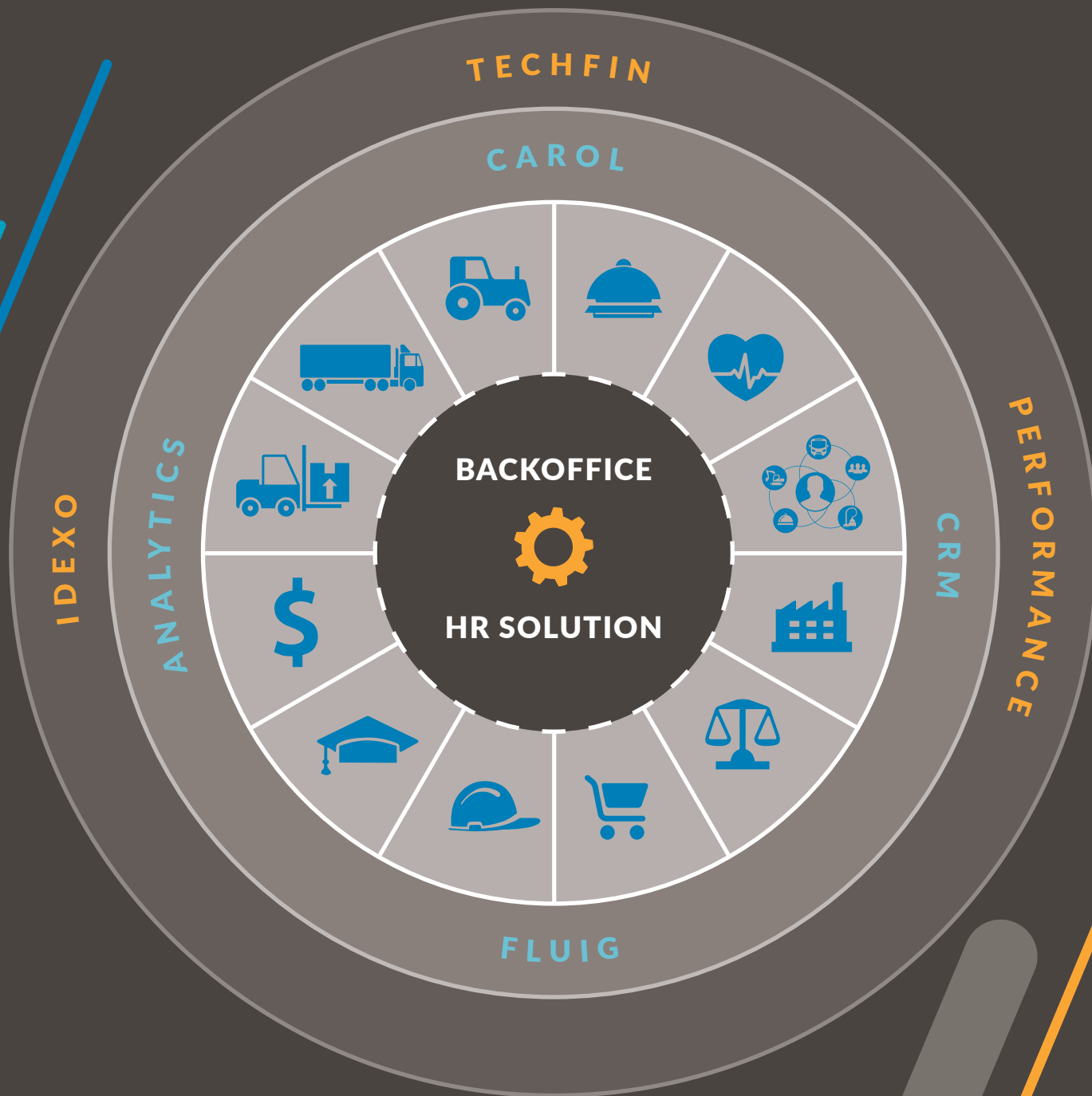
MARKET LEADER WITH **49.6% MARKET SHARE**  
**IN BRAZIL** AND AMONG THE TOP THREE IN  
LATIN AMERICA, WITH **30% MARKET SHARE**

**12 DEVELOPMENT CENTERS**  
IN BRAZIL AND ABROAD

**2,300 TOTVERS** DEDICATED TO R&D  
(30% OF OUR HUMAN CAPITAL)

**+R\$1.6 BILLION** INVESTED IN R&D  
IN THE LAST FIVE YEARS





## INTEGRATED PORTFOLIO APPROACH ACROSS VERTICALS

### CORE (ERP / HR SOLUTION)

Ensure the processing of corporate information and comply with business rules, legislation and security > Ensure the management of human resources.

### SEGMENTS (SPECIALIZED SOLUTIONS)

Specialized business solutions for companies of all sizes in 12 business segments, including: Agribusiness, Construction and Projects, Distribution, Education, Financial Services, Hospitality and Tourism, Legal, Logistics, Manufacturing, Health, Services, and Retail.

### CROSS-SELL SOLUTIONS (CAROL, CRM, FLUIG AND ANALYTICS PLATFORMS)

Innovative Platforms and High End Technology:

- Data Platform & Intelligence: **CAROL**
- Data & Analysis: **TOTVS ANALYTICS**
- Productivity & Collaboration: **FLUIG**
- CRM: **TOTVS**

### NEW MARKETS (TECHFIN, PERFORMANCE AND IDEXO)

Based on our strength of being present in almost all segments of the value chain, allowing us to offer new customized and flexible solutions that help our clients to sell more (performance market) and to increase efficiency in the operating





# OUR WAY OF BEING AND DOING THINGS

We want to promote digital transformation with a purpose, i.e., promote development in our ecosystem through technology and innovation, with social and environmental responsibility, transparency and respect for diversity. We strive to boost TOTVS' capacity to act as an agent of positive changes by connecting businesses, people and technologies, with sustainability as a value.

In 2018, we took significant steps in this direction. We mapped the priority social, environmental and governance issues, as envisioned by the company leadership, TOTVERS and specialists in technology and sustainability. We mapped risks and opportunities for innovation in products and services, processes, management and business models and made a diagnosis of the current social, environmental and governance practices of the company. Based on this mapping, we established the TOTVS sustainability agenda and structured it based on the following pillars: governance, engagement, management and positioning. This agenda also includes reporting our performance through publication of the Global Compact COP and the Integrated Report.

One of the first steps was the creation, in 2019, of a Sustainability Work Group. It consists of people from diverse areas of the company, especially those with greater capacity to influence the integration of the purpose and concept of sustainability in business and the daily routine at TOTVS, thus contributing to their dissemination. With support from a specialized consulting firm, the work group's core objective is to propose an action plan to integrate sustainability in

management, governance and strategy of the company and present it to the top management at TOTVS. The Governance and Nomination Committee is responsible, among others, for promoting improvements to corporate governance and evaluating and adopting good sustainability practices in the company. Also being prepared is the TOTVS Sustainability Policy, which will guide TOTVS' actions on this issue and reaffirm its commitment to the sustainable development agenda.

In 2019, we will also organize the TOTVS Social Impact Festival to showcase the technological solutions to contemporary social and environmental challenges.





# OUR COMMITMENTS TO GLOBAL COMPACT



# HUMAN RIGHTS



**PRINCIPLE 1** BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS



**PRINCIPLE 2** BUSINESSES SHOULD MAKE SURE THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES

Promoting human rights, diversity and inclusion is part of TOTVS' culture and values. Our governance structure and corporate policies, described in detail in this report, consolidate the guidelines that define the company's commitment to responsible business practices.

CODEC, the TOTVS Code of Ethics and Conduct, offers a general understanding of the ethical conduct and principles that guide TOTVS' commitment to the integrity of its businesses and its internal and external relationships. It applies to all directors, managers, controlling shareholders of the company, employees, service providers, suppliers and partners. The document is a guide for all of TOTVERS' daily activities.

[For more information on the Codec, click here.](#)

TOTVS has an Ethics and Conduct Channel that anonymously receives reports and complaints from employees, service providers, business partners and the general public on possible violations of its principles and values.

Another measure adopted by TOTVS to support and respect human rights is ensuring equal treatment during the recruitment process. Our Recruitment and Selection Policy establishes non-differentiation among applicants. When employees join the company, combating discriminatory practices and respect for human rights in all activities of the company are reinforced during the onboarding process.

In addition, all agreements with our suppliers include clauses on respect for human rights and diversity, in all its forms, as well as environmental standards.

Learn more about our governance and our actions to promote human rights.





## CORPORATE GOVERNANCE

TOTVS is committed to ethics in its business practices and in all its relations. This commitment includes respect for and promotion of human rights in our operations, our business activities and our social investment.

Our governance structure, together with the Compliance area through its Integrity Program, is responsible for disseminating our values and principles internally and in the ecosystems where we operate.

Our reference for structuring our governance is the “Code of Best Corporate Governance Practices,” prepared by the Brazilian Institute of Corporate Governance (IBGC). According to the definitions of this code, our governance includes the Board

of Directors and four committees, consisting of independent members and representatives of top management – Audit, Personnel and Compensation, Strategy and Governance and Nomination. In the Board of Directors, 88% of its members are independent.

Aided by the committees, the Board establishes our values and principles, as well as our business and conduct guidelines, which must be applied to our operations. Our Code of Ethics and Conduct, and our Organizational Policies, available on our website, apply to all TOTVERS and describe our values to be implemented in their daily activities.



TOTVS was the first IT company in Latin America to go public, in 2006, with its shares listed on B3's Novo Mercado segment, the highest corporate governance level for public companies in Brazil. TOTVS adopts practices that exceed the legal requirements regarding corporate governance and shareholder rights.

Focusing on the application and constant assessment of our actions, we have an Internal Controls, Risks and Compliance Department and an Internal Audit area, the latter reporting directly and autonomously to the Audit Committee.

The Audit Committee, which advises the Board of Directors, monitors the management of risks to ensure that the language, methodology and control mechanisms adopted are appropriate. It also ensures the coherence of financial policies with strategic guidelines and risk profile of the business.

The Executive Officers, in turn, is responsible for managing and implementing general policies and guidelines approved by the Board of Directors. Its members are elected by the Board for a term of two years and may be reelected or replaced by the Board at any time.





The organization chart below illustrates our governance structure:

*The members of the Board of Directors and the Advisory Committees and their responsibilities can be consulted on the Investor Relations website in the Governance section.*





In line with the IBGC Code, we also have specific policies on Disclosure, Trading, Risk Management and Internal Controls, Corporate Compliance, Corporate Internal Audit Regulations, Related Party Transactions; and Preparation and Publication of Standards.

The preparation of our Organizational Policies is a detailed process, which culminates in their approval by the Board of Directors. In 2019, our goal is to draft our Sustainability Policy. It will define, formalize and guide TOTVS' operations in terms of sustainability.

Below is a list of all Organizational Policies disclosed by TOTVS:

- /// Policy of Powers
- /// Policy of Corporate Compliance
- /// Policy of Hiring of Independent Audit
- /// Policy of Contributions, Donations and Sponsorships
- /// Policy of Credit and Collection Management
- /// Policy of Disclosure
- /// Policy of Preparation and Publication of Standards
- /// Policy of Human Relations and Compensation Management
- /// Policy of Risk Management and Internal Controls
- /// Policy of Treasury Management
- /// Policy of Litigation Management
- /// Policy of Designation of Members of the Board of Directors, Advisory Committees and the Executive Board
- /// Trading Policy of Securities
- /// Business and Institutional Relations with Public Entities
- /// Information Security Policy
- /// Policy on Related Party Transactions
- /// Charter of the Board of Directors and Advisory Committees
- /// Corporate Internal Audit Regulations

Our Organizational Policies and Charters are available at the corporate [Investor Relations website](#).





## RISK ASSESSMENT

Revised in 2019, the TOTVS Risk Management and Internal Controls Policy establishes the guidelines and responsibilities for managing the company's risks. Its purpose is to ensure that the risks inherent to our activities are identified, assessed, addressed, monitored and reported to the management in a timely manner for decision-making.

The policy also aims to ensure an adequate governance structure and the development of a Risk Management culture. Risk management and monitoring is not attributed to a single person or area, but disseminated across all hierarchies and departments of TOTVS. As such, each executive is also responsible for managing risks associated with their area and for disseminating the risk management culture among their subordinates.

Definition of the risk management strategy involves internal and external factors, as well as an assessment of the impact of issues that could affect the achievement of goals and the purpose of businesses. And so, risks are periodically identified, assessed, prioritized and documented in a structured manner so as to be adequately addressed.

A detailed description of the risks assessed is available on Reference Form on the Investor Relations website.: [ri.totvs.com](https://ri.totvs.com)





## SOCIAL PARTICIPATION, DIALOGUE AND PARTNERSHIPS

To bolster the agenda of sustainability, responsible business and commitments to human rights, we take actions inside and outside the company, organizing events open to clients, partners and the general public, as well as partnerships with civil society organizations.

### Notable among the activities are:

- /// The **Social Responsibility Week**, held annually, featuring debates and providing information to TOTVERS on relevant contemporary social and environmental issues. In 2018, the theme of the week was “Conscientious Vote and Digital Citizenship” ([more information click here](#)). The event included speeches and panel discussions at the TOTVS headquarters in São Paulo, broadcast live to other units across Brazil and on the TOTVS YouTube channel to the public. The videos recorded during the 2018 Week are available on the [TOTVS YouTube channel](#).
- /// In 2019, the event will be extended to other cities where TOTVS operates besides São Paulo, such as Belo Horizonte and Joinville. The TOTVS Social Impact Festival will be held in the second half, with the aim of valuing individuals and organizations that develop exponential and disruptive solutions that generate a concrete and positive social and environmental impact on people’s lives, society and the environment.
- /// In February 2019, students of the Institute of Social Opportunity (IOS), maintained by TOTVS in partnership with other companies, participated in



the **Diversity and Inclusion Startup Weekend** organized by TecStars in Brazil. The event aims to stimulate entrepreneurship through social impact initiatives by underrepresented groups. In April, representatives of the projects that won awards at the program visited TOTVS in São Paulo. The visitors participated in a Design Thinking workshop at UX Lab, an environment manned by a team of researchers and designers exclusively dedicated to exploring market trends and improving the user experience of our solutions and services through constant research and field observation with clients. They also visited the Institute of Exponential Ideas (iDEXO), created by the company with the mission of connecting startups, entrepreneurs and developers with large companies in order to pursue new business solutions.

- /// As part of the partnership with Instituto Luís Gama, TOTVS received at its auditorium, in April 2019, one more edition of the **course “Structural Racism”**. Around 20 TOTVERS and IOS professionals participated in the event.
- /// To promote diversity, we also held **#TogetherwithIT LGBT edition**, with support from various TOTVS employees and partner organizations, such as Games Diversidade, which conducted the DiversiLAB workshop. Educators and team from the Institute of Social Opportunity hosted a workshop on programming logic for over 50 LGBT youth interested in pursuing a career in technology.





- /// The same month, the Diversity, Inclusion and Social Responsibility department held a **training session on Due Diligence in Human Rights** as part of an event organized by the UN Global Compact at Casa das Nações Unidas in Brasília. The session aimed to share experiences and reinforce the importance of Due Diligence in Human Rights. Over 50 executives from public corporations and government agencies, interested in reinforcing the theme in their organizations, participated in the course.
- /// In April 2019, the **integration program** began to take new TOTVERS to the headquarters of the Institute of Social Opportunity (IOS). The visit enables dialogue with students in the classroom and understanding the results already achieved by the organization over its 21 years of existence.
- /// In May 2019, TOTVS received the **Human Rights Work Group** of Network Brazil (UN Global Compact), during which we demonstrated our commitment to human rights through our work with the Institute of Social Opportunity and a presentation on our sustainability agenda. We hosted the Human Rights Transparency Workshop, organized by Instituto Ethos in partnership with Fundação Getúlio Vargas (FGV).

**TOTVS also works in partnership with civil society organizations on the following initiatives:**

- /// **Business Pact for Integrity and Against Corruption of Instituto Ethos**, whose mission is to bring together companies to promote a more reputable

and ethical market and eradicate bribery and corruption by disseminating the Brazil's anticorruption law among its stakeholders.

- /// **Participation and support to Ethos 360° Conference** - TOTVS and IOS were together at the event, held in September 2019 in São Paulo. We have had our own booth and youth were participate in panel discussions evidencing the importance of the company's strategic social investment in transforming the lives of youth through education and employability, creating a high-level social impact.
- /// **Work groups from UN Global Compact**, including affirmation of the ten universal principles derived from the Universal Declaration of Human Rights, the International Labor Organization Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention against Corruption;





## Honors and certifications:

/// **Salomão Cunha Lima** from the Diversity, Inclusion and Social Responsibility department was one of the finalists at the SDG Awards of the Global Compact Network Brazil. The awards recognize corporate and educational practices that contribute to achieving the Sustainable Development Goals (SDGs). The TOTVER, who is also one of the professionals responsible for implementing TOTVS sustainability agenda, ran in the Category SDG PIONEERS – YOUNG PROFESSIONALS BRAZIL.

/// **IOS obtained the federal Certification for Charitable Social Assistance Entities (CEBAS)**, which gives it exemption from some taxes, including the employer's social security contribution on payroll. Less than 10% of organizations that request the certification obtain it.

## INSTITUTE OF SOCIAL OPPORTUNITY (IOS)

Founded in 1998, IOS provides technology access for socially vulnerable youth and disabled people through vocational training programs primarily focused on employing qualified professionals in the economy of the future.

Created at the initiative of TOTVS employees, the Institute offers free professional training in administration and information technology, with practices in digital education, citizenship, mathematics, communication and expression. The program also includes psychological and social assistance provided by a multidisciplinary team of psychologists, social workers and psychopedagogy professionals.

Nearly 2,000 youth are trained annually, of whom 1,000 on average get a job based on their IOS professional training. Over 34,000 youth have been IOS students.

It is estimated that each year, the initiative impacts directly the lives of 4,000 people and indirectly over 10,000 people since, when they find a job, each youth increases their family income by approximately 50%, according to the Institute's data.

The target audience of the Institute is socially vulnerable youth and disabled people aged between 15 and 29. Of the students served, 90% studied in public schools, 57% are women and 57% are black. IOS operates in Greater São Paulo region and in the states of Minas Gerais, Santa Catarina and Rio de Janeiro.

In 2018, TOTVS set a target of increasing the percentage of IOS youth employed at its units by 10%. The Institute exceeded the employability target, achieving growth of 38%, with 84 youth hired during this period.

More information on IOS is available on its website: [www.ios.org.br](http://www.ios.org.br)





## SOCIAL NETWORKS\*

To ensure connection with our diverse stakeholder groups, we are present in various social networks, such as:

/// **Corporate website** : [www.totvs.com](http://www.totvs.com)

/// **Investor Relations website** : [ri.totvs.com](http://ri.totvs.com)

/// **Facebook**: [www.facebook.com/totvs](http://www.facebook.com/totvs) / 353,120 followers

/// **Twitter**: @totvs / 20,600 followers

/// **Linkedin**: [br.linkedin.com/company/totvs](http://br.linkedin.com/company/totvs) / 504,777 followers

/// **Youtube**: [www.youtube.com/totvs](http://www.youtube.com/totvs) / 16,875 subscribers

/ TOTVS CHANNEL: focused on content, it features videos on management, technology and geek culture.

/ TOTVS SOLUTIONS CHANNEL: focused on products, it features video cases, webinars and demos for our clients.

/// **Instagram**: [www.instagram.com/totvs/](http://www.instagram.com/totvs/) / 27,100 followers

Shows the daily routine of the company, with the focus on people and their stories.

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\* Data determined in May/2019



# LABOR



**PRINCIPLE 3** BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING



**PRINCIPLE 4** ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOR



**PRINCIPLE 5** EFFECTIVE ABOLITION OF CHILD LABOR



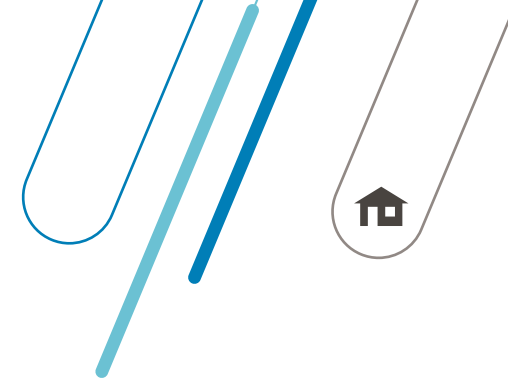
**PRINCIPLE 6** ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION

## WE VALUE GOOD PROFESSIONALS WHO ARE GOOD PEOPLE

The people department operates strategically to ensure the constant evolution of TOTVS culture. As a technology company, our main capital is the people who form our ecosystem, especially our employees, clients and all partners that contribute to the success of our business model.

The attributes that define the TOTVS culture are summarized in “**People, Client and Technology**,” helping to consolidated a sense of union, identity and purpose. The purpose is to strengthen our digital transformation journey. The new culture is identified by the hashtag **#WEARETOTVERS** and was presented to the company through a communication plan designed to make our values accessible to all employees. [Watch the video here!](#)

# #WEARETOTVERS



The **#WEARETOTVERS** culture complements important indicators of Human Resources management and is based on criteria such as organizational climate, leadership credibility, respect in the workplace, impartiality in decisions, valuing diversity, pride of work and the company, among others.

TOTVS' growth is mainly driven by a strong strategy of company acquisitions, which reinforces the need for a single identity of our culture through set guidelines, a common language and a way of operating that is clear and known to all.



## RESPECT FOR DIFFERENCES

Promoting human rights, diversity and inclusion is a practice valued by TOTVS right from the time the employee joins the company. The Recruitment and Selection Policy contains a guideline against differentiation among applicants and combating discriminatory practices. The company's Code of Ethics and Conduct (Codec) also guides employees on ethical conduct and principles that guide internal and external relationships.

In the Code, the company establishes its position about discrimination: "we do not tolerate any kind of harassment, humiliation, embarrassment, offense, threat or violence, as well as discrimination based on age, color, race, ethnic group, nationality, religion, gender, marital status, family situation, creed, social status, physical or mental disability, opinion, or political or sexual orientation, as well as any form of forced labor, involving either adults or children, or any practice that violates human rights."

If any employee feels embarrassed, discriminated or has their rights violated in any situation at the company, they should contact the appropriate channels, such as the Ethics and Conduct Channel.

To expand the initiatives aimed at promoting diversity across the company and ensuring that all environments and teams are effectively inclusive, safe and welcoming, TOTVS is preparing its Diversity and Inclusion Program, with initiatives scheduled for rollout in 2020. As a company whose core asset is the human being, we believe that the culture of diversity and inclusion will improve engagement and create a healthier organizational climate for everyone working for and dealing with the company.



## HEALTH

### Balance, wellbeing and quality of life

TOTVS believes that its success is directly related to people and the pursuit of wellbeing and quality of life of its professionals. We believe that work-life balance is essential for the human being, in three pillars:

**#active life:** actions focused on health, diet and incentive to physical activity.

**#wellbeing:** actions focused on mental health.

**#my finances:** actions to encourage the correct and conscientious use of money.

### Absenteeism

Absenteeism is a critical issue in the technology sector. TOTVS' Occupational Medicine department monitors on a monthly basis the number of medical certificates and documents delivered in order to identify the main diseases and health issues among employees. The company uses this information to provide its professionals with guidelines on more adequate health procedures and the effectiveness of treatments currently in progress.

### Healthier initiatives

To promote the guidelines on quality of life and wellbeing, we have the + Saudáveis (Healthier) program, with a series of initiatives that foster healthy habits and lifestyle:

#### Programs on Health, Disease Prevention and Incentive to Physical Activity

- /// Internal Clinical Support
- /// Monitoring of Chronic Diseases
- /// Monitoring of Severe Pathologies
- /// Monitoring of Hospitalizations
- /// Nutritional Monitoring and Incentive
- /// Vaccination Campaigns
- /// Campaigns to Raise Awareness about Prevention of Severe Pathologies
- /// Executive Check-Up
- /// Group to Encourage Physical Activity
- /// 24/7 Emergency Channels
- /// Digital Health Information Channel





## Programs to Encourage Mental Health and Wellbeing

- /// Guidelines and Monitoring of Mental Health
- /// Care for Wellbeing and Relaxation
- /// Exclusive Personal Guidance Channel that provides legal assistance, social support, as well as psychological and financial guidance.

## Mother's Love. Mother & Child care

TOTVS monitors and offers health support and guidelines for pregnant women since early pregnancy until the child turns one year old, through the Mother's Love program. The company also has lactation rooms at the head office in São Paulo and at the Joinville unit in Santa Catarina.

As a member of the Federal Government's Corporate Citizen program, the company has expanded maternity leave to six months and paternity leave to 20 days. TOTVS has a healthy indicator on the issue, with a retention rate of 82% among TOTVERS who return to work after 12 months on leave.







## RIGHTS AND FREEDOM OF ASSOCIATION

### Respect for the employee

TOTVS acts in accordance with industry associations and unions, complying with conventions and collective bargaining agreements. Compliance with agreements between labor unions and companies is ensured at all the units. In all situations, the company adopts a proactive approach towards industry associations, guaranteeing the rights of its professionals in negotiations. As such, relations between employees and the company are always based on justice and balance.

Furthermore, it ensures that all types of employment relationship agreements are established according to the Consolidation of Labor Laws (CLT) system so that no fundamental rights of its employee are violated.

The complete list of labor unions in which our employees are members is available in the [Reference Form](#) in our Investor Relations website.



## TOTVS BENEFITS

To increase talent attraction and retention, we offer a compensation package that includes complementary health, food, pension plan and life insurance benefits.

TOTVS' benefits package includes:

- /// **Life Insurance:** all TOTVERS.
- /// **Healthcare Plan:** full-time TOTVERS and apprentices.
- /// **Dental Plan:** full-time TOTVERS and apprentices.
- /// **Medical check-up:** executive managers, executive officers, vice presidents and CEO.
- /// **Private Pension Plan:** full-time TOTVERS and apprentices (\*).
- /// **Childcare assistance:** full-time TOTVERS and apprentices, according to their respective local collective bargaining agreements (\*).
- /// **Meal voucher:** all TOTVERS (according to their respective local collective bargaining agreements). For restaurants.
- /// **Food voucher:** only TOTVERS at the TOTVS units in Rio de Janeiro units and at CMNET. For markets, supermarkets and bakeries.
- /// **Transportation voucher:** all TOTVERS (benefit established by the CLT).



- /// **Company car:** executive managers, executive officers, vice presidents and CEO.
- /// **Fuel allowance:** executive managers, executive officers, vice presidents and CEO.

*\*Note: Benefit not available for TOTVERS of PC Informática, TQTV, Assis and CMNET  
Healthcare Plan, Dental Plan and Private Pension Plan include apprentices but exclude interns  
Private Pension Plan excludes TOTVS Software, Assis and CMNET.*

### Private Pension Plan

TOTVS has a private pension plan program to offer TOTVERS a benefit that complements the Federal Government's Social Security program. This plan is composed of monthly contributions by both the employee and the company. Executive officers or higher positions can contribute up to 5% of their compensation, while executive managers and other TOTVERS can contribute 2% of their compensation to the program. In both cases, the company contributes the same percentage.

## DEVELOPMENT

### Technology + Knowledge

We operate in a highly specialized sector, which leads a process of global digital transformation and which reinvents constantly itself. In addition to formal and informal training sessions, we encourage the continuous development of TOTVERS through subsidies for academic studies (undergraduate degree, graduate degree/ MBA and master's degree) and language courses. After completing one year at the company, all TOTVERS can suggest courses they would like to pursue and the company may select them.

In the last two years, TOTVS has made an important change in the parameters for leadership development. Skills such as process, project or finance management are still relevant, but the focus is now on people management. The company focuses on skills and training topics such as: leader with active listening, such as giving feedback, understanding differences of generation and preparing successors (essential for long-term business sustainability), among others.

## PERFORMANCE

### Our success

Annually, all TOTVERS undergo performance assessment, regardless of their career level. Based on the results of the assessments, the Company defines promotions, terminations, wage adjustments, training and adjustment of functions, among other processes. During the assessment, TOTVERS and their managers prepare an Individual Development Plan (PDI) so that they can define the next steps together.

Performance assessments now include targets for employees and behavioral issues. This is part of the evolution of TOTVS Culture, in which the way something is done is as important as the outcome itself.

In this model, the company encourages TOTVERS to go beyond knowledge that is proposed for their qualifications at that time of their career. In 2019, the process continues through the structuring of TOTVERS' career paths and the consolidation of this model.



## DIVERSITY

### By position and gender

2018

Position	Women	Men	Overall Total
President		<b>1</b>	<b>1</b>
Executive officers and executive managers	<b>21</b>	<b>76</b>	<b>97</b>
Managers	<b>81</b>	<b>177</b>	<b>258</b>
Coordinators	<b>169</b>	<b>373</b>	<b>542</b>
Specialists	<b>168</b>	<b>525</b>	<b>693</b>
Analysts	<b>1,703</b>	<b>3,463</b>	<b>5,166</b>
Technicians and assistants	<b>477</b>	<b>571</b>	<b>1,048</b>
Overall Total	<b>2,619</b>	<b>5,186</b>	<b>7,805*</b>

### By position and age group

2018

Position	Up to 30 years	Between 30 and 50 years	Above 50 years	Overall Total
President		<b>1</b>		<b>1</b>
Executive officers and executive managers		<b>83</b>	<b>14</b>	<b>97</b>
Managers	<b>13</b>	<b>223</b>	<b>22</b>	<b>258</b>
Coordinators	<b>39</b>	<b>470</b>	<b>33</b>	<b>542</b>
Specialists	<b>22</b>	<b>557</b>	<b>114</b>	<b>693</b>
Analysts	<b>1,663</b>	<b>3,290</b>	<b>213</b>	<b>5,166</b>
Technicians and assistants	<b>670</b>	<b>353</b>	<b>25</b>	<b>1,048</b>
Overall Total	<b>2,407</b>	<b>4,977</b>	<b>421</b>	<b>7,805</b>

### Turnover

Employee turnover stood at 22.21%, about 1 percentage point higher than registered last year.

\*Consolidated information, that is, human resources in the Company's controlled companies and subsidiaries were also included.



# ENVIRONMENT



**PRINCIPLE 7** BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES



**PRINCIPLE 8** UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY



**PRINCIPLE 9** ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES



## TECHNOLOGY IN FAVOR OF THE ENVIRONMENT

Being a technology company, TOTVS has the potential to play an important social and environmental role, both in its internal initiatives aimed at evaluating and managing the environmental impacts of its business, and in developing technologies that contribute to a more efficient use of resources and minimize the impacts on its clients' businesses.

In 2019, we created the Sustainability Work Group to bolster the company's sustainability agenda. One of the main objectives of the group is the development of an action plan to integrate sustainability into the company's management, governance and strategy. The plan is being prepared based on the priority topics defined in 2018 and their relation with United Nations Sustainable Development Goals (SDG), which include the SDG 12 regarding responsible consumption and production.

The Sustainability Work Group also discusses the key impacts and risks of the business, as well as innovation opportunities in both products and services, as well as in processes, management model and businesses.

The TOTVS Sustainability Policy is being prepared, which will formalize and guide the company's efforts in this area (for more information on our sustainability agenda, read the chapter "Who we are and how we work").



## MANAGING IMPACTS OF OUR OPERATIONS

The shift to the new head office in 2017, in the Northern region of São Paulo resulted in an increase in energy consumption since we doubled the number of employees by gathering in a single location approximately 3,200 people who were earlier distributed across eight operations in the city of São Paulo and the metropolitan region. To offset this impact, the head office building, a technological space spanning over 60,000 m<sup>2</sup>, inspired by the Silicon Valley, was planned considering diverse aspects related to saving natural resources, which include the installation of 100% LED lighting and photovoltaic cells on the building façade, which captures sunlight to complement the sources of energy to supply our installations. Furthermore, the building was designed to facilitate natural lighting and ventilation and has a green ceiling that helps maintain a more stable internal temperature and efficient high-performance VRF air conditioning systems and double façade that reduce heat intensity. Our energy consumption in 2018 at own units in Brazil was 13.2 million gigajoules (GJ).

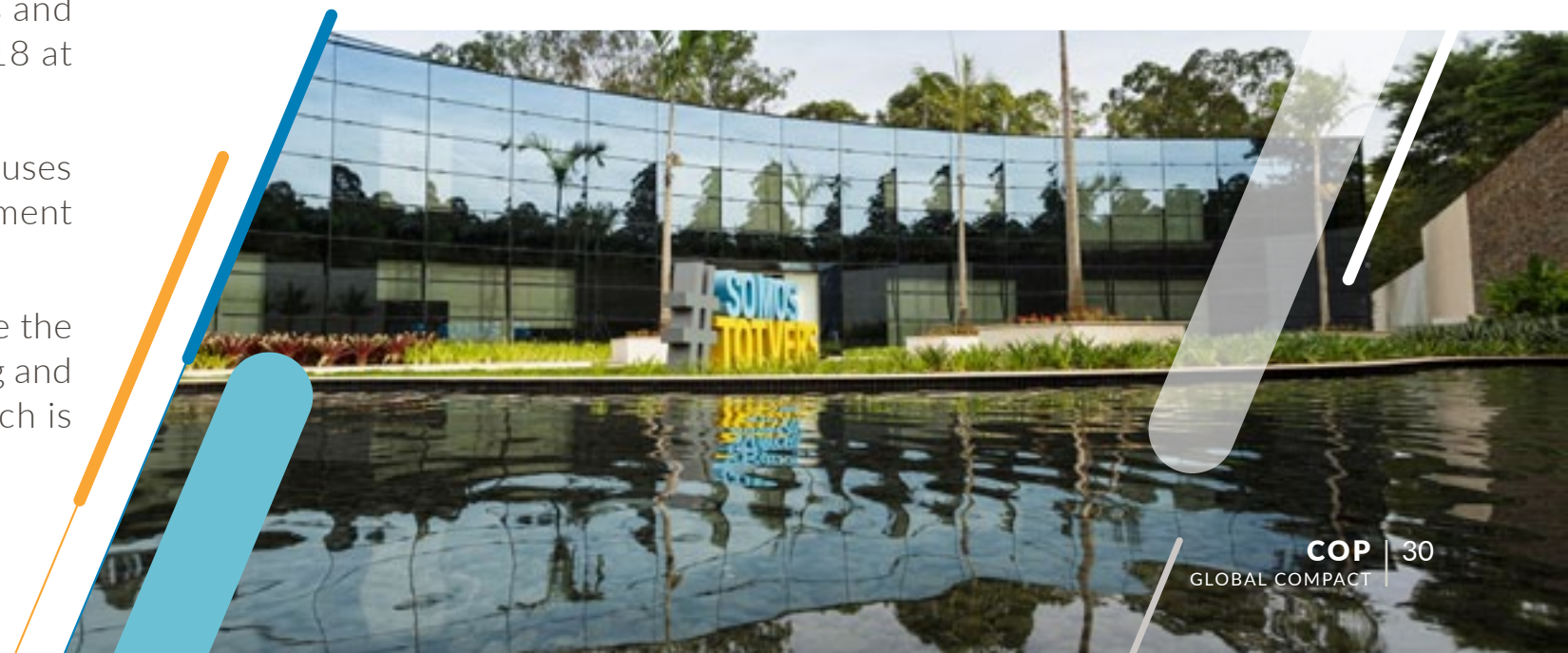
Regarding water consumption, the building has a rainwater reuse system and uses the Building Manager System (BMS) for more efficient control and management of water consumption.

The company also has an agreement with an outsourced company to manage the waste generated at the head office. This company is responsible for collecting and treating solid waste and for adequately disposing of electronic waste, which is recycled and revenue from the sale of said waste is allocated to IOS.

The construction of the new head office in São Paulo was based on the sustainability, mobility and open space aspects, in which the circulation of people, generation of ideas and production of knowledge are combined with a modern physical structure and a more digital workplace architecture.

Following the same assumptions and considering the specific regional aspects and realities, in 2018 we expanded the project, taking the new concept to other four units: Assis (SP), Cianorte (PR), Joinville (SC) and Belo Horizonte (MG), with a nationwide integration and engagement of over 2,400 TOTVERS in our digital transformation project.

A sizeable portion of our environmental impacts was related to Bematech, our hardware manufacturing unit (acquired by TOTVS in 2015 and divested in 2019). As such, we will not address its actions in this report.





## ECO-FRIENDLY PRODUCTS AND SERVICES

Promoting digital transformation with a purpose, that is, generating development in its ecosystem through technology and innovation, with social and environmental responsibility, transparency and respect for diversity, is one of TOTVS' commitments. The company strives to add value to its processes and its value chain by developing products and services that encourage clients and consumers to adopt sustainable practices in their businesses.

Following are a few examples of products and services that help manage and optimize resources and increase the efficiency of our clients' processes:



/// **Agriculture:** The use of technology such as artificial intelligence, internet of things and machine learning has helped increase productivity in Brazil's agribusiness sector. The installation of sensors, devices and software in the field enables the farmer to collect and analyze crop data and thus take better business decisions. These initiatives result in a series of efficiency gains, such as optimization of natural resources, increased productivity and the reduction of risks inherent to agribusiness.

/// **Paperless technologies:** This type of technology facilitates information access and safety, besides reducing paper consumption. In the health sector, for example, the TOTVS Guia Saúde platform helps locate the health service network, schedule medical appointments and exams, and obtain statements, among other functionalities, thereby contributing to better administrative and financial management and meeting the compliance standards.

/// **Logistics:** One of the main challenges faced by Brazil on account of its territorial dimensions and lack of infrastructure is the logistics sector. As such, planning and investing in transportation management is essential. The services offered by TOTVS enable a better strategy for routing, optimization of fleet occupancy and reduction in transportation time. Apart from these benefits, better transportation management helps reduce consumption of natural resources and the emission of greenhouse gases.



/// **Retail:** Retail is one of the key sectors in which TOTVS operates. The Company has diverse solutions, ranging from inventory control to the use of artificial intelligence to create personalized offerings for consumers. The use of these solutions generates a series of benefits, such as lower costs and reduced food wastage.

/// **Manufacturing:** Industry 4.0 has created a series of business opportunities for TOTVS, which has several solutions for this segment, such as process automation, supply chain synchronization, data collection and analysis, and information collaboration and sharing. These solutions enable real-time management of manufacturing operations, thereby increasing energy efficiency, productivity, product quality and waste reduction in the production process. TOTVS also has an environmental management system that helps companies to periodically evaluate and continuously improve their processes, risks and environmental impacts. The system manages solid waste, controls highway transportation of hazardous products, aids preparation of the National Industrial Solid Waste Inventory and manages greenhouse gas emissions.





# ANTI-CORRUPTION



**PRINCIPLE 10** BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY.

## BUSINESS INTEGRITY

TOTVS has specific mechanisms and procedures to prevent, identify and address corruption practices, frauds and illicit conduct of any nature. The Company's Integrity Program is a set of internal actions and measures organized in pillars designed to prevent, identify and address, in a timely and appropriate manner, the main compliance risks at TOTVS. The "Policies and Procedures" pillar consists of a set of organizational policies and standards, such as the Policy on Business and Institutional Relations with Public Entities and the Policy on Related-Party Transactions.

Launched in 2017, the policy on Business and Institutional Relations with Public Entities reaffirms the company's commitment to the Brazilian Anti-Corruption Law – 12,846/2013, the UN Global Compact, and the Business Pact for Integrity and Against Corruption of the Instituto Ethos. The policy also establishes the guidelines of conduct for TOTVS' relations with public entities through any representative or



agent, considering its values and principles set forth in the Code of Ethics and Conduct. The Policy on Related-Party Transactions, also implemented in 2017, is aimed at ensuring that transactions between related parties and TOTVS are based on transparency and arm's length principles, as well as preventing and managing potential conflict of interest situations.

The Internal Controls defined to implement and monitor policies are reviewed annually and can be updated any time due to changes in rules, processes and risk mapping.

We have also established procedures to identify and assess compliance risks in relations with suppliers, to ensure that TOTVS does not do business with suppliers involved in any kind of illegal or wrongful practices under the anticorruption laws in force and the ethical principles adopted by the Company.





Our franchisees also sign a Statement of Commitment to Integrity and Statement of Responsibility, Compliance and Social and Legal Commitment, whereby they undertake to comply with Federal Law 12,846/2013 – the Brazilian Anti-corruption Law, and the Code of Ethics and Conduct of TOTVS, as well as the main Global Compact principles.

### Our values, in practice

The practices adopted by the company to strengthen its culture and values include the publication of the [Code of Ethics and Conduct \(Codec\)](#). The Code, updated in 2018, is available online and complied with by 100% of our employees.

Codec provides an overview of the ethical conduct and principles that guide TOTVS' commitment to the integrity of its business activities and its internal and external relations. The Code applies to all directors, managers, shareholders of the controlling block, employees, service providers, suppliers and partners.

All TOTVERS undergo e-learning training on the Code. The material addresses the topics presented in the document it and has a practical phase, in which the understanding of the content is evaluated through questions and ethical dilemmas, answered based on the principles and rules of the Code. Training is mandatory. After evaluation, the participants receive a certificate.

The Code of Ethics and Conduct is not only a control mechanism but also a practical guide that must be used in the daily decision-making process of TOTVERS based on the Company's values and culture. Read more on this topic in the chapter about the Human Rights on [page 11](#).



TOTVS also has a whistleblowing channel for internal and external stakeholders to report deviations of conduct. Violations of Codec and of human rights (including risk of slave or child labor) are investigated by the Ethics and Conduct Commission and the Audit Committee. The Ethics Commission has a formal process to analyze if the Code of Ethics and Conduct was actually violated and defines the measures to be applied, whenever necessary. Actions taken range from warning to termination for cause, as well as applicable legal measures. All complaints are also periodically submitted to top management for analysis.

In 2018, we saw an increase in the number of reports received compared to the 127 reports received in 2017. We received 200 reports, which were appropriately analyzed and addressed. This increase in the number of reports may be related to the training provided on the Code of Ethics and Conduct (Codec).

Actions resulting from the investigations of such complaints: termination of professionals with proven evidence (for cause in serious unethical cases), lawsuits, formal and verbal warnings, guidance, corporate communication and transfer between areas, as well as a review of internal processes and policies.

The TOTVS Ethics and Conduct Committee can be accessed by internal and external stakeholders through the telephones **0800 721 5966**, **11 3232 0766** or [www.canalconfidencial.com.br/totvs/](http://www.canalconfidencial.com.br/totvs/). Any and all reports are conducted with confidentiality and guarantee of anonymity.

To access the Codec, [click here!](#)





**CORRELATION  
BETWEEN  
GLOBAL COMPACT  
AND SDG**





## THE 10 PRINCIPLES OF GLOBAL COMPACT

### Human Rights

### Labor

**1** Businesses should support and respect the protection of internationally proclaimed human rights.

**2** Businesses should make sure that they are not complicit in human rights abuses.

**3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

**4** Elimination of all forms of forced and compulsory labor.

**5** Effective abolition of child labor.



**4** QUALITY EDUCATION



**8** DECENTE WORK AND ECONOMIC GROWTH



**8** DECENTE WORK AND ECONOMIC GROWTH



**8** DECENTE WORK AND ECONOMIC GROWTH



**8** DECENTE WORK AND ECONOMIC GROWTH



**5** GENDER EQUALITY



**16** PEACE AND JUSTICE STRONG INSTITUTIONS



**16** PEACE AND JUSTICE STRONG INSTITUTIONS



**16** PEACE AND JUSTICE STRONG INSTITUTIONS



**8** DECENTE WORK AND ECONOMIC GROWTH



**10** REDUCE INEQUALITIES



**17** PARTNERSHIP FOR THE GOALS



## THE 10 PRINCIPLES OF GLOBAL COMPACT

**Labor**                      **Environment**                      **Anti-Corruption**

**6** Elimination of discrimination in respect of employment and occupation.



**8** **DECENTE WORK AND ECONOMIC GROWTH**

**7** Businesses should support a precautionary approach to environmental challenges.



**12** **RESPONSIBLE CONSUMPTION AND PRODUCTION**

**8** Undertake initiatives to promote greater environmental responsibility.



**9** **INDUSTRY, INOVATION AND INFRASTRUCTURE**



**12** **RESPONSIBLE CONSUMPTION AND PRODUCTION**

**9** Encourage the development and diffusion of environmentally friendly technologies.



**9** **INDUSTRY, INOVATION AND INFRASTRUCTURE**



**12** **RESPONSIBLE CONSUMPTION AND PRODUCTION**

**10** Businesses should work against corruption in all its forms, including extortion and bribery.



**16** **PEACE AND JUSTICE STRONG INSTITUTIONS**



**17** **PARTNERSHIP FOR THE GOALS**



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