



INTEGRATED 2020 REPORT





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PRESENTATION

This 2020 Integrated Report presents TOTVS practice of accountability and communication with stakeholders, inaugurated in 2016 (tax year 2015), describing the main activities and achievements of the year 2020 (January 1st to December 31st). In 2020, one of the most challenging years in its history – due to the Covid-19 pandemic –, TOTVS faced an unprecedented global health crisis that has caused many uncertainties and strong socioeconomic impacts both in poor and rich countries (read more in chapter The Pandemic Impacts, page 20)

[102-50 | 102-51]

In this scenario, despite these global adversities, TOTVS also experienced a favorable period for its business model, which is based in technology, one of the economic sectors that has most been leveraged and grown since the beginning of the crisis. A survey by the Brazilian National Industry Confederation (CNI, [A Indústria 4.0 e a Pandemia](#), November 2020), commissioned by the FSB Research Institute, revealed that 54% of companies that have up to three technologies integrated into their processes currently register a profit equal to or greater than the pre-pandemic period. The index drops to 47% in companies that have not yet adapted to modernity.

With this annual release, the Company also aims to describe the different ways through which it has been creating and adding more value to its business, sharing results with customers, employees, shareholders, franchises, partners, suppliers, investors and civil society, inspired by the campaign disseminated in its main operating markets “TOTVS believes in a Brazil that makes it happen”, a corporate strategy that reflects its main mission: to support the growth of thousands of businesses and entrepreneurs. [102-52]

To prepare this report, TOTVS followed the methodology of the Global Reporting Initiative – GRI Standards: Essential mode, the greatest international reference for sustainability reports, as well as the guidelines of the International Integrated Reporting Council (IIRC). In addition, as a signatory since 2014, it also communicates the strategy and annual results aligned with the

10 Principles of the United Nations Global Compact and the Sustainable Development Goals (SDGs), an initiative of the United Nations (UN), within the scope of 2030 Agenda (read more in “About the report”, on page 9). [102-54]

As a way to facilitate the understanding and analysis of some topics, there are some links in this document for additional content. The profile and performance indicators (GRI Standards) are graphed in numbers, in the respective sections to which they refer, and they can also be found in the GRI Remissive Index, published between pages 101 and 113. [102-55]

The accounting information herein covers the Company’s consolidated operations and was submitted to the consulting firm E&Y for external verification, for the disclosure of the complete annual financial statements for the fiscal year 2020. [102-45 | 102-56]

To send messages and contributions about this report, send an e-mail to <ri@totvs.com.br>. [102-53]

Enjoy the read!



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MESSAGE FROM THE BOARD OF DIRECTORS



MESSAGE FROM THE BOARD OF DIRECTORS

The year 2020 will certainly be a landmark in our history, and in what was considered the “new normal”.

The challenges we all had to face were huge and unprecedented, but technology has always been positioned there as a great ally at this time of global crisis, ensuring business continuity, adapting financial, health, education and logistics services, shortening distances at work and in family life, and enabling science with connection and cooperation between people. Even facing so many transformations and uncertainties, we kept ourselves on constant evolution.

It was a period of hard work, commitment and a lot of overcoming. We have been closer and more present than ever in the daily lives of Brazilians and citizens of the countries where we operate: walking alongside our customers, transforming challenges into reality, restructuring strategies, and promoting business diversification and digital acceleration. We are proud to be part of so many stories. To help so many customers to innovate, grow and perpetuate their business.

With a great sense of responsibility, we kept our TOTVERS and customers at the center of our actions, making every effort to preserve the health of employees and maintain the operation of customers and partners, working together with the Brazilian Association of Information and Communication Technology Companies (Brasscom) in the development of the Minimum Return to Activities Protocol. We continued to execute our M&A strategy, concluding the acquisition operations and continuing the integration processes of Supplier, Consinco and Wealth

Systems, companies that are part of the TOTVS Group which contribute to accelerate our expansion of operations in new markets and strengthen our core business, as part of our goal to evolve and build an ecosystem in three-dimensional business solutions: (i) Management, with a portfolio of open, connected and customizable ERP, HR and Vertical solutions and platforms; (ii) Techfin – simplifying, expanding and making access to credit and other financial services cheaper; and (iii) Business Performance – creating a portfolio that helps our clients to sell more and better.

Regarding Governance, we advanced in the development of the ESG (Environmental, Social and Governance) Agenda releasing our Sustainability Policy, and in the consolidation of the Integrity Program by implementing new initiatives and revising the Code of Ethics and Conduct, which reinforce our commitment to the highest level of ethics and transparency in our business relationships. The Board of Directors monitored and provided ongoing support to the Executive Board during all discussions related to the pandemic, committing itself to the planning and adoption of measures to mitigate risks and occupational health and safety ones. In M&A projects, our performance was based, as always, on the highest standards of excellence in governance, including due diligence of integrity, preserving the equal and equitable treatment towards all shareholders, including target companies, and we also evolved in strengthening the process of evaluation of the performance of all levels that constitute the Company's Management.

Since 2016 (tax year 2015), TOTVS has been publishing its Integrated Report, which follows the methodology of the Global Reporting Initiative – GRI Standards: Essential mode, as well as the guidelines of the International Integrated Reporting Council (IIRC). It also communicates the strategy and annual results aligned with the 10 Principles of the United Nations Global Compact and the Sustainable Development Goals (SDGs), within the scope of 2030 Agenda.

2021 still presents the ongoing challenges brought by the pandemic, but it also brings countless opportunities to expand the value generation to our stakeholders, with the evolution of the strategy execution and the maturing of reflections around the strengthening of the ESG pillars, as part of the sustainability culture of TOTVS, expanding our capacity to meet the demands of our strategic audiences and to create value throughout our relationship ecosystem. We will leverage TOTVS' performance as a player of positive change by connecting and integrating these elements to our strategy and business model, to investment decisions, and to the Company's innovation processes. Such elements combined powerfully drive us to continue to develop Brazil more and more, through the democratization of technology, with impactful solutions that create results and make our customers more productive and competitive in their segments. This is the energy that moves us in this new cycle. TOTVS believes more than ever in a Brazil that makes it happen.

Laércio Cosentino, Board of Directors Chairman



CEO MESSAGE

[\[102-10\]](#) [\[102-14\]](#) [\[102-15\]](#)

CEO MESSAGE

Anyway, 2020 is over! I have heard this phrase from many; a year that will be a mark in the history of each one and the world, where everyone had to reinvent themselves, discover strengths they thought they didn't have, find solutions to problems never thought of before and, unfortunately, full of suffering and uncertainty. But also, a year of new beginnings and union. In this message, first of all, I want to thank with my heart to all TOTVERS, their families, our partners and all those who helped the Company to face and overcome this challenge of epic proportions. And I also wish more serenity, health and even more achievements in this year 2021!

TOTVS had a year of overcoming. Our financial and operational performance was far above what we imagined when the pandemic began. In March, we prepared for a scenario of uncertainty with risk of customer bankruptcies, increased non-payment and churn, and greater difficulty in selling, implementing and servicing. The recent entry into the Techfin dimension through the acquisition of Supplier brought additional and unknown challenges at a difficult time. In other words, we prepare for the worst. However, the strengths that brought TOTVS to its outstanding leadership position in technology and software for companies, which are reflected in its campaign "TOTVS believes in Brazil that makes it happen!", proved to be more real and stronger than ever. The perception that our 40,000 customers are more resilient than the average of Brazilian companies, precisely because they invest in top-notch management software and have a higher degree of management control, planning and sophistication, was proven. Our churn rate has not risen above the historical average at any time. Effective non-payment index was also very close to the historical average.

Our customers continued using our solutions and operating orderly and with the full support of TOTVS.

The recurrence model, which already represents almost 80% of technology revenue, increasingly in the SaaS model, which grew 21% in 2020 and already accounted for 65% of new sales in Q4 2020, combined with a rate of renewal of almost 99% per quarter, has guaranteed solidity and predictability even in an environment of almost total insecurity.

The diversification of segments was also extremely important, allowing for the fast restructure of priorities and, therefore, taking advantage of countless business opportunities that emerged from May onwards. The permanent investment in innovation and digitalization gave us: product quality, which allowed us to increase the NPS (Net Promoter Score) - the main metric for managing customer experience -, even during the pandemic; the breadth of portfolio, which maintained our relevance to our clients; and the possibility of TOTVERS working remotely with safety and productivity. We were able to implement close to 90% of the solutions remotely. TOTVS services became "smarter" and more accessible, a reflection of the accelerated "cloudification" of our software, which makes

life much easier and faster. This change in the service profile is crucial and reflects the efforts to enhance everything we do.

Our "sales machine" proved to be stronger than ever, even working remotely. As a result, our ARR (Annual Recurring Revenue) raised R\$300 million in 2020 and 35% in the Q4 2020 compared to Q4 2019. This ARR increase in 2020 alone would place TOTVS among the largest software companies in Brazil. Finally, the outstanding boldness in the business history of TOTVS, reflected in the motto "equal being always different", showed that investing in the value chain of customers is a correct bet, by building an ecosystem that, in 2020, in addition to the Management dimension, consolidated Techfin offer and started the journey in Business Performance.

Supplier's performance, as of the end of the second half of 2020, showed a V-shaped recovery with a strong inclination, proving the solidity of its business. These are new markets that offer incalculable opportunities for the Company. The result of all this was a 20% growth in total net revenue and recurring revenue (including Supplier) in the Q4 2020 compared to the Q4 of the previous year, with an 24% EBITDA margin. In the concept developed by analysts and investors, called "The Rule of 40", this balanced combination of growth and profitability (resulting more than 40 percentage points) is rarely found, especially in a company existing for almost 40 years. Those that find it become a reference and receive differentiated recognition from the markets in their multiples. This is an evidence that TOTVS is a fantastic company, with a unique capacity to transform and

¹ One of the most important indicators, churn rate shows the percentage of cancellations / withdrawals in your company in a given period. This metric will help you identify the reasons that led the customer to abandon your business and also to predict other possible withdrawals.

CEO MESSAGE

adapt to market opportunities. Our biggest challenge in 2021 will be maintaining the pace of change and transformation. We held our kick-off event and sales convention at the end of January, and the keyword used in all discussions was SPEED. Other important words were 'exponentialize', 'digitize' and 'cloudify', indicating the path we are following. We are working to maintain and expand TOTVS' relevance for our customers, helping companies of all sizes and sectors to achieve the efficiency and productivity desired.

Of course, the year was not just one of financial and operating results. During this period, we remained solidary in the fight against Covid-19 and, as always, we remain determined and united, tirelessly supporting our ecosystem, companies and people for the development of Brazil. We created a Crisis Committee and our Board of Directors remained available, holding regular meetings, discussing situations related to our operation and deliberating the necessary measures in all spheres. We adopted preventive and mitigation measures in line with the guidelines of the health authorities, ensuring the safety of our TOTVERS by implementing remote work in all our units. We also provided an exclusive 24-hour health plan call center service and we did not fire any employee for downsizing due to the pandemic, nor carry out salary reduction initiatives. Human Capital is one of the Company's main assets and, in 2020, we made progress in strengthening the initiatives of our employer brand and the results achieved were very positive.

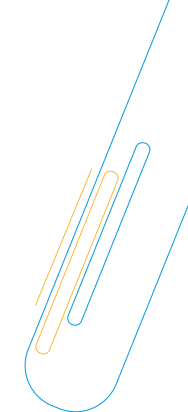
Based on our Engagement Survey, 93% of TOTVERS are proud to work here and 96% believe in the potential and future of TOTVS, which explain a significant reduction in turnover and an increase of more than 30 points in eNPS (Employee Net Promoter Score). These data show that our dedication and investment in people has been the right action to reinforce the attraction and retention of the best talents, an important pillar for the execution and sustainability of our long-term strategy. With a collaborative spirit, we developed our TOTVS Network University, offering more than 5,000 contents and more than 30,000 free online training vacancies, thus contributing to qualify our customers and the market, which reinforces the strong engagement and connection of our ecosystem with our employer brand. In the social level, we launched the "TOTVERS that make it happen" campaign, joining efforts by TOTVS, TOTVERS and the franchises, which raised funds to support families living in extreme social vulnerability and ensured the continuity of professional training for more than 2,000 students from Social Opportunity Institute (IOS). We also created our Diversity and Inclusion Program and adopt the UN Women's Empowerment Principles.

All these actions make real the commitment to the development of a business agenda based on ESG integration and best practices, expressed in our Sustainability Policy, released in 2020. It is worth remembering that TOTVS has also been a signatory of the United Nations Global Compact since 2014, therefore committed to its 10 Principles. Our ESG Agenda is aligned with the UN Sustainable Development Goals (SDGs), as we will detail in this report.

In addition, the entry in Ibovespa at the beginning of 2020, in the MSCI indexes in December 2020, and in the IBRX 50 of B3 as of 2021, winning the Institutional Investor, Best of Stock 2020 by Infomoney and Best Technology Workplace Awards from the Great Place to Work (GPTW) are important recognitions of our work and another indication that we are on the right path. Our business is increasingly present in the daily lives of companies.

More than simplifying the business world, we are evolving and transforming Brazil into a more productive, efficient and innovative country through technology. TOTVS believes more than ever in Brazil that makes it happen, in entrepreneurs and clients who, like us, dared, overcame obstacles and went public on the stock exchange over the last year. The greatest certainty we had in 2020 is that technology is the main answer and bet for any company to survive. As the largest Brazilian technology company, we believe that TOTVS has a present and, above all, a glorious future ahead! [102-15]

Dennis Herszkowicz, CEO



ABOUT THE REPORT

[102-40, 102-42, 102-43, 102-44, 102-46, 102-47, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 103-1, 103-2, 103-3, 103-31]

This is the fifth edition of TOTVS' Integrated Report, in which, once again, we present content produced according to the guidelines of the IIRC (International Integrated Reporting) and GRI (Global Reporting Initiative), in the Essential option, for the year from January 1st to December 31st, 2020. TOTVS expanded its stakeholder consultation process in 2021 and, for the first time, heard investors and investment analysts (sell sides) who monitor the Company's performance. The renewed process of listening to and understanding the audiences with which we relate regarding sustainability/ESG is one of the main steps in the review of the materiality matrix that will be used by the Board to prioritize TOTVS' sustainability themes for the next biennium, and which defines the priority topics for TOTVS' performance in the social, environmental and governance agenda and guides the construction of this report. The materiality analysis, carried out every two years, guides the initiative prioritization to integrate ESG into the business strategy, based on the insights obtained from consultation with TOTVS stakeholders and on topics in which the Company has the greatest potential for impact.

The potential contribution to achieving the UN Sustainable Development Goals (SDGs) was also considered to prepare this document, to prioritize the topics and to update the Company's Sustainability Agenda. TOTVS has also been a signatory of the United Nations Global Compact since 2014, and annually publishes its Communication on Progress (CoP) Report. The content of this Integrated Report, which also serves as a CoP, indicates how the Company's strategy is aligned with the 10 Principles of the Global Compact.

Between the end of 2020 and the first semester of 2021, we renewed the process of defining priority topics (materiality), which had been previously carried out by TOTVS in 2018. Check below the process that helps to define the material themes for TOTVS' Sustainability Agenda (ESG) and its correlation with this document.

The presentation of this report is intended to maintain the approximation and strengthen the Company's relationship with all of our strategic audiences. It also accounts for the commitments and results obtained in recent years and the way in which the company is structured to support its next growth cycle.

TOTVS Integrated Report of the year 2020, an atypical year due to the Covid-19 pandemic and all its consequences, which still persist in 2021, represents the involvement of a large number of people who dedicated themselves to the investigation of the necessary information and had the experience of analyzing the Company in an integrated way, that is, its economic, environmental and social aspects. It also presents innovation and technology initiatives aimed at the sustainable development of the Company and of Brazil.

The GRI indicators, the Global Compact Principles and the SDGs related to TOTVS initiatives are distributed throughout the publication, which also follows the structure of the six Capitals of Integrated Report (Financial, Manufactured, Intellectual, Human, Social and Relationship, and Natural). Find out more in the GRI Remissive Index and in the section of Annexes, respectively available on pages 101 and 113.

This report covers all TOTVS operations in Brazil and abroad. To ask for further information or clarification regarding the content presented in this document, send an email to ri@totvs.com.br.

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PROCESS FOR DEFINING THE PRIORITY TOPICS OF THE SUSTAINABILITY AGENDA (ESG) [102-40, 102-42, 102-43, 102-44, 102-46, 102-47, 102-48, 102-49, 102-54, 103-1, 103-2, 103-3, 103-31]

With the support of a specialized consulting agency, TOTVS carried out a broad consultation process from the end of 2020 until the first half of 2021 in order to identify its new priorities for the Sustainability Agenda (ESG), taking into account aspects related to the social, economic, environmental and corporate governance dimensions, in addition to the Covid-19 pandemic impacts.

TOTVS Sustainability Agenda (ESG), defined and periodically updated based on our materiality matrix, considers the most relevant topics for our stakeholders and those which the Company believes to have the greatest potential for positive impact.

This materiality matrix reflects the degree of importance of emerging issues for the technology segment, considering the current and future scenario, its challenges and opportunities, as well as issues related to business strategy and global agendas, such as the UN Sustainable Development Goals (SDGs). In this review of the material themes, as expected, the impacts of the Covid-19 pandemic were also considered.

The priority topics are defined based on the combination of the perceptions of TOTVS' internal audiences and the different views of external stakeholders considered strategic by the

organization. The results are also based on an analysis of the organization's capacity to respond to expectations, to manage their impacts – positive and negative – and to create value for different stakeholders.

TOTVS' stakeholders are identified through consultations with internal areas and defined as strategic according to the intensity of activities and relationship with the Company, as well as the degree of impact on the performance of the Company's operations.

SUSTAINABILITY AGENDA (ESG) GOVERNANCE AND PRIORITY TOPICS [103-1, 103-2, 103-3]

The basis for choosing the topics was based on consultation with internal and external stakeholders which are strategic for TOTVS and the analysis of scenario studies and national and international trends, as well as internal documents of the Company. The process resulted in the mapping of 37 topics and, subsequently, the prioritization of 12 of these topics.

For the preparation of the new materiality matrix, the Company consulted TOTVERS (employees), the leaders of the Advisory Committees to the Board of Directors, the members of the Executive Board, franchisees and representatives of shareholders/ investors, investment analysts (sell sides), customers, suppliers, ESG experts, as well as civil society partners, TECH industry associations and the innovation ecosystem. Strategic audiences were remotely consulted due to sanitary restrictions and social isolation imposed by the Covid-19 pandemic, and quantitative

and qualitative methods were applied. Online surveys were conducted with internal and external audiences, focus groups with suppliers, partners, customers and the TOTVS ESG WG and 15 interviews with executives, members of TOTVS Committees, investors, sell side analysts, ESG experts and partners from civil society and the innovation community.

The listening process for communication and engagement of strategic stakeholders, in addition to the choice of priority topics, is provided for in the ESG Sustainability Policy approved in 2020, since TOTVS considers collaborative construction essential in order to align strategic expectations and the creation of value to the Company's activities.

The material themes were approved by TOTVS' Board of Directors and will be unfolded through the construction of action plans and the formalization of commitments in the Company's ESG Agenda.

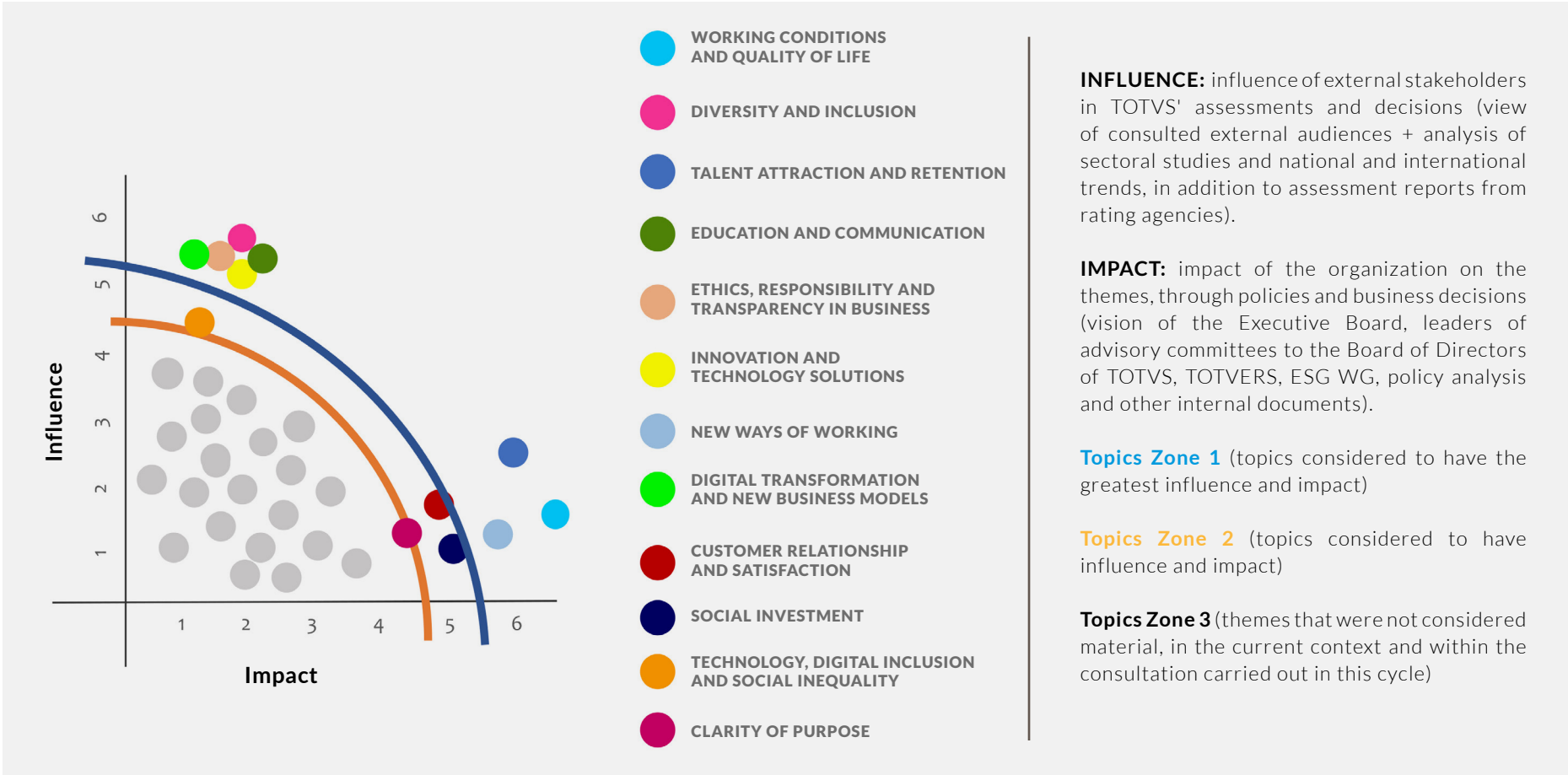
Over the next few pages, we will present the results of the materiality process and the priority topics determined for management in the 2021-2023 biennium.

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PRIORITY TOPICS [103-1, 103-2, 103-3]

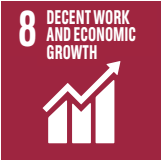

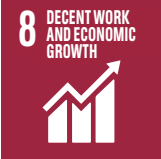
Materiality reflects TOTVS' alignment with the Sustainable Development Goals (SDGs) in the scope of its activities and positive impacts on society. As a result of the consultation and engagement process with the stakeholders, 12 material themes were defined, combining the internal and external view, which are presented below related to the SDGs:

Materiality 2021 - Priority Topics [102-44, 103-1, 103-2, 103-3]




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MATERIALITY (2021) AND CORRELATION WITH THE SDGS

TOPICS	DESCRIPTION OF TOPICS	IMPORTANCE FOR TOTVS	IMPACTED AUDIENCES	RELATED GRI INDICATORS	CORRELATION WITH SDGS
1. WORKING CONDITIONS AND QUALITY OF LIFE	Health and safety, quality of life, fair and industry-compatible wages. It also considers general working conditions and fair working hours, encompassing employees, suppliers and third-party workers.	The well-being and quality of life of its employees, inside and outside the office, is essential for employees to be more willing to accomplish their duties. Due to the pandemic, TOTVS started to pay even more attention to the physical, mental and emotional health of its employees, finding new ways to bring people together and cooperate remotely.	TOTVERS Franchisees Suppliers	102-41, 401-1, 401-2, 401-3, 403-9, 403-10	
2. DIVERSITY AND INCLUSION	Diverse and inclusive workforce, with greater representation of gender, race, ethnicity, sexual orientation, among other factors.	Promoting human rights, diversity and inclusion are part of TOTVS' culture and values. The importance of diversity and inclusion (D&I) led the Company to build a program based on this value, divided into four pillars: gender, LGBTI+, people with disabilities, race and ethnicity. The program was officially launched in March 2020, after conducting a wide survey with our internal audience. Fun and inclusion is also one of our strategic pillars to retain and attract the best talent. We believe that a more diverse and inclusive workforce is important for innovation and for understanding the needs of an increasingly diverse customer base.	TOTVERS	202-1, 405-1, 405-2	
3. TALENT ATTRACTION AND RETENTION	Employer brand strength and ability to attract and retain the best talents.	TOTVS aims at selecting professionals in the market who are most adherent to the Company's opportunities, considering the potential, the required knowledge and the candidate's suitability for the Company's Culture (#WEARETOTVERS). We adopt people management practices as elements of competitive support in attracting and retaining the best talents, positioning ourselves in a competitive way in relation to the market. To this end, we invest in our employer brand strength, and apply a compensation and benefits model compatible with the market, in addition to providing an environment of continuous professional development.	TOTVERS	202-1, 202-2, 401-1, 401-2, 401-3, 404-2, 404-3	

ABOUT THE REPORT

MATERIALITY (2021) AND CORRELATION WITH THE SDGS

TOPICS	DESCRIPTION OF TOPICS	IMPORTANCE FOR TOTVS	IMPACTED AUDIENCES	RELATED GRI INDICATORS	CORRELATION WITH SDGS
4. EDUCATION & COMMUNICATION	Investment in training, communication, education and qualification of the workforce in new tools and technologies.	Understanding the importance of quality training and the huge challenge of training and qualifying professionals for the technology sector, TOTVS has developed a program called 'Network University', in which TOTVERS themselves produce and share content on a collaborative platform available to any employee. Also, the Company engages with other agents in the ecosystem to support the development of new professionals in Brazil. The Company is the founder and maintainer of the Social Opportunity Institute (IOS - Instituto de Oportunidade Social), through which it offers training for socially vulnerable young people for the labor market, with the purpose of providing access to technology and employment of qualified professionals for the economy of the future. And, in partnership with the Government of the State of São Paulo, it participates in the Minha Chance (My Chance) Program, which trains young students from State Vocational Schools ("ETECs") and State Technology Colleges ("FATECs").	Customers Investors Partners Innovation ecosystem - universities, colleges, research centers, startups Civil society TECH sector TOTVERS Government	404-1, 404-2	<div></div> <div></div> <div></div>
5. ETHICS, RESPONSIBILITY AND TRANSPARENCY IN BUSINESS	Maintain the highest level of discipline and financial management, ethics and responsibility, transparency of business practices and communication of results. Continuous improvement of accountability of the value generated by the business to its audiences.	We value ethics, responsibility and transparency in business when relating and communicating with stakeholders throughout TOTVS' value chain. We understand that monitoring, management and communication of economic, social, environmental and governance performance must be carried out in a clear and transparent manner, based on structured management and reporting processes, and with the guarantee that practical commitments are made for the evolution of the sustainability agenda integrated into the business.	TOTVS Senior Management and Leadership TOTVERS Franchises Customers Suppliers Investors Government Partners Innovation ecosystem - universities, research centers, startups Civil society TECH sector	102-16, 102-17, 102-25, 102-37, 205-3, 414-1, 418-1	<div></div>






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MATERIALITY (2021) AND CORRELATION WITH THE SDGS

TOPICS	DESCRIPTION OF TOPICS	IMPORTANCE FOR TOTVS	IMPACTED AUDIENCES	RELATED GRI INDICATORS	CORRELATION WITH SDGS
6. INNOVATION AND TECHNOLOGY SOLUTIONS	Innovations in products and services: for cities, smart transport, health, education, etc. Technology as an inducer to improve the quality of life. It involves partnerships for the development of sustainability solutions.	Market leader in Brazil and one of the three top players in Latin America, TOTVS generates income and royalties for the country and move the national economy forward through investments in research and development and new technologies applied to 12 strategic segments of the economy. It also promotes the development of technologies and solutions related to the most modern trends such as Big Data, Mobile, Social Media, Cloud, Artificial Intelligence, Computer Vision, Virtual Reality, Augmented Reality, among others, and the training of highly qualified professionals, contributing to the advancement of Brazil's innovative activity. We believe in the role of technology as a provider of solutions for contemporary social and environmental challenges.	Customers Investors Partners Innovation ecosystem - universities, colleges, research centers, startups Civil society TECH sector TOTVERS	102-2, 201-1, 203-1	<div></div> <div></div>
7. NEW WAYS OF WORKING	Remote work; migration of professionals to teleworking (home office).	Due to the health crisis scenario due to the Covid-19 pandemic, teleworking was implemented throughout the Company. In order to enable staff migration, TOTVS offered courses via network university and live sessions through an e-learning platform and infrastructure availability for TOTVERS. Another important factor was the breaking of geographic barriers in relation to attracting talent. Flexibility and hybrid working models are the “new normal”.	TOTVERS Customers Suppliers Franchises	102-41, 404-1, 404-2	<div></div>
8. DIGITAL TRANSFORMATION AND NEW BUSINESS MODELS	The company's investment in infrastructure, digitization, in its management software and digital product development processes. Adoption and offer of new technologies.	The evolution to new business models has been successful. New services and integrated models (licensing and subscription) contribute to greater business profitability, considering the constant changes in technological, market, legislation and behavioral aspects. The digital transformation was further accelerated by the context of the Covid-19 pandemic. With accelerated digitization due to the isolation imposed by the Covid-19 pandemic, we have even more widely adopted online sales channels and teleworking models: our remote project deliveries went from 25% to 90% and cloud solutions to new customers increased from 65% to over 85%.	Customers TOTVERS Franchises Investors	102-2, 404-1, 404-3, 418-1	<div></div> <div></div>

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MATERIALITY (2021) AND CORRELATION WITH THE SDGS

TOPICS	DESCRIPTION OF TOPICS	IMPORTANCE FOR TOTVS	IMPACTED AUDIENCES	RELATED GRI INDICATORS	CORRELATION WITH SDGS
9. CUSTOMER RELATIONSHIP AND SATISFACTION	Continuous improvement of customer service and relationship processes and management of satisfaction and retention rates.	With a base of nearly 40,000 customers and presence in over 40 countries, one of the Company's main characteristics is the capillarity of its distribution model, which translates into its strong presence, close relationship, loyalty and partnership with its customers. The business model focuses on the customer, directly understanding the particularities and needs of their business (B2B - Business to Business) and also considering the needs of their final consumers (B2C - Business to Consumer), with the purpose of increasing the efficiency and profitability of its customers through technology and innovation that generate results and value to their business.	Customers Franchises Investors TOTVERS	102-43, 418-1	
10. SOCIAL INVESTMENT	Investment of the company's financial resources in projects and organizations that demonstrate commitment to sustainable development and the social and digital transformation of the country.	As a national Company with the responsibility of being the largest technology Company in Brazil, TOTVS believes that it is part of its legacy to promote the development of the technology sector, especially among young people, so that they may invest in careers for the future, but who may also have the skills to understand dilemmas and propose solutions, as techs, but also as citizens, capable of intervening positively in their own realities and communities. Therefore, among the various initiatives on social and environmental responsibility it promotes, there is the Social Opportunity Institute (IOS), of which it is founder and maintainer.	TOTVS senior management and leadership TOTVERS IOS Governments Civil Society Organizations (CSOs) Society	102-12, 102-13, 201-1, 203-1	   

ABOUT THE REPORT

MATERIALITY (2021) AND CORRELATION WITH THE SDGS

TOPICS	DESCRIPTION OF TOPICS	IMPORTANCE FOR TOTVS	IMPACTED AUDIENCES	RELATED GRI INDICATORS	CORRELATION WITH SDGS
11. TECHNOLOGY, DIGITAL INCLUSION AND SOCIAL INEQUALITY	Company support to expand access to technology in poor regions and underdeveloped countries with little or no Internet connection.	Technology is a great agent of transformation and companies in the sector can train people so that they assume new roles in the future. TOTVS, as the largest national Company and with its capacity for political, economic and social influence, understands its role in contributing to the digital inclusion of Brazilians and, therefore, to the reduction of social inequalities in the country.	TOTVERS IOS Government Civil Society Universities, colleges and vocational schools Startups Society (especially children and young people from socially vulnerable families)	102-12, 102-13, 201-1, 203-1	<div>4 QUALITY EDUCATION</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>10 REDUCING INEQUALITY</div> <div>17 PARTNERSHIPS FOR THE GOALS</div>
12. CLARITY OF PURPOSE	Clear expression of the company’s solutions to economic, environmental and social issues. Create value for all stakeholders	We are committed to the development of a sustainable agenda, which reflects the purpose and vision of the TOTVS Group on how our businesses can positively influence and impact society, as an employer and social agent. We believe in the transforming power of technology, in the ability to contribute to building an increasingly digital, prosperous, productive, inclusive and sustainable ecosystem. Our Sustainability Policy and our ESG Agenda reflect our commitment to the integration of economic, environmental, social and governance (ESG) aspects and the quality of our relationship with our stakeholders.	TOTVS Senior Management and Leaders TOTVERS Franchises Customers Suppliers Investors Government Partners Innovation ecosystem - universities, research centers, startups Civil society	102-12, 102-13, 102-16, 102-29, 102-30, 102-32	<div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>17 PARTNERSHIPS FOR THE GOALS</div>

The next steps planned for the second half of 2021 are a study of grouping/convergence of material themes and alignment with the initiatives of the Sustainability Agenda (ESG) in force

ABOUT THE REPORT

SUSTAINABILITY AGENDA (ESG)

TOTVS’ Sustainability Agenda (ESG) reflects, in addition to its commitments to sustainable development, the Company’s vision of how its business can positively influence society, as an employer and social agent. The priority topics also reflect how technology may represent a key element in expanding access to knowledge and innovation and be a provider of solutions for contemporary social and environmental challenges. [102-44]

GOVERNANCE OF THE SUSTAINABILITY AGENDA (ESG) [102-33]

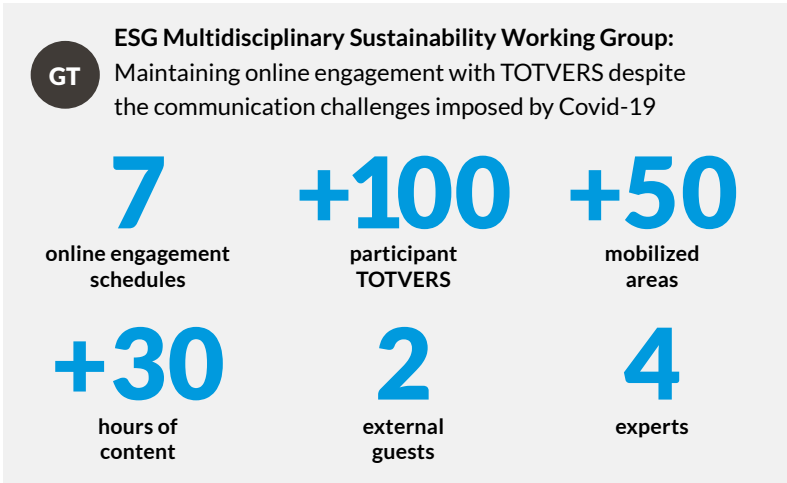


In 2020, the ESG topic became even more relevant at the Company, counting on the leadership of the Governance and Nominating Committee (GNC) and the engagement of TOTVS' Board of Directors (Board of Directors). From this period onwards, the GNC began to regularly monitor the sustainability agenda and validate the work plan prepared by the ESG Sustainability Working Group, composed of multifunctional teams and coordinated by the Investor Relations Department, an important player to disseminate the ESG culture throughout the Company. [103-31]

The Board of Directors, as determined in the Sustainability Policy (ESG), is responsible for approving the public commitments assumed by the TOTVS Group regarding ESG initiatives and the Sustainable Development Goals (SDGs), as well as approving the Agenda's target plan for sustainability and integration of ESG aspects into the business strategy; for endorsing the sustainability indicators to be adopted by the Company and the priority topics; for defining and updating TOTVS' strategic goals that will guide the management of the subject; and for approving the integrated ESG performance reports. The Board is also responsible for guaranteeing the (human and financial) structure and resources necessary to implement the Policy and the strategy related to sustainability in the Organization.

The senior management of the TOTVS Group, including the CEO, must include and take into account the objectives, themes and guidelines of the Sustainability Policy (ESG) in the strategic planning, product development and decision-making and investment processes of the Company.

The ESG WG roles include helping the development of the sustainability culture throughout the organization and acting as a disseminator; contributing to the development of the business sustainability strategy by planning projects and initiatives and implementing action plans to achieve its short-, medium- and long-term goals; in addition to identifying opportunities for innovation, whether in products and services, as well as in processes, management and business models, related to the topic, and working towards their incorporation into TOTVS. The WG discusses environmental, social and governance aspects related to TOTVS and, every two months, brings together employees from different areas and units to develop related projects and initiatives, which are reported to Management. Despite the challenging context of Covid-19, TOTVERS remained engaged in the ESG Working Group and committed to the development of the Sustainability Agenda (ESG) initiatives. [102-33]



ABOUT THE REPORT

In 2020, TOTVS’ Sustainability Agenda (ESG) prioritized actions in the pillars of management, engagement, positioning and transparency, in addition to strengthening its governance. An Indicator Task Force was established to improve the process of collection, monitoring and integrated management of social and environmental and governance data. In the engagement pillar, a new cycle of stakeholder consultation was planned to update the Company’s priority topics (materiality), to be conducted in the first semester of 2021. In the transparency pillar, the most important action was publishing TOTVS ESG Sustainability Policy.

Another front of action was the dissemination of the Sustainable Development Goals (SDGs) in the organization, promoting the development of impact projects with emphasis on SDGs 4, 5 and 12. The SDG Task Force is linked to TOTVS’ Sustainability Agenda (ESG) and is one of the strategies to accelerate the implementation of the SDGs in the organization, focusing on strengthening and developing the thematic agendas.



4 QUALITY EDUCATION

Massification of the training for qualified labor in the TECH sector

- Expansion and updating of knowledge generation for TOTVERS in proprietary and market technologies and innovative processes (TOTVS Network University);
- Engagement and Strengthening of Culture, Education and Awareness in Sustainability/ESG throughout the Organization, covering the entire TOTVS Group.



5 GENDER EQUALITY

Creation of the Corporate Diversity and Inclusion Program

- In 2020, with the definition of priority topics for the development of actions and initiatives for introduction and expansion of diversity within the Organization;
- Structuring of TECH volunteers to expand and promote access to Technology in communities and in the most vulnerable groups.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Software Accessibility

- Implementation of initiatives for accessibility of digital products and solutions developed and offered by the Company.

LEARN MORE ABOUT THE SDG 12: SOFTWARE ACCESSIBILITY PROJECT

In 2016 TOTVS created the PO UI (Open Source Project), a library of components for developers. This is an open source accessibility project focused on corporate applications. The initiative makes the Company’s digital products accessible and inclusive and complies with federal legislation to promote accessibility for people with disabilities or reduced mobility. The PO UI is user-friendly from a user experience (UX) point of view and has continuous support for users.

This project was born as a suggestion by the TOTVERS developers, thus simplifying the reuse of components. It was created because of the perception that digital products need to be accessible, user-friendly, especially for customers, and quickly developed, like a Lego piece with preset fittings and specific piece connections. In the case of a supplier registration, for example, based on this technology, the user will be able to update and delete data in a very simple and immediate way, as everything has already been made easier for them.

The component library, as TOTVS created and updates it, with all documentation in portuguese and open, allows the developer not to worry when grouping components to create a solution; neither will the user, who will interact and see a button on the screen, as it is already in the code. This means agility, simplification and creativity for the development team, which helps with saving their time.

Due to its benefits and advantages, the logic of this component library has also been deployed in other TOTVS web-based products, until they became ‘open source’ and resulting in the PO UI. It was preceded by THF (TOTVS HTML Framework), originally an inner source project (closed source, proprietary).

The components in the PO UI library undergo recurrent usability studies with a team of designers at TOTVS UX Lab, bringing them closer to the tool developers.

ABOUT THE REPORT

2020 HIGHLIGHTS AND ACHIEVEMENTS [102-7]

General Highlights

- /// Recurring Revenue -> R\$1.9 billion in 2020 (+13% vs. 2019)
- /// Net Revenue -> R\$2.5 billion in 2020 (+13.8% vs. 2019)
- /// Adjusted EBITDA and Adjusted EBITDA margin -> R\$589.7 million and 22.7% in 2020 (+25.5% and 210bps vs. 2019)
- /// Adjusted Net Income -> R\$294.9 million in 2020 (+40%)
- /// Business model based on Recurring Revenue, with a customer renewal rate above 98%
- /// Entry in the IBrX index, of B3, listed as the first software Company
- /// Entry in Ibovespa, the first technology Company to be part of the B3 index
- /// More than 600 events for clients and prospects, totaling more than 30,000 participants throughout the year
- /// Acquisition of Tail Target Tecnologia and Wealth Systems
- /// Consolidation and launch of seven products in the Techfin business dimension
- /// 232 new Digital E-Commerce customers
- /// 340 new Techfin customers
- /// 2392 new legal entities as TOTVS customers
- /// 15 TOTVS customers made IPOs in 2020
- /// Increase from 25% to 92% of projects delivered remotely
- /// IT Media-Korn Ferry Award for IT Executive, Hardware and Software Manufacturer category (Dennis Herszkowicz, TOTVS)
- /// Strengthening of the “TOTVS believes in Brazil that makes it happen” campaign



SUSTAINABILITY AGENDA (ESG)

- /// Launch of TOTVS' Sustainability and ESG Policy
- /// Adherence to UN Women's Empowerment Principles
- /// Offer of 30,000 free online training vacancies
- /// 5400 new contents made available by TOTVS Network University
- /// Collection of R\$275,000 to support families in extreme social vulnerability,
- /// Sustainability Working Group (ESG) meetings adapted to remote format
- /// One of the 135 Best IT Companies to Work in Brazil
- /// Reduction of 5.28% in turnover (from 20.84 to 16.54%) compared to the previous year
- /// Successful remote job implementation
- /// Inclusion of the ESG topic on the permanent agenda of the Governance and Nomination Committee, with follow-up and validation of the work plan.

ABOUT THE REPORT

THE PANDEMIC IMPACTS [102-15]

If, on one hand, this report addresses the past, with regard to the Company's performance throughout 2020, the year in which the Covid-19 pandemic, caused by the SARS-CoV-2 virus, dominated the world, it also brings a glimpse of the future, with challenges and calls for action.

Among the institutions that predict scenarios, due to the extension of this health crisis, is the Institute for Applied Economic Research (Ipea). IPEA asks how we can mitigate the socioeconomic consequences of the Covid-19 pandemic on the population, and suggests that, from this great challenge, different opportunities for innovation arise, such as supporting workers, improving and encouraging the social protection network, in addition to generating employment and income, among other actions.

The fact is that a lot has changed, but we didn't stop doing what had to be done. And we've done so much, and we've found that we're tireless, determined, and united. Now, the most important question is how to return to 'normality' in this 'new present'. In addition to the demand for vaccines, we also see an opportunity for the private sector to make investments to qualify the workforce.

In general, we expect that, in Brazil, an agenda of solid tax adjustment and tax, administrative and public spending limit reforms are considered as a priority, as well as the strengthening of social income transfer policies, which will bring more solid

conditions to the economy in the future and greater stimulus to job creation and resumption of economic activity, as pointed out by IPEA.

As a software development Company, committed to strengthening the economy of the countries where we operate, as we look back, we see that we have evolved and are following our goal, as the records below.

Even during the pandemic, our permanent investment in innovation and digitalization gave us the product quality that allowed us to increase our NPS (Net Promoter Score), an index that measures our customers' satisfaction with the Company. The wide variety of our portfolio has maintained our relevance to our audiences. The adoption of remote work by almost all TOTVERS ensured the safety of our teams and their productivity, while still allowing 90% of the solutions to be implemented remotely.

In a challenging year, in which the business model was tested, the operational leverage capacity allowed for the expansion and evolution of our goals and results.

Certainly, the pandemic has accelerated this process due to the journey to digital. Digital transformation is, more than ever, a reality. Based on this, we have also made improvements to the cloud offering. The price impact has also been a variable, with offers in reais while several customers were priced in dollars, all against a backdrop of strong currency volatility. Offering to new

customers the extension of the grace period to start payment between March and May was a wise strategy. The Company's revenue from technology, which includes contract renewals, have increased 8.1% in 2020.

Among the segments more opened to adopt management systems, manufacturing is the main one, as it is a segment that suffered a lot during the long economic crisis in Brazil from 2014 to 2019, in addition to the pandemic and the rising dollar. There is an important recovery ahead, considering the strengthening of industry 4.0 in Brazil; in addition to the opportunities generated by the implementation of the National Internet of Things (IoT) Plan, which provides opportunities in four key areas: Smart Cities, Health, Agribusiness and Industry, areas where the Company operates.

TOTVS also intends to go forward in the offer of credit within the base of 40,000 customers. In the fourth quarter, the Company registered 340 customers in financial services. The credit product portfolio, introduced after the acquisition of Supplier, includes retail and industrial credit, prepayment of receivables, private payroll-deductible loans and cash flow management systems.

However, our challenges remain, both internal and external. 2020 was not just a year of positive financial and operational results, with the right decisions for our Company. During this period, we remained solidary in the fight against Covid-19

ABOUT THE REPORT

and, as always, we will continue to be determined and united, tirelessly supporting our ecosystem, companies and people for the development of Brazil. It was not by chance that, in the midst of the crisis from Covid-19, the ESG (Environmental, Social and Governance) became a priority.

We created a Crisis Committee and our Board of Directors remained available, holding regular meetings, discussing situations related to our operation and deliberating the necessary measures in all spheres.

We also adopted preventive and mitigation measures in line with the guidelines of the health authorities, ensuring the safety of our TOTVERS by implementing remote work in all our units, in addition to providing and sending ergonomic chairs for employees in their homes. A survey on organizational environment and engagement, conducted internally in April, June and November 2020, revealed that the option for remote working was indeed the right one. We also provided exclusive 24-hour health plan call center service and we did not fire any employee for downsizing due to the pandemic, nor carry out salary reduction initiatives.

Technology, even in a crisis scenario, in which some productive segments are growing and others are facing many difficulties, is and will be increasingly seen as a solution.

We must also recognize that technology played a crucial role during the pandemic. The way we know each other, relate to one another and the way we learn has changed significantly. This change was reflected in companies and is here to stay. Companies that have not yet gone through the digital transformation will go through it much more quickly, with the same sense of urgency experienced by individuals.

Finally, companies that have done their 'homework', based on their pillars, governance and automated processes, such as TOTVS, will be able to look out the door and contemplate a promising future.



X

1. SECTION - ABOUT TOTVS

CORPORATE PROFILE

Business Model

CORPORATE GOVERNANCE

Risk Management

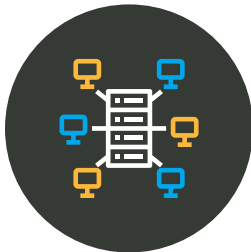
Information Security
and LGPD Compliance

Ethics and Integrity

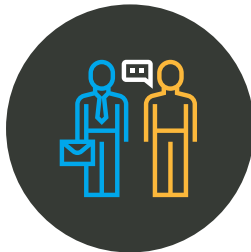
1. SECTION -
ABOUT TOTVS

CORPORATE PROFILE

[102-1 | 102-2] | 102-4 | 102-6]



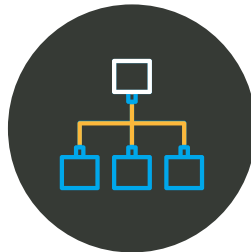
Biggest technology
company in Brazil



More than 40,000
customers in 41 countries



Around 8,000
TOTVERs worldwide



15 branches and 52
franchised territories in
Brazil and 5 branches abroad



12 R&D centers



Business solutions
for companies
of all sizes



Management software,
financial services, business
performance solutions
and consulting for companies in
12 strategic segments
of the economy



Leader in the national
market for small and
medium-sized companies

1. SECTION - ABOUT TOTVS

TOTVS delivers productivity to more than 40,000 customers through the digitization of business, going far beyond ERP, and acting as a business solutions provider, offering management software, financial services, business performance solutions, technology platforms, in addition to consulting services for companies of all sizes, with direct sales to customers or through an exclusive franchise network. Franchises have a significant share of annual net revenue (over R\$2.5 billion), especially in the small and medium-sized business market, in which we are the absolute leader in Brazil. [102-4 | 102-5 | 102-6 | 102-7, 103-1]

TOTVS CULTURE ATTRIBUTES [102-16]

Technology + Knowledge are our DNA

We have built a legacy in an ever-changing world. We think how technology and knowledge can jointly drive innovation today and always. We are creative and not afraid of making mistakes.

The success of our clients is our success

We anticipate our clients' needs. We deliver high-quality solutions that are essential, simpler and more agile for their business. We are present and close to them.

We value good professionals who are good people

Curious, collaborative, digital and fanatic about results. We've got attitude, our own style and we are restless.

The name **'TOTVS'**, originally from Latin, means **"everything"**, **"all"**, **"the whole"**, well suited to a technology company that offers specialized solutions, developed to meet the business needs of 12 strategic segments.

1. SECTION - ABOUT TOTVS

FOOTPRINT

We are present throughout Brazil through a robust distribution network comprising 15 branches, 52 franchised territories and 10 technological development centers, covering the main business centers, exploring the potential and different economic sectors, and allowing us to be always close to our customers, experiencing the regional “accent” and particularities of the regions in which they operate. We also have abroad five branches (Argentina, Colombia, USA, Mexico and Portugal) and two development centers headquartered in the USA and Mexico (see map). [102-3 | 102-6 | 102-10, 103-1]

[102-4 | 102-6 | 102-7]



1. SECTION - ABOUT TOTVS

LEADERSHIP AND BRAND POSITION [102-4, 102-6, 102-7]

TOTVS is a technology multinational company, the absolute leader in the ERP market for small and medium-sized companies in Brazil for over 12 years. It is considered one of the first “unicorn companies” in Brazil - it expanded, evolved, multiplied its business and, throughout its journey, became a strategic partner for the growth of companies in many countries by offering cutting-edge technology, far beyond ERP. With a complete portfolio of softwares and platforms for managing companies in 12 market segments, financial services and business performance solutions, its operations have always been guided by the certainty that the companies’ success is directly related to their capacity to transform and digitize their businesses.

TOTVS is positioned as the largest technology company in Brazil, and supports the growth and sustainability of thousands of businesses and entrepreneurs, through its technology, creating innovative

solutions to transform the daily routine of companies and help them to overcome the challenges of their business. According to the 2020 Interbrand ranking, TOTVS is the 25th most valuable brand in Brazil, the only B2B technology brand in this ranking.

In Brazil it holds 46% market share in the ERP market, according to the “Software Market Share Enterprise Application 2020” study, published by Gartner in June 2021, and it is one of the three largest players in Latin America with more than 27% market share in the region. In the same period, the 2nd player in Brazil held a 24.1% market share.

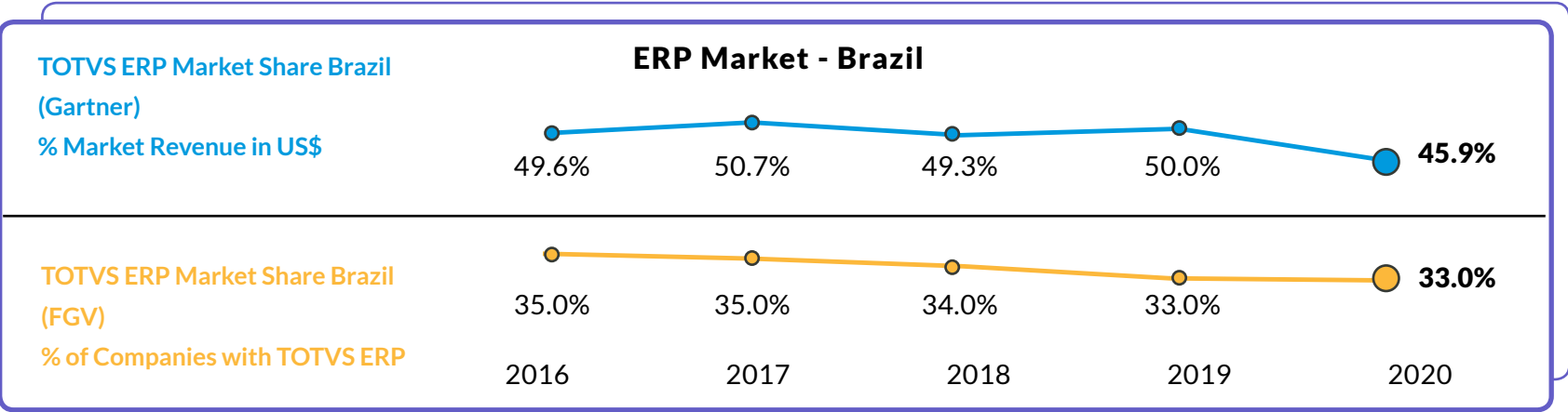
In Gartner’s methodology, market share is calculated from the perspective of revenue representativeness and market share is calculated in dollars. The context of devaluation of the real

currency compared to the US dollar experienced in 2020, driven by the Covid-19 pandemic, was reflected in the numbers of market suppliers with a predominance of contracts in Brazil in R\$, as is the case with TOTVS.

In turn, when looking at the index calculated by Fundação Getúlio Vargas (FGV), which analyzes market share based on the representativeness of the total number of companies that use the Company’s ERP, TOTVS leadership and market share have been stable in the last years.

The historical leadership position has allowed broad access to various market segments in which it operates and makes it possible to offer many products on a vertical basis to new and current customers of all sizes, including cross-selling opportunities. The Company also believes that its strong reputation allows to bring together excellent professionals, partners and customers around it, in an open ecosystem, capable of monitoring and integrating the evolution of current demands and anticipating future trends.

Exponentialization, digitization and cloudification are essential guidelines and indicate the path being followed. TOTVS continues working to maintain and expand its relevance in its customers’ operation, helping companies of all sizes and segments to achieve the efficiency and productivity they desire so much.



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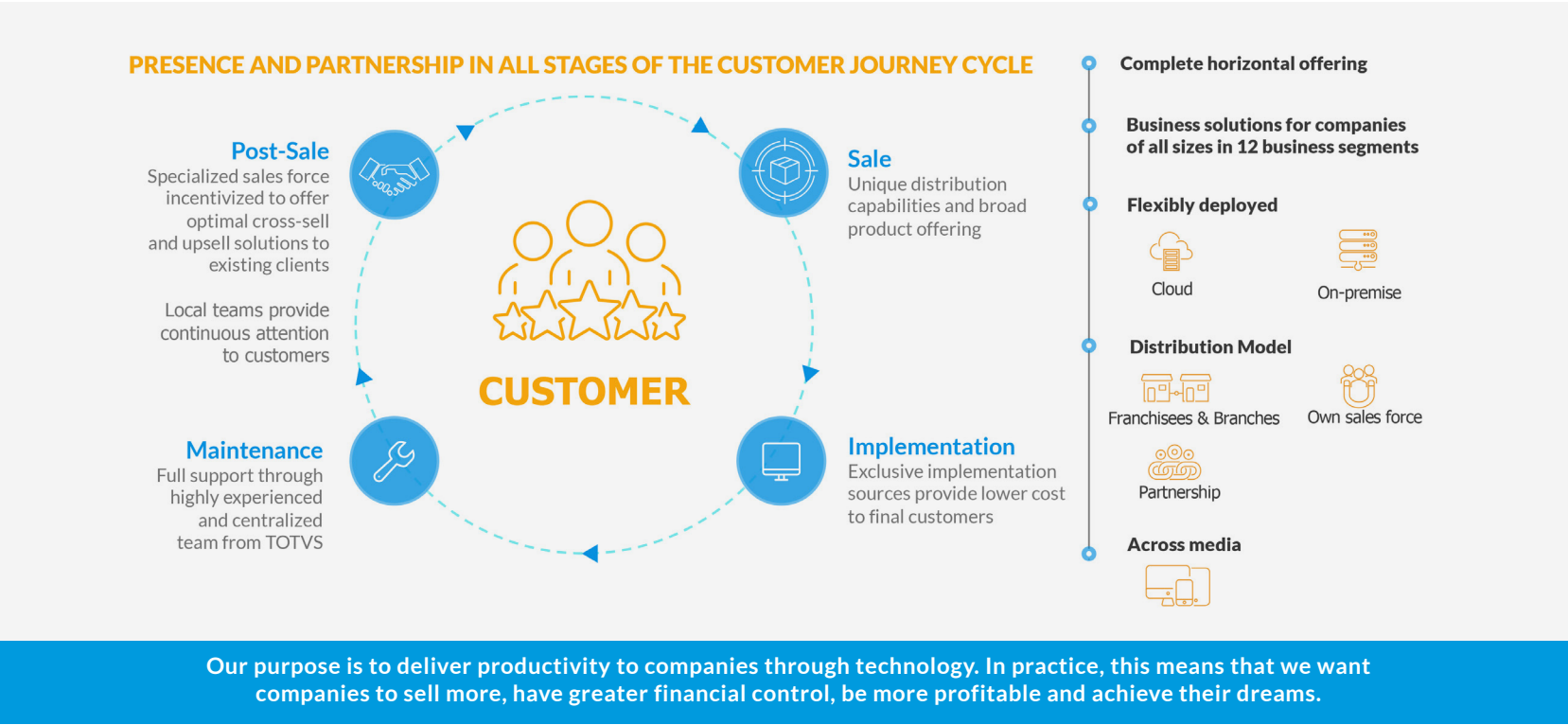
BUSINESS MODEL [102-2, 103-1, 103-2, 103-3]

We have developed an integrated business model with the concept of service and relationship in which the same team sells and also provides the service, which reinforces our presence and partnership at all stages of the customers' journey, from sales to implementation, followed by maintenance and after-sales. Thus, we keep our efforts focused on supporting thousands of businesses daily, of all sizes and sectors, contributing to business digitization and productivity.

SPECIALIZED SOLUTIONS BY SEGMENT [102-2, 103-1, 103-2, 103-3]

With the purpose of streamlining activities, increasing efficiency and profitability in the business world through technology – a sector with high added value – TOTVS operates in the software market focused on the implementation of technological tools and platforms with specialized solutions for customers from 12 economic segments (see table).

The business strategy has allowed us to incorporate the best skills into the Company's portfolio, making our products more specific, in addition to facilitating the integration of end-to-end production chains. Each segment is supported by teams of experts, formed by professionals trained to meet the needs of both direct customers (B2B) and their final consumers (B2C).



DIVERSE PORTFOLIO [102-2, 103-1, 103-2, 103-3]

By using artificial intelligence, machine learning and clouding, we have been able to make our strategy of opening new markets more and more viable in order to consistently advance in our customers' value chain (see table).

Comprehensive, diverse and flexible, TOTVS solutions are offered on a cloud basis and on-premises (locally). Our products are scalable, modular and can be easily configured to allow specific functionality to different customers from different business segments, with consistent integration, in order to democratize the access and use of technology for all. Learn more about the business portfolio in the Section 'Manufactured Capital'.

1. SECTION - ABOUT TOTVS

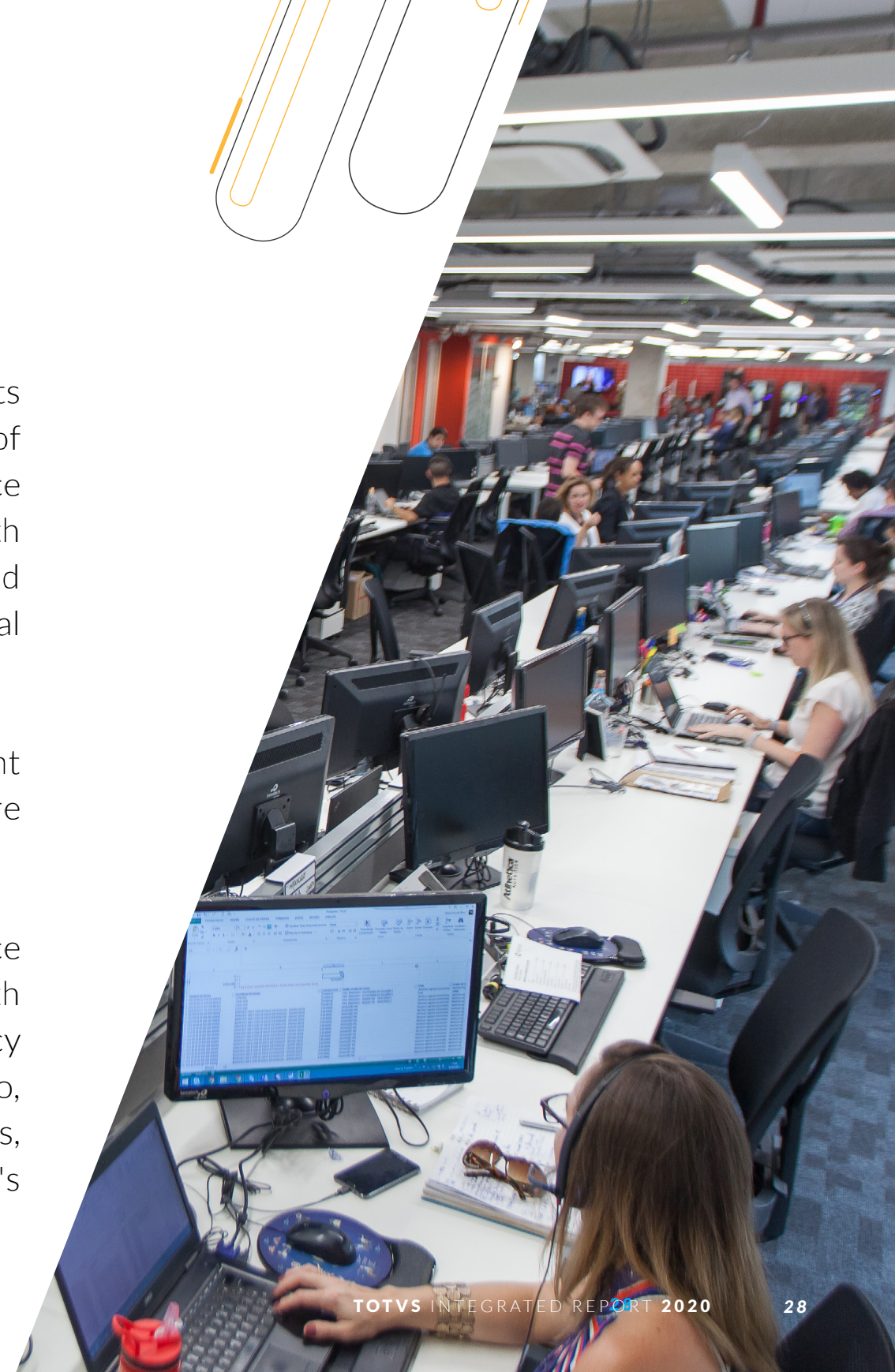
CORPORATE GOVERNANCE

[102-10 | 102-12 | 102-18 | 102-22 | 102-23 | 102-25 | 102-26 | 102-29 | 102-30 | 102-31 | 102-32 | 102-49 | 103-1 | 103-2, 103-3 | 405-1]

TOTVS has always been recognized in the technology sector and capital market for its good governance practices. We operate in accordance with the guidelines of the Code of Best Corporate Governance Practices, of the Brazilian Institute of Corporate Governance (IBGC), as well as the Novo Mercado Regulation of B3 – the Brazilian stock exchange. Both documents provide guidelines on governance practices and suggest that publicly-held companies report on their shareholding structure, management composition and internal controls, among other relevant aspects of the governance structure. [102-12, 103-1, 103-2, 103-3]

Another reference for TOTVS Management is its Code of Ethics and Conduct, a document updated in 2020 and which 100% of the company's employees and administrators adhere to, in addition to a specific and mandatory training program for everyone. [103-1, 103-2, 103-3]

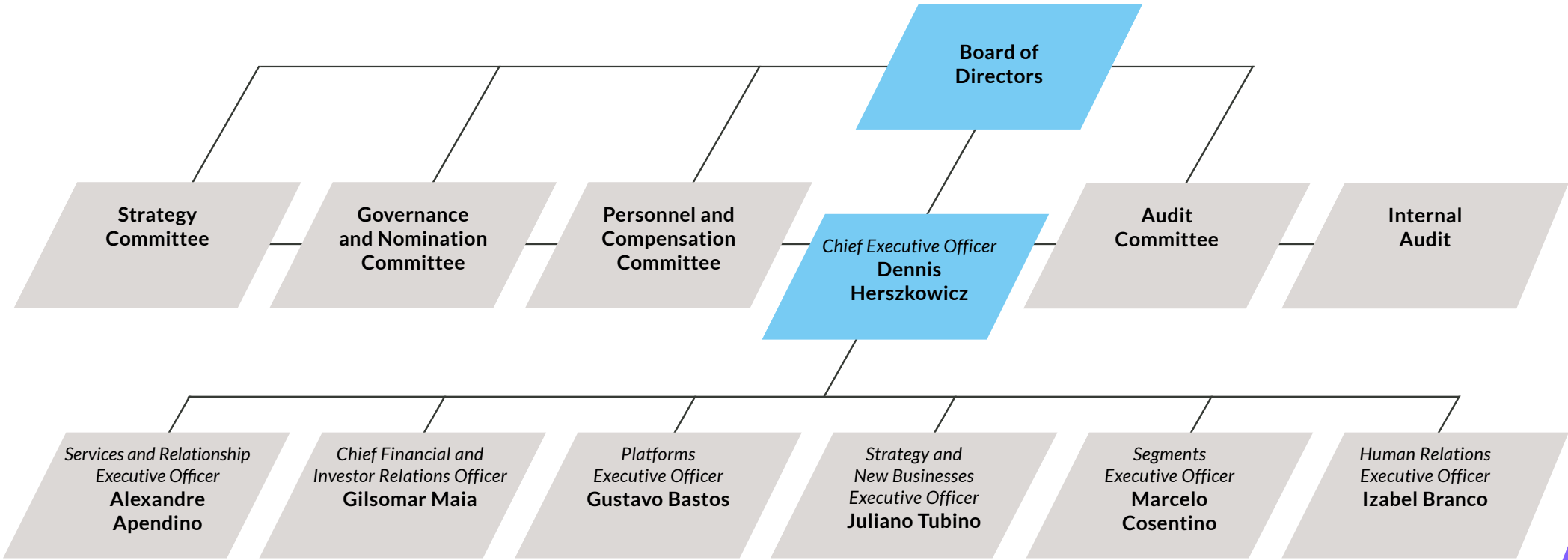
In 2020, the Company also updated its Risk Management, Internal Controls and Compliance Policy, Human Resources and Compensation Policy, Contracting and Relationship with Independent Audit Policy, Policy of Contributions, Donations and Sponsorships, Policy on Business and Institutional Relations with Public Entities, among other policies. Also, it released its ESG Sustainability Policy, the result of an intense construction process, carried out by internal, external and materiality consultations, the basis for the document's preparation and production, and subsequent communication to the stakeholders.



1. SECTION -
ABOUT TOTVS

CORPORATE GOVERNANCE STRUCTURE

[102-10 | 102-12 | 102-18 | 102-22 | 102-23 | 102-25 | 102-26 | 102-29 | 102-30 | 102-31 | 102-32 | 102-49 | 405-1]



¹ Corporate governance structure in force on 12/31/2020. ² On February 8, 2021, with a favorable recommendation from the Personnel and Compensation Committee, the Board of Directors approved the reelection of the Executive Board members.

1. SECTION - ABOUT TOTVS

COMPOSITION OF THE BOARD OF DIRECTORS

[102-10, 102-22, 102-23, 102-26]

TOTVS' Board of Directors is the highest governance body of the Company and is made up of statutory members, most of them independent (in 2020, 86% of the members were independent) with a unified mandate and two fiscal years. At a meeting held in April 2020, the shareholders approved the Management's Proposal to reduce the Board of Directors from nine to seven members, and the possibility of adding one member to the Executive Board throughout 2020. [102-4, 102-10, 102-18, 102-22].

TOTVS believes that the new configuration of the Board will provide greater agility and flexibility in the strategic decision-making process, while preserving the Group's solid knowledge in Technology, Governance, Entrepreneurship, Management and Business Vision, including considering the current market dynamism, partly as a result of the intensification of competitiveness between the economy segments and the emergence and massification of startups. [102-49]

The purpose of the Board of Directors is to define the business strategies, aiming at the Company's perpetuity and the creation of value in the long term, watching for the interests of the shareholders, and also taking into account the interests of other stakeholders. [102-25]

It is also responsible for evaluating the risks to which the Company is exposed to, the effectiveness of the internal controls, risk management and compliance systems, among other aspects.

[102-18 | 102-26 | 102-29 | 102-30 | 102-32]

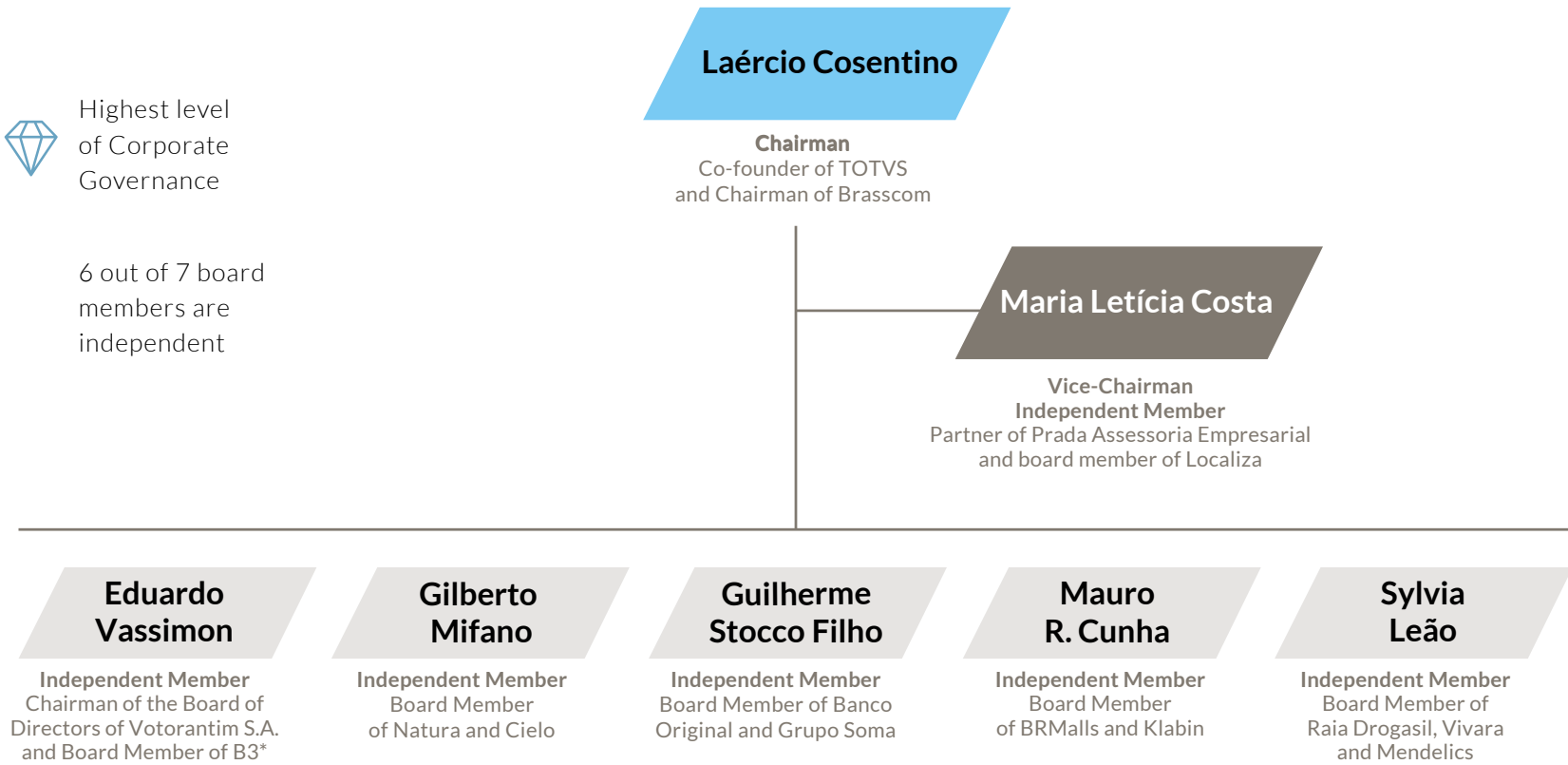
According to the new Bylaws, the Board of Directors will be composed of at least five (5) and at most seven (7) members, elected and removed by the General Meeting, with a unified mandate of two (2) years, allowing reelection. [102-49]

Pursuant to the Brazilian Corporate Law, members of the Board of Directors are not allowed to act in any transaction or business which have a conflict of interest with TOTVS. In addition, the chairman of the Board of Directors does not accumulate executive director functions at the Company. [102-23]

1. SECTION - ABOUT TOTVS

COMPOSITION OF THE BOARD OF DIRECTORS

[102-10, 102-22, 102-23, 102-26]



Below, diversity indicators (by gender and age group) of the corporate governance in force in 2020.

COMPOSITION OF THE BOARD OF DIRECTORS ¹ [102-26, 103-1, 103-2, 103-3, 405-1]

By gender	2018	2019	2020
Men	78%	67%	71%
Women	22%	33%	29%
By age group	2018	2019	2020
30 - 50 years old	22%	22%	29%
Over 50 years old	78%	78%	71%

¹ Considers the Board of Directors compositions referring to December 31, 2020, 2019 and 2018.

¹ Structure in force on 12/31/2020 and approved at the Annual and Extraordinary General Meeting on April 27, 2020.

*B3 – Brazilian Stock Exchange

To find out more about the curriculum and duties of each member and more about the evaluation process of the Board of Directors, Committees, Executive Board and members of each of these bodies, see items 12.1 and 12.5/6 in the [Reference Form](#). [102-26]

1. SECTION - ABOUT TOTVS

ADVISORY COMMITTEES TO THE BOARD OF DIRECTORS

The Board is supported by four Advisory Committees, namely: Audit Committee, Personnel and Compensation Committee, Governance and Nomination Committee and Strategy Committee; the first three are statutory committees. [102-49]

The purpose of the committees is to help define risk management guidelines, measure risk tolerance and appetite, monitor actions to implement mitigation action plans and report their conclusions to the Board of Directors (Board of Directors).

Audit Committee: composed of at least three members, the majority are Board of Directors member, all of them are independent and at least one of them must have recognized experience in corporate accounting matters.

Personnel and Compensation Committee: composed of at least three members, all Board of Directors members, and at least two of them independent.

Governance and Nomination Committee: composed of at least three members, with at least two independent Board of Directors members.

Strategy Committee: composed of up to four members, three of them are Board of Directors members, and most of them independent.

For more information on the composition of each committee, attributions and members' resumes, access the ESG section on the [Investor Relations](#) website.

ADVISORY COMMITTEES

Audit
monitors the procedures for compliance with legal provisions, evaluates risk management policies and recommends improvements to internal policies

Governance and Nomination
promotes the development of the Company's corporate governance and ESG strategy, evaluates the adoption of good practices and selects members to the Board of Directors and the Executive Board

Personnel and Compensation
promotes evolutions in orate governance and Company's ESG strategy, evaluates the adoption of good practices, establishes the processes for interaction between shareholders long-term and the Council and selects and appoints members for the Board and the Board

Strategy
studies, debates, evaluates, proposes and monitors the main guidelines of the corporate and technological strategy

Executive Board Composition

The Executive Board currently have 7 Vice-Presidents: Financial, Strategy & New Business, Business for Segments, Platforms, and Service & Relationship. The Directors are elected by TOTVS' Board of Directors for a mandate comprising two fiscal years, where a fiscal year is the period between two Annual General Meetings, and may also be reelected and, at any time, removed by the Board of Directors. [102-26, 405-1]

EXECUTIVE BOARD COMPOSITION ¹

[102-26, 103-1, 103-2, 103-3, 405-1]

By gender	2018	2019	2020
Men	100%	86%	86%
Women	-	14%	14%
By age	2018	2019	2020
30 - 50 years old	86%	100%	100%
Over 50 years old	14%	-	-

¹ Considers the Board of Directors compositions referring to December 31, 2020, 2019 and 2018.

1. SECTION - ABOUT TOTVS

TOTVS STATUTORY BOARD COMPOSITION [102-49]

NAME	POSITION	ELECTION
Dennis Herszkowicz	CEO	2/8/2021
Alexandre Haddad Apendino	Services and Relationship Executive Officer	2/8/2021
Gilsomar Maia Sebastião	Chief Financial and Investor Relations Officer	2/8/2021
Gustavo Dutra Bastos	Platforms Executive Officer	2/8/2021
Izabel Cristina Branco	Human Relations Executive Officer	2/8/2021
Juliano Tubino	Strategy and New Businesses Executive Officer	2/8/2021
Marcelo Eduardo Sant’anna Cosentino	Business Segments Executive Officer	2/8/2021

For more details about the curriculum and attributions of each member of the Executive Board, visit:
<https://ri.totvs.com/en/esg/management-committees/executive-team/>. [102-23]

COMPENSATION PRACTICES [102-35, 102-36, 102-37, 103-1, 103-2, 103-3]

Annually, the Personnel and Compensation Committee assesses the talent retention of the Company, which includes analyzing the need to adapt the compensation practices adopted, including benefits, to the standards in the market, especially in the TECH market. If the Committee deems it necessary and/or appropriate, adjustments are proposed to the Board of Directors. In addition, the goals of the executives, whose achievement is decisive in measuring the amount to be paid by the Company as variable compensation and the number of restricted shares to be granted to such executive – under the terms of the Share-Based Compensation Plan –, are annually reviewed and validated by the Company’s Board of Directors.

Currently, compensation policies and practices follow recommendations from specialized consultants which, through salary surveys and specific studies, enable the adoption of the best market practices, increasing the company’s competitiveness.

Aiming to motivate and encourage employees to achieve and exceed the company’s results in relation to the business plan and their relevant goals defined annually, we use the Profit Sharing Plan (PSP) as a way to recognize the efforts and results of TOTVERS regarding the Company’s performance.

TOTVS also periodically conducts an engagement survey with questions related to all HR sub-areas, including compensation, and TOTVERS assess the importance and effectiveness of the areas. In addition, employees may directly contact the Business Partner that provides assistance in their area or even the compensation team to make questions and suggest improvements. [102-35, 102-36, 102-37, 103-1, 103-2, 103-3]



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MANAGEMENT COMPENSATION [102-35, 102-36, 102-37, 103-1, 103-2, 103-3]

The Human Relations and Compensation Policy, revised in June 2020 by the Board of Directors, aims to establish competitive compensation models in line with market practices that enhance talent attraction and retention, increasing the medium- and long-term alignment of interests between executives and shareholders.

The overall compensation of the Company’s directors is based on fixed and variable compensation, according to the following specifications:

Element proportion to the total compensation of the Executive Board			
	2018	2019	2020
Fixed	58%	29%	27%
Variable	37%	60%	67%
Benefits	5%	11%	5%

Element proportion to the total compensation of the Board of Directors			
	2018	2019	2020
Fixed	100%	82%	64%
Variable*	-	14%	31%
Benefits*	-	4%	5%

**Applicable only to the Chairman of the Board of Directors.*

This year, TOTVS completely reformulated the disclosure of its directors' compensation. The initiative garnered praise from the market, favorable opinions from all voting consultants, and resulted in an approval of the compensation proposal by 97% of the voting shareholders at the meeting. For detailed information on Compensation, including the new disclosure, see item 13 of the Reference Form.

TOTVS' compensation strategy aims to contribute to the internal and external balance of salary management to ensure competitiveness in relation to the market, ensuring the power of employee attraction and retention, in addition to recognizing those with outstanding performance.

The Human Relations and Compensation Policy is available on the TOTVS Investor Relations website <https://ri.totvs.com/en/esg/bylaws-policies-and-charters/> and on the website of the Securities and Exchange Commission of Brazil ("CVM").



1. SECTION - ABOUT TOTVS

SHAREHOLDER STRUCTURE [102-10, 102-25]

TOTVS ended 2020 with Capital Stock of R\$1.382 billion, comprising 577,913,181 common shares, of which 83.1% of its shareholder structure is free-float (percentage of free shares outstanding on the stock exchange for purchase and sale) and 16.9% in non-institutional investors (administrators). In the free-float base share, 69.0% correspond to foreign investors. [102-10]

OWNERSHIP BREAKDOWN [102-7 | 102-45]

TOTVS shares have been traded on the Novo Mercado segment of Brasil, Bolsa, Balcão – B3, under the TOTS3 ticker, since March 2006. On December 31, 2020, the Company's capital stock consisted of 577,913,181 registered common shares issued and fully paid without par value, as shown below:

Shareholder	Dec. 31, 2020		Dec. 31, 2019	
	Shares	%	Shares	%
LC EH, Laércio Cosentino, Santa Pua and Ernesto Haberkorn ²	86,802,975	15.02%	86,580,840	14.98%
BlackRock	35,950,839	6.22%	4,673,376	0.81%
Constellation	30,090,381	5.21%	20,965,266	3.63%
Itaú Unibanco S.A.	28,929,046	5.01%	29,139,135	5.04%
Others	385,986,354	66.79%	430,698,207	74.53%
Outstanding shares	567,759,595	98.24%	572,056,824	98.99%
Treasury shares	10,153,586	1.76%	5,856,357	1.01%
Total	577,913,181	100.00%	577,913,181	100.00%

^{1.} To access the current ownership structure, [click here](#).

^{2.} Positions of LC EH Participações e Empreendimentos S/A, Laércio José de Lucena Cosentino, HG Santa Pua Fia and Ernesto Mário Haberkorn².

On April 27, 2020, the Extraordinary General Meeting approved the split of all shares issued by the Company, in the proportion of one common share to three shares of the same type, with no change in the capital stock. As a result, the number of common shares into which the Company's capital is divided increased from 192,637,727 to 577,913,181. For comparative purposes, the number of shares on the base date of December 31, 2019 is presented considering the effect of share split.



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RISK MANAGEMENT [102-11, 102-16, 102-17, 102-25, 102-29]

The risk management culture consists of the set of ethical standards, values, attitudes and behaviors accepted and practiced, and the dissemination of risk management as part of the decision-making process at all levels of the Company. Managers are primarily responsible for the daily management of risks associated with their area or business process and for disseminating this culture among their team members, as well as for establishing appropriate controls and action plans for risk management, under the supervision of the Risk Management, Internal Controls and Compliance department, responsible for periodically reporting on the effectiveness of the risk and control environment to the Executive Board, Audit Committee and Board of Directors.

RISK MAP [102-15, 102-29]

As provided for in the risk management methodology used and, in order to monitor changes in the scenario, TOTVS' risk map was updated in 2020, observing the strategic guidelines of the business and changes in the internal and external environments.

The risk map was updated based on interviews with risk owners and the Executive Board, also considering the effectiveness of the action plans adopted to mitigate the risks.

In order to ensure proper governance to the risk management process, the risk map was evaluated and recommended by the Audit Committee, responsible for submitting the matter to the Board of Directors for approval and providing appropriate visibility of the Company's risk management process, in order to guarantee fairness of results and allow impact analysis in the direction of business decisions and strategic initiatives.

INTERNAL CONTROLS ENVIRONMENT [102-11, 102-15, 102-29]

The structure of internal controls checks the efficiency of existing controls and potential impacts arising from changes in the internal and/or external environment.

In this sense, in order to assess the effectiveness of internal controls, the business areas responsible for the processes conduct an annual Control Self-Assessment and provide evidence of control execution to ensure adherence to the control environment.

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In order to verify the correct application and operational efficiency of controls in the prevention or detection of relevant distortions, the Internal Audit uses the processes and controls mapped as a subsidy to carry out effectiveness tests (Control Tests). The entire process of mapping, reviewing controls and relevant results is periodically reported to TOTVS Audit Committee.

Among the processes in need of improvement pointed out by the Independent Auditors in their 2020 fiscal year report, the recommendation for the review of third-party access management controls and the review of access profiles, and the need to implement internal controls for unusual transactions. Through additional supporting procedures, the external auditors verified that the identified deficiencies did not generate any qualification in their final opinion and did not change the Company's financial results.

The main actions to mitigate the weaknesses identified by the Independent Auditors are: (i) the increase in the frequency of third-party user revalidations, which will go from one to four times a year; (ii) review of access profiles for all users, which will change from once to twice a year; and (iii) the creation of a database to simplify the query process for third-party data. As for the deficiencies identified in the process of unusual transactions, Management will make efforts to improve the controls that currently exist, throughout the 2021 cycle, mitigating the risks associated with the aforementioned points.

RISK CONTROL [102-16, 102-17, 102-25, 102-29]

The Company, continuously in line with the best market practices in management of internal controls, has an Internal Controls, Risks and Compliance Area, whose main duties are to conduct and establish guidelines for work related to internal controls, as well as attest to the correct operation of the control environment, in order to mitigate risks in accordance with the complexity of TOTVS business and ensure good governance, market and compliance with laws and regulations. The defined process also aims to ensure reasonable security for the protection of assets, accuracy and reliability of accounting information, operational efficiency and adherence to policies, standards and procedures.

TOTVS's Risk Management, Internal Controls and Compliance Policy establishes the principles, guidelines and responsibilities to be observed in the Company's management of corporate risk, internal controls and compliance. It aims to ensure the proper identification, analysis, assessment, treatment, monitoring and communication of corporate risks, with the steps to establish the context, identification, analysis and assessment of risks, treatment and monitoring and reporting. It also establishes the Control Self-Assessment methodology to improve the management of internal controls.

To learn more about the business risk factors, the management process and the associated internal controls, see items 4 and 5 in the [Reference Form](#).



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INFORMATION SECURITY AND LGPD COMPLIANCE

BRAZILIAN GENERAL DATA PROTECTION LAW (LGPD) [102-11, 102-33, 102-49, 103-1, 103-2, 103-3, 418-1]

The Brazilian General Data Protection Law (13.709/2018, in Portuguese 'LGPD - Lei Geral de Proteção de Dados'), known as the General Personal Data Protection Law, is a relevant landmark for Brazil that is included in the list of countries with the most advanced legislation on the subject. Discussions on the subject, both in Brazil and abroad, preceded the approval of the law in the country, in August 2020. This legislation aims to regulate the processing of personal data of customers and users by public and private companies. It represents both a risk and an opportunity for the Company. This is an opportunity for TOTVS, due to our knowledge and possession of the tools needed, to help our customers comply with the new legislation. On the other hand, it is a risk because its application and success with our network does not depend exclusively on the quality of the TOTVS product or service, but on how some companies will have to comply with the legislation deeply and on time. The sanctions provided for by the LGPD will take effect from August 2021 onwards. Inspection is the responsibility of the National Data Protection Authority ("ANPD"). It is worth remembering that, in the European Union, there is already a movement around the security and privacy of personal and corporate data since 2016.

At TOTVS, the information security and privacy department manages potential data security and privacy risks, and respectively,

of people and customers, identifying possible incidents related to the compromise of confidential data. In 2020, no cases were identified directly or indirectly related to the breach or loss of customer data by external parties and/or regulatory agencies, as well as in recent years. [102-11, 103-2, 103-3, 418-1]

Throughout 2020, in order to ensure the compliance of TOTVS' activities with the LGPD at the corporate and product level, training courses were held to train multipliers, in addition to the dissemination of a communication plan in order to inform and guide employees on the impacts of the Law on the Company's daily life. There were also webinars and the creation of mandatory e-learning for all employees in the phase of adaptation to the new rules. In the same period, we also highlight the following actions taken by TOTVS:

- Implementation of a channel to receive requests from Data Subjects;
- Structuring of a Data Privacy team to deal with LGPD demands within TOTVS;
- Implementation of processes and technologies for Positive Confirmation in customer service using T-Cloud, TOTVS cloud;
- Provision of improvements in the Security self-service, allowing the configuration of firewall and VPN rules, as well as the management of users and integration with TOTVS products;
- ISO 27001 recertification for cloud. [103-3];
- Definition of the DPO (Data Protection Officer, a professional who is responsible for ensuring that the LGPD provisions are complied with).



Upon changes in the external environment, TOTVS aims to anticipate itself in order to comply with the LGPD requirements. In this sense, the Company adopts in its CRM methodology (relationship with customers), the concepts of Privacy by Design, that is, tools and processes already born from a perspective of respect for privacy. It also adopts the principles of Security by Design, which establishes the development of solutions, mechanisms to mitigate security risks and access to personal information, as well as the model of responsibility and confidentiality in its consumers' information and has made the necessary adjustments to comply with the requirements of the new law. [102-11, 418-1]

Also, TOTVS works to establish the Data Privacy Governance Program, from which the privacy processes implemented in the Company will be governed. This program includes the monitoring of companies recently acquired and the operations carried out in the international market. And, finally, the implementation of the Information Security and Data Privacy Incident Response Process. [102-11, 102-33, 103-2, 103-3]

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Due to the importance of this subject for the Company, the evolution and monitoring of the processes are constant and, for 2021, the following actions are planned:

- Implement the personal data protection impact report at TOTVS;
- Establish a Privacy Committee that supports the dissemination of the subject of privacy in the Company, in addition to being responsible for some decisions on LGPD in the Company;
- Establish indicators at TOTVS to monitor the Company's adherence to the LGPD;
- Securely make backups available to customers through a self-service application via the T-Cloud portal;
- Evolve with the security system to protect servers;
- Create edges for hosting TOTVS products with better geographic distribution. [103-1, 103-2, 103-3]

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Data Privacy Policy

Published on May 3, 2021, the TOTVS Group's Privacy Policy aims to demonstrate the Company's commitment to the transparency in the processing of Personal Data of Subjects, as well as commitment to the security of the services provided related to the treatment of Customer data. This policy covers information about data processing carried out by the entire corporation. As part of the TOTVS Group's Data Privacy Program, the Data Privacy Policy is also composed of other documents, guidelines, rules and procedures. Endorsed by Law no. 13,709/2018 (General Personal Data Protection Law) and Law no. 12,965/2014 (the Brazilian Civil Rights Framework for the Internet), this Policy applies to all areas and companies of the TOTVS Group, including third parties that, in any way, handle Personal Data on behalf of or at the request of TOTVS, and reflects the governance applied to Personal Data protection issues by the TOTVS Group. Compliance with this Policy is mandatory and reflects the applicable legislation and regulations related to the General Data Protection Law. For further details, check the full document on our website: <https://ri.totvs.com/en/esg/bylaws-policies-and-charters/>.

CONTROL AND MONITORING MECHANISMS

It is worth mentioning that, in the last year, there was a reassessment of the risk map, which resulted in the mapping of two new items, in order to monitor the evolution of the Company's strategic pillars and the changes that occurred in the regulatory environment. In 2020, the Corporate Compliance and Risks and Internal Controls

Policies were consolidated and had their content updated in a single document: the Risk Management, Internal Controls and Compliance Policy, which establishes principles, guidelines and responsibilities to be observed in the corporate risk management process, internal controls and compliance, as well as the dissemination of the Risk Management and the Integrity Program for all levels of the TOTVS Group. It covers TOTVERS and our administrators in the development of their activities in Brazil or abroad. It must also ensure that third parties, subcontractors, representatives, consultants, suppliers and service providers of any nature, when relating to or representing TOTVS Group, also guide their actions based on the document. [102-11, 102-48, 102-49]

ANTI-CORRUPTION [102-11, 102-15, 102-29, 205-1, 205-2, 205-3]

In 2020, a process of mapping, identifying and assessing compliance risks related to TOTVS' participation in bidding processes was carried out, such as:

- Guidelines in non-compliance with the Company's internal regulations (policies, standards and procedures);
- Lack of adherence to laws and regulations specific to the participation in bids;
- Risks related to bribery, fraud, corruption and/or non-compliance with the anti-corruption law;
- Fine and/or inclusion in restrictive lists due to non-compliance with the bidding law.

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ABOUT TOTVS

After identifying the risks in the operation of the commercial area - public sector, as described above, it was possible to map the existing controls in the process to mitigate and avoid such risks. In 2021, as part of the process evolution, the Company plans to expand the assessment of potential compliance risks to the Purchasing department. [205-1]

In 2020, there were no cases reported to the Ethics and Conduct Channel (TOTVS Ethics Hotline) or public lawsuits referring to corruption against the Company or its employees. [205-3]

ANTI-CORRUPTION ACTIONS [102-11, 102-15,102-29, 103-1, 103-2, 103-3, 205-1, 205-2, 205-3]

CODE OF ETHICS AND CONDUCT AND ANTI-CORRUPTION TRAINING

Companies must fight all forms of corruption, including extortion and bribery. And for this purpose, at TOTVS, all employees are periodically trained through e-learning training on the Code of Ethics and Conduct, covering all the topics contained in the document. Employees whose activities do not require the use of computers are trained in person, when possible, or online, observing the restrictions in the event of a pandemic.

The understanding of the content is promoted through questions and ethical dilemmas that must be answered in light of the Code's principles and rules.

New employees are introduced to the Company's main guidelines

and rules of conduct and to the use of the Ethics and Conduct Channel through specific training and/or onboarding process (integration of new employees) conducted by the Human Relations department.

As an important element of the Integrity Program and aiming at the continuous awareness of the Company's senior management regarding specific forms of corruption and the risks of illegal practices, all members of the Board of Directors and Executive Board completed an Anti-Corruption Training, thus reinforcing the engagement of Senior Management.

Also, within the scope of anti-corruption, employees in the Purchasing and Contract Management areas were trained online on the topic "Ethics, Integrity and Fight against Corruption", through a partnership with the Ethos Institute. Employees who are part of the structures that potentially relate to public agents were trained through e-learning training on the Policy on Business and Institutional Relationship with Public Entities.

In 2020, we also held our 1st Integrity Week, online, from December 7th to 11th. Among the Integrity Week initiatives, we highlight the corporate live session "Corporate Integrity and Compliance: roles and risks for companies and individuals", featured by an anti-corruption expert, in addition to short awareness insights on topics related to ethics and integrity.

In addition, 100% of the franchises and business partners were also informed about anti-corruption procedures. TOTVS'

corporate policies are available to all stakeholders on the Investor Relations website, as examples: Code of Ethics and Conduct, Risk Management Policy, Internal Controls and Compliance, Policy on Business and Institutional Relationship with Public Entities, Policy on Transactions between Related Parties, among other policies.

The units abroad also participated in the process, 234 employees were notified and 95 trained, as shown below:

International Market - Trained Employees in 2020 [205-2]		
Location	Employees	Trained Employees
Argentina	116	41
Chile	2	-
Colombia	17	4
Mexico	90	49
United States	9	1
Total	234	95

In February 2021, a new version of the TOTVS Group's Code of Ethics and Conduct training was launched, e-learning mode, with explanatory videos and animations, available to all units in Brazil and abroad, in addition to the Unit Franchises.

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Total employees trained in anti-corruption procedures, by position and region [205-2]

2020					
	South	Southeast	Midwest	Northeast	North
Executive Directors and Managers	6	93	1	0	0
Managers	25	167	6	3	0
Coordinators	58	274	24	10	1
Specialists	161	579	31	21	3
Analysts	1,023	3,003	245	74	10
Technicians and Assistants	164	563	23	5	1
Total by region	1,437	4,679	330	113	15

Reported business partners by region [205-2]

Franchises	2020
South	633
Southeast	1,400
Midwest	192
Northeast	217
North	114
Total	2,556

ETHICS AND INTEGRITY [102-11, 102-16, 102-17, 103-1, 103-2, 103-3]

TOTVS is a company made up by people committed to the ethical conduct in their relationship with customers, business partners, suppliers, investors, public entities and other parts of our ecosystem.

The commitment to integrity is based on TOTVS' values, which guide us to the pursuit of best practices in ethics and transparency, as well as compliance with legal requirements.

Our commitment to integrity is supported by the Integrity Program and by the Risk Management, Internal Controls, Compliance and Corporate Governance structure, aiming to ensure the dissemination of our values and conduct guidelines throughout the Company.

The Governance structure, together with the Code of Ethics and Conduct and Corporate Policies, are the guardians of our principles and responsible for establishing the business and conduct guidelines that must be reflected in everyday actions and decisions.

As an element of the governance and compliance structure, the Internal Controls, Risks and Compliance department acts as a second line of defense, aiming to ensure the appropriate monitoring of the internal controls and risk management environment, as well as the implementation and effectiveness of the integrity mechanisms.

In this context, this structure works together with the other areas of the Company to establish and monitor the controls and action plans necessary to mitigate the identified risks.

Reinforcing our commitment to transparency and strict governance,

the entire Risk Management, Internal Controls and Compliance process is regularly reported to the Audit Committee and the Board of Directors.

INTEGRITY PROGRAM [102-11, 102-17, 103-1, 103-2, 103-3]

The Company's Integrity Program consists of a set of mechanisms aimed at preventing, detecting and remediating inappropriate and unethical conduct, whether in the private or public sphere, in line with the Organizational Culture.

Within the scope of the Integrity Program, we have established procedures aimed at identifying and assessing Compliance risks to start relationships with suppliers and business partners, through the compliance due diligence process, which consists of verifying the existence of national and international government sanctions, as well as any lawsuits and/or investigations or negative news in the media related to corruption, fraud, money laundering, among other offenses. This check and assessment aims to understand the risks associated with maintaining a relationship with these third parties and, based on this analysis, issue an opinion on establishing such relationship.

In addition to the due diligence process prior to starting a relationship with a new supplier, every year the entire base of active suppliers of the Company is subject to a new due diligence, in order to identify any changes that impact on risks in maintaining the relationship with these third parties. As a result of this annual review, mitigation measures are adopted, such as: blocking suppliers for new hires, elaboration of contractual amendments and continuous monitoring.

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The Compliance due diligence process is also adopted for the prior assessment of philanthropic entities that receive donations of financial resources by any companies of the TOTVS Group.

With regard to our commercial partners, franchisees sign a Term of Integrity Commitment and Declaration of Responsibility, Compliance and Social and Legal Commitment, in which the unit franchise undertakes to comply with the provisions of Law 12,846/2013 - "Anti-corruption" and the TOTVS Code of Ethics and Conduct, as well as the principles of the UN Global Compact.

Considering the attributes of independence and transparency, the Integrity Program is periodically audited, by verifying and evaluating the implementation and execution of the actions provided for in the Program pillars.

CORPORATE POLICIES [102-11, 102-17]

The Corporate Policies are evaluated and approved by the Board of Directors, upon the recommendation of its Advisory Committees. These documents are widely disclosed to the internal public, through corporate Intranet, and made available to the external public, through the CVM and Investor Relations websites: <https://ri.totvs.com/en/esg/bylaws-policies-and-charters/>.

See below the complete list of TOTVS Organizational Policies [102-11]:

- Policy of Powers
- Policy of Contracting and Relationship with Independent Audit
- Policy of Contributions, Donations and Sponsorships
- Disclosure Policy
- Policy for the Preparation and Publication of Standards
- Litigation Management Policy
- Human Relations and Compensation Management Policy
- Risk Management, Internal Controls and Compliance Policy
- Treasury, Credit and Collection Management Policy
- Policy for the Designation of Members of the Board of Directors, its Advisory Committees and the Executive Board
- Policy for Trading of Securities issued by TOTVS S.A
- Data Privacy Policy
- Policy on Business and Institutional Relations with Public Entities
- Information Security Policy
- ESG Sustainability Policy
- Policy on Transactions with Related Parties

All policies clearly establish the responsibilities of each area or governance body. In addition, they have a maximum period for pre-defined review, according to the perception of fluidity of the topic, with each policy being reviewed at least every five years.

CONFLICTS OF INTEREST [102-11, 102-25, 205-1]

As an important element of the TOTVS Group's anti-corruption guidelines, we highlight:

- **Policy on Business and Institutional Relations with Public Entities**, mandatory for all employees and administrators of the TOTVS Group in the performance of their activities in Brazil or abroad, as well as unit franchise. It establishes guidelines and rules of conduct to be observed in the relationship of the TOTVS Group with Public Agents.

The TOTVS Group expects and encourages third parties, subcontractors, representatives, consultants, suppliers and service providers of any nature to also base their actions on the provisions of such Policy when relating to or representing the TOTVS Group.

- **Anti-Corruption Standard:** establishes the minimum anti-corruption and anti-bribery guidelines and standards to be observed by all employees and administrators of the TOTVS Group in the performance of their professional activities, in their internal relationship and with third parties. This includes clear rules on the relationship with public agents and Politically Exposed Persons - PEPs, contributions, donations and sponsorships, relationships with suppliers and service providers, gifts and hospitality, accounting books and records and the express prohibition of payments for any facilitation.

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In order to prevent and manage situations of potential conflict of interest, the Policy for Transactions with Related Parties determines the monitoring of the registration of related parties and the management and control of such information. In addition, annually, it is verified whether the Company's directors and key members of the Management and their close family members have links related to participation as members of other councils, accumulation of positions and mandates and shareholdings in other companies.

Aiming to improve the controls for identifying and monitoring conflicts of interest and as part of the actions of the Integrity Program, the Company published a specific Standard on Conflicts of Interest, which establishes rules to identify and handle situations involving potential conflicts of interest and related parties and implemented a new version of the Related Parties and Conflicts of Interest Identification Form, to report possible conflict situations by the Directors and Executives of the TOTVS Group.

Also in the aspect of conflicts of interest, virtual training on the subject was carried out for the Human Relations area, aiming to reinforce these aspects in the hiring and handling of TOTVERS, ensuring the alignment not only of concepts, but also in terms of internal processes of responsibility exclusive HR for the identification, handling and reporting of conflict of interest cases.

Within the scope of anti-corruption guidelines and best compliance practices, we also emphasize the Policy of Powers, which establishes the powers and competences for the Company's decision-making, and the Policy on Contributions, Donations and Sponsorships, which determines the rules to be observed for the TOTVS Group for any type of contribution, donation or sponsorship, defining the responsibilities and governance required for the process.

In order to properly comply with these guidelines, controls are established in the processes for approving expenses and for granting any contributions, donations and sponsorships. These controls are subject to periodic review by the Internal Audit.

PUBLIC COMMITMENTS

[102-12, 102-16, 102-17, 103-1, 103-2, 103-3]

In addition, TOTVS is a signatory of anti-corruption pacts with the following entities:

- **UN Global Compact:** The signatory organizations are committed to follow, in their daily operations, the Ten Universal Principles, derived from the Universal Declaration of Human Rights, from the International Labor Organization Declaration on Fundamental Principles and Rights at Work, from the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

- **Business Pact for Integrity and Against Corruption,** by the Ethos Institute, aims to promote a more honest and ethical market and eradicate bribery and corruption. Its functions include to assist in the implementation of policies to promote integrity and fight corruption and mobilize companies and business entities.

Also, within the scope of external initiatives, TOTVS is part of the Ethos Institute's Integrity Working Group, a space for companies to exchange experiences and discuss the topic of Integrity involving business practices and the implementation of policies that promote integrity and fight corruption, related to the Business Pact.



1. SECTION - ABOUT TOTVS

CODEC, A PRACTICAL GUIDE TO VALUES AND CULTURE [102-16, 102-17, 103-1, 103-2, 103-3]

The Code of Ethics and Conduct – CODEC establishes rules of conduct and ethical principles that guide the TOTVS Group’s commitment to the integrity of its business and internal and external relationships and applies to all directors, administrators, shareholders who participate in the Company’s management, TOTVERS, service providers, suppliers and partners.

In order to make the guidelines and rules of our Code of Ethics and Conduct known to everyone and for it to be absorbed as part of the corporate culture, we conduct permanent communication and training work with the target audience.

TOTVS maintains a reporting channel, known as ‘Ethics and Conduct Channel’, operated by an independent external entity specialized in the management of complaints, in order to anyone who relates directly or indirectly with the TOTVS Group (employees, shareholders, customers, suppliers, franchisees, partners and the society in which we operate) can communicate, confidentially or not, at their discretion, situations that may constitute breach of the TOTVS Code of Ethics and Conduct or any other act or conduct that infringes or may infringe the Legislation and/or Regulations in force. In 2020, 129 complaints were received, duly analyzed and handled, compared to the 248 cases reported in the previous year, a reduction of 48%.

Among the actions resulting from the investigation of these complaints, we can mention: dismissals; application of formal

and verbal warnings; reallocation and restructuring of areas; corporate communication and improvement of internal processes; and guidance to TOTVERS.

TOTVS has an Ethics and Conduct Committee, composed of internal employees appointed by the Company’s Chief Executive Officer. The purpose of this Committee is to take note of the complaints and conclude, through a formal process, whether a violation of the provisions of the Code has occurred, and recommend consequential actions. As part of the process of continuous improvement of the Integrity Program, the Company implemented a Consequence Management Standard, establishing rules and criteria to be observed in the process of applying disciplinary or legal measures due to breach of the ethical and conduct principles established in the TOTVS Code of Ethics and Conduct, as well as the Internal Regulatory Structure and current legislation.

**Access our Ethics and Conduct Channel
by telephone or online:
0800 721 5966 in Brazil
55 11 3232 0766 other locations
Monday to Friday, 9 am to 5 pm**

**www.canalconfidencial.com.br/totvs
Click here to view our Code in full.**

CONDUCT IN THE RELATIONSHIP WITH PUBLIC ENTITIES [102-17, 103-1, 103-2, 103-3]

We value ethical and responsible conduct in the relationships with the government, and any tort is prohibited, in accordance with the Anti-Corruption Law 12,846/13, other applicable anti-corruption legislation and with the guidelines and rules established in our Policy on Business and Institutional Relationship with Public Entities and the Code of Ethics and Conduct.

In this sense, in 2020, we offered an e-learning training about the Policy on Business and Institutional Relationship with Public Entities, mandatory for all employees who potentially may interact with public agents or entities.

In addition, the Company records, through an internal electronic tool, all interactions with public agents, informing the agenda, meeting place and attendees.



X

2. SECTION - **MANUFACTURED CAPITAL**

Physical objects, manufactured goods and assets available

to an organization for use in the production of goods or provision of services, including: buildings, equipment, infrastructure, technologies, structure and the way it is organized to serve its customers.

2. SECTION - MANUFACTURED CAPITAL

BUSINESS STRUCTURE

HIGHLIGHTS [102-1, 102-2]

- /// **Biggest technology Company in Brazil**
- /// **Around 40,000 customers in 41 countries**
- /// **5 branches and 52 franchised territories in Brazil and 5 branches abroad**
- /// **Physical and digital footprint, based on a distribution model with high reach**
- /// **Business solutions for companies of all sizes**
- /// **Management Software, Techfin and Business Performance productivity, collaboration and innovation platforms and consulting for companies in 12 strategic segments**
- /// **Leader in Brazil's market for small and medium-sized companies**

THE POWER OF INFORMATION TECHNOLOGY

The development of technology and investments in innovation as the main drivers of productivity and competitiveness in Brazil is one of the most relevant marks of TOTVS' performance throughout its journey over the last four decades. This not only made the Company notable, but made us learn, do, make mistakes, get things right and grow.

Believing in the potential of digital transformation as a driver of development cycles in the country, positively and comprehensively impacting all production chains is what moves us. We have been working tirelessly in this direction. As a result, we have seen profound changes both in companies and many productive sectors of the Brazilian economy. Our local and digital footprint, based on a distribution model with a high reach, allows a service focused on the needs of our customers, based on a strong entrepreneurial, pioneering and innovative commitment, guided by a great determination to offer the best solutions for the business of thousands of companies.

We decided to focus our operations on 12 strategic segments of the economy, aiming to increase the efficiency and profitability of our customers, through technology. This strategy has allowed us to incorporate the best skills into our portfolio, make our products more specialized, in addition to increasingly integrating the production chain of our end-to-end customers.

'BRAZIL THAT MAKES THINGS HAPPEN, MAKES IT WITH TOTVS'

[102-4, 102-6, 102-7]

- /// Top of Mind in the Technology for HR Management category for 9 consecutive years
- /// More than 9.7 million people have their salaries processed every month by TOTVS' HR solution, which represents 30% of payrolls in Brazil
- /// More than 2 million tons of steel are processed every year in Brazil using TOTVS solutions
- /// More than 1 million tons of paper are processed every year in Brazil using TOTVS solutions
- /// More than R\$103 tons of cargo are handled annually in Brazil, with the support of TOTVS' logistics systems
- /// More than R\$290 billion in transactions every year in Brazilian retail through TOTVS solutions
- /// More than 35,000 retail stores in Brazil are managed using TOTVS solutions
- /// More than 5 million students per year in Brazil have their information computed through TOTVS solutions
- /// More than 500,000 students are trained in Brazil annually by TOTVS customers
- /// More than 1/3 of the companies listed on the Brazilian stock exchange use the TOTVS system

2. SECTION - MANUFACTURED CAPITAL

The Company's teams are composed of specialized professionals for each segment, who follow up the entire journey of customers and meet the needs of both our direct audiences (B2B) and their final consumers (B2C). We estimate that the aggregate annual revenue of these customers represented at the end of 2019 around 25% of all Gross Domestic Product (GDP) of Brazil. We still have a lot to do and to conquer.

Our ecosystem goes far beyond ERP, encompassing Management (ERP, HR and Verticals), Techfin (Credit, Services and Payments) and Business Performance (Marketing and Sales) dimensions. The strategy of building the TOTVS ecosystem, based on these 3 differentiated business dimensions, in a high value-added sector, is an ongoing challenge and a movement to expand the addressable market, take rate and customer loyalty.



2. SECTION - MANUFACTURED CAPITAL

TOTVS DECLARATION - The time for productivity has arrived

Sometimes, we find ourselves looking back and remembering the time when we launched our first systems... Right at the time when microcomputers arrived in Brazilian companies.

We were the first to go public and we helped Brazil to be seen by investors abroad as much more than carnival, beach and soccer. We watched closely as technology evolved from something boring into something desired, that moves the world.

We were already involved with technology at that time, but to see people of all ages and from all over the world to appreciate technology, gives us an enormous pride!

And when someone asks us what the next step is, we answer the following: **our purpose is to deliver productivity to companies through technology.** In practice, this means that we want companies to sell more, have greater financial control, be more profitable and achieve their dreams.

WANT MORE EXAMPLES? WE HELP OUR CUSTOMERS:

- >>> Produce more in less time
- >>> Predict future scenarios and modify actions from there on
- >>> Increase their operating margin
- >>> Obtain profitability gains
- >>> Increase the profitability of their business

That's our reason for being. That's what we exist for. We are almost 8,000 TOTVERS of different nationalities, beliefs and races, spread all over the world, passionate about developing systems and platforms that take all of this to companies.

Our developers are every day, with a lot of coffee and lines of code, developing smart applications that make life easier for companies and make them have everything they need just in a few clicks and from anywhere.

And for us who have lived on technology since day one, we know this is just the beginning.

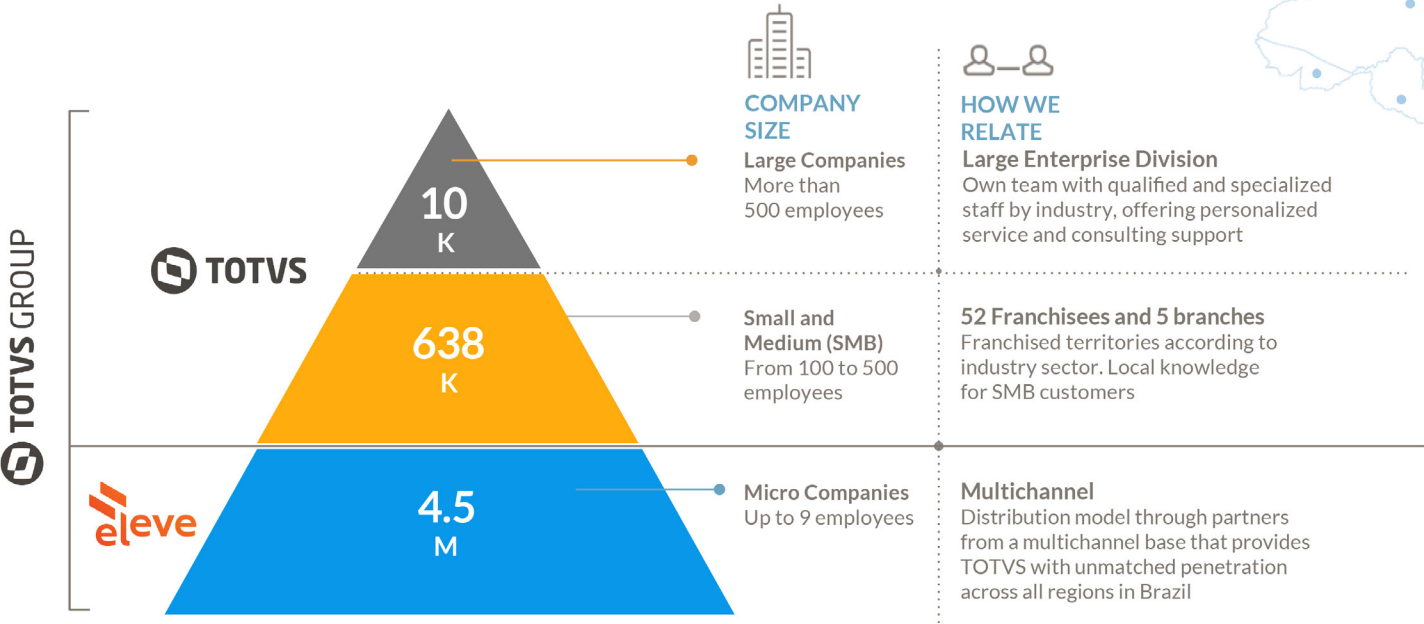
2. SECTION - MANUFACTURED CAPITAL

CAPILLARITY AND PERSONALIZED SERVICE FOR COMPANIES OF ALL SIZES

TOTVS is structured in a robust distribution model with high capillarity, which has a local presence - via branches, exclusive franchises and multichannel - and a digital environment through the TOTVS Store, which allows the establishment of a digital channel of interaction with its customers, enabling the hiring and direct acquisition of one or more products, integrated or not, in a fast and simplified way, especially for cloud applications.

In this model, the Company offers each customer a specific service and relationship structure, according to their profile and size, which allows them to be always present and close in their daily lives.

HOW WE RELATE TO CUSTOMERS



DIGITAL CHANNEL - TOTVS STORE
TOTVS Store is the digital médium for interacting with customers, especially for cloud applications



2. SECTION - MANUFACTURED CAPITAL

SOLUTIONS PORTFOLIO [102-2, 103-1, 103-2, 103-3]

TOTVS' portfolio of products and services comprises a complete horizontal offer, Management solutions, including ERP, HR, Verticals and Innovation Platforms; Techfin, with credit, payment and service solutions, and Business Performance, including CRM and Analytics. Broad, diverse and flexible, these solutions enable us to meet the needs of our customers in the most diverse business segments. Available in cloud or on-site, our products are scalable and modular and can be easily configured to allow specific functions of different business segments and sizes, with consistent integration, expanding the access and use of technology for all customers.

MANAGEMENT SOLUTIONS:

ERP
HR
Verticals
Platforms

It comprises (i) back-office management solutions that are the basis of all business operations, integrating and facilitating communication between different departments, such as sales, finance, inventory and human resources, and enabling greater control and management of processes of an organization; (ii) HR solution, for managing and developing human capital in a simple and fast way in all processes, with support for legal requirements and payroll processing, (iii) business solutions for the needs of 12 economic segments, (iv) innovation platforms, which include the Carol Data and Artificial Intelligence Platform and the Fluig Productivity and Collaboration Platform and (v) specific solutions for micro and small businesses.

TECHFIN

Credit
Payments
Services

Techfin portfolio includes technology and innovation to simplify, expand and make access to financial services cheaper for companies. It provides intelligent and personalized financial services, according to the profile of each business and the financial needs of the customers, expanding the options for purchasing inputs and offering better conditions to afford expenses. On the other side of the cycle, companies can sell in a simpler and more integrated way, and receive payments faster and more efficiently. The solutions are structured to maximize the advantage of technology, which transforms complex and bureaucratic processes into simple actions, enabling easy access to financial services. They are divided into 2 categories: (i) Credit, offering affordable and personalized solutions, which facilitate access to credit for companies and (ii) Payments, with integrated POS (Point of Sale), EFT (Electronic Fund Transfer) and acquiring solutions, which simplify and generate efficiency to facilitate payment transactions.

BUSINESS PERFORMANCE

Marketing
Sales

The Business Performance portfolio comprises solutions to support various business areas to leverage their results and performance. It includes (i) E-commerce, with a unified commerce platform, (ii) CRM, a solution for managing the pipeline and commercial intelligence, (iii) Omnichannel, a solution for managing orders in retail and (iv) Analytics, with data platform and structured business analysis.

To learn more about the solutions offered by the Company, see item 7.2 in the [Reference Form](#).



X

3. SECTION - HUMAN CAPITAL

INTERNAL AUDIENCE

Training and Qualification

Performance Evaluation

Diversity and Inclusion

Health, Welfare and Safety

3. SECTION - HUMAN CAPITAL

Human capital comprises people's skills, abilities and experiences and their motivations to innovate, including: alignment and support for the governance structure, risk management and ethical values; the ability to understand, develop and implement an organization's strategy with loyalty and motivation to improve processes, goods and services; and the ability to lead, manage and cooperate.

TOTVS has a successful journey thanks to the excellence and dedication of our team, made up of professionals passionate about technology and innovation. Our employees are constantly encouraged to propose improvements - whether in relations and work environment, or in products and services and, consequently, in offering the best service to our customers.

Such dedication from TOTVERS is strongly supported by the #SOMOSTOTVERS. Culture, which reflects the principles that define the Company: People, Customer and Technology, in a people management structure that privileges diversity, ethics, and the professional and human development of our teams.

TOTVS values good professionals who are good people. Together, we make the Company go forward, the countries where we operate grow and, this way, we all win. We are curious, collaborative, digital and fanatic about results. We've got attitude, our own style and we are restless.

As TOTVERS, we anticipate our customers' needs. We deliver end-to-end quality in more essential, simpler and more agile solutions for businesses. We are present and close to them throughout the journey.

OUR PEOPLE [102-7, 102-8, 103-1, 103-2, 103-3]

TOTVS aims to attracting professionals of all genders, passionate about code, technology, sales and business development; those who know the 12 market segments where we operate and work to bring innovation to each one of them.



3. SECTION -
HUMAN CAPITAL



Profession

A professional passionate about coding, technology and business development. He/she properly knows 12 market segments and works to bring innovation to each one of them.



Beliefs

Believes in a Brazil that MAKES IT HAPPEN and in the capacity of technology to simplify the business world.



Challenges

Make entrepreneurs and companies aware of the importance of the business digitization journey so that they remain relevant in the market.



How

Generating knowledge and innovating every day, maintaining active partnerships and a specialist team spread across Brazil, which is able to identify how technology can support each client in the light of the characteristics of their business and region.

Being a TOTVER means going beyond the ordinary. It's making technology and knowledge our DNA. Valuing our legacy and that of our customers to live a culture of innovation without being afraid of making mistakes. And together, think about how technology can drive the new. TOTVS is made by people and for people.

PROFILE [102-7, 102-8, 202-2, 103-1, 103-2, 103-3]

Brazil concentrates most of the total number of employees in its operating units, which include several other countries, recording a 13.3% increase in 2020 compared to 2019, with an emphasis on the southeast region of the country. In addition, TOTVERS are located in other Latin countries, Europe and the USA, which are considered operating units in the international market. [102-7]

Total number of employees by country or region [102-7]¹

	2019	2020
Brazil	6,716	7,612
Other Latin countries	242	239
United States of America	9	11
Europe	4	4
Total	6,971	7,866

¹ The variation in the year-on-year number of employees was specifically due to the acquisitions of Wealth Systems, Supplier and Consinco. The totals above exclude Directors / Executives, Interns, Apprentices and Board of Directors members.

Total Employees by Gender and Type of Work [102-8]¹

Undetermined duration contract	2019			2020		
	Men	Women	Total	Men	Women	Total
Total (%)	66.3%	33.7%	6,971	66.3%	33.7%	7,866

¹ Total employees under undetermined duration contract. The totals above exclude Directors / Executives, Interns, Apprentices and Board of Directors members.

Number of employees by type of employment [102-8]¹

	2019			2020		
	Men	Women	Total	Men	Women	Total
Full-time	66.3%	33.7%	6,959	66.3%	33.7%	7,837
Part-time	75.0%	25.0%	12	44.8%	55.2%	29
Total	100%		6,971	100%		7,866

¹ Total employees under undetermined contract. The totals above exclude Directors / Executives, Interns, Apprentices and Board of Directors members.

3. SECTION - HUMAN CAPITAL

TOTVS’ premise is to hire professionals from communities close to its operations (local communities) whenever possible, however, there is no formal procedure to prioritize hiring of senior management leaders from local communities. [202-2]

Number of employees by region [102-8]¹

2019				2020		
	Gender		Representation by region	Gender		Representation by region
	Men	Women		Men	Women	
South region	65.0%	35.0%	21.5%	66.5%	33.5%	21.1%
Southeast region	66.6%	33.4%	70.3%	66.2%	33.8%	72.4%
Midwest region	67.2%	32.8%	6.0%	67.4%	32.6%	4.5%
Northeast region	70.7%	29.3%	1.7%	69.1%	30.9%	1.6%
North region	69.2%	30.8%	0.3%	65.0%	35.0%	0.2%
International Market	65.5%	34.5%	-	66.6%	33.4%	-
Total by gender	66.3 %	33.7%	100%	66.3%	33.7%	100%
Total employees	6,716 ²			7,612 ²		

¹ Total employees under undetermined contract. The totals above exclude Directors / Executives, Interns, Apprentices and Board of Directors members.

Compared to 2019, there was a significant variation in the number of employees in 2020 specifically due to the acquisitions of Wealth Systems, Supplier and Consinco. Note that in the Southeast region, where there is the highest concentration of employees, there was a greater increase of the female audience in the total staff number, even disregarding the effect of the absorption of acquired companies.

COMPENSATION AND BENEFITS

[103-1, 103-2, 103-3, 202-1, 405-2]

The Compensation and Benefits Policy guides compensation models with a view to meeting the Company's strategic goals and competitiveness among its players. TOTVS aims to develop compensation models that are fair, competitive and aligned with market practices that enhance the attraction and retention of professionals. [202-1]

Salaries paid to TOTVERS follow the Compensation and Benefits Model, which is composed of fixed and variable compensation and benefits, according to seniority and skills for each career level. There are salary differences between units, but there are no rules to differentiate salaries by diversity indicators. [202-1]

Ratio of women’s base salary to men’s by functional category (%) [405-2]

Functional category	2019	2020
Executive Board	-5%	-4%
Managers	-7%	-1%
Coordinators	-9%	-11%
Specialists	-7%	-7%
Analysts	-14%	-8%
Technicians and Assistants	-9%	-8%

3. SECTION - HUMAN CAPITAL

The gender pay gap is a result from the compensation distribution within the TOTVS structure, as the salary table is unique, not defined by gender. However, the proportion of salary differences between genders improved for almost all career levels. Positive highlight to the base of the pyramid, especially among analysts. [405-2]

The proportion of the lowest salary and the local minimum wage paid to men and women was 22.82% and 14.55%, that is, R\$1,351 and R\$1,260 respectively. The salary reference in Brazil in 2020 was R\$1,045, some states where we operate have a regional minimum wage. The lowest salary paid by the organization considers only employees who work more than 180 hours. [202-1]

UNION RELATIONS AND COLLECTIVE AGREEMENTS [102-40, 102-41, 102-43, 103-1, 103-2, 103-3]

In the year 2020, in which many work positions in Brazil were eliminated and many professionals had reduced pay or had been laid off (temporary suspension of employment contracts) due to Covid-19, TOTVS maintained its full workforce without applying salary reduction measures, not even suspension of contracts, thus ensuring the employees' peace of mind and reinforcing TOTVS' commitment to regional economic development. At the same time, 1,248 were filled, 19% of them through internal recruitment.

8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



In addition, at the TOTVS CRM (Cascavel) and Caxias do Sul (Rio Grande do Sul) units, the Company reduced the weekly hours of employees, thus maintaining the salary previously paid (without reduction). In this sense, most TOTVS units have weekly work hours between 40 and 42 hours, and, based on the legislation, the workload could reach 44 hours a week.

Regarding collective agreements, 100% of TOTVERS are covered, meeting the legal requirements of Brazil. TOTVS is currently negotiating with 13 union entities according to the core activity of each business unit. Union negotiations are conducted by employers' organizations (entities that represent companies) and labor unions (entities that represent employees) and TOTVS, which participates in the negotiation discussions of the main unions (currently there are 7 - São Paulo, Goiânia, Belo Horizonte, Recife, Rio de Janeiro, Joinville and Rio Grande do Sul) in order to sensitize the group so that decisions of collective interest are prioritized. [102-41]

We have registered advances in terms of people management, we continue striving for constant improvement, and we recognize that we have challenges ahead.

RECOGNITION [102-35, 102-36, 102-37, 103-1, 103-2, 103-3]

Compensation practices at TOTVS include design and offer a series of instruments for the business competitiveness. Among these practices, we highlight Profit Sharing Plan (PSP), which recognizes the efforts and results that employees dedicate to the Company. In addition, the Long-Term Incentive Plan (LTIP), which, in turn, is also a retention strategy and aims to increase the alignment of TOTVERS' interests with the Company, increasing the sense of ownership and commitment through investment and risk concept. The program is divided into three modalities and consists of the distribution of TOTVS shares to its beneficiaries. TOTVERS' nominations are analyzed and approved by the Personnel Committee and the Board of Directors. [102-35, 102-36, 102-37]



3. SECTION - HUMAN CAPITAL

LONG-TERM INCENTIVE PLAN (LTIP) [102-35]

LTIP PARTNERS

- > executives, critical specialists and talents are eligible (elected become permanent partners)
- > differential in the building of assets relevant to TOTVERS who become partners in the long term
- > generating a feeling of “ownership” and “protection” of TOTVERS with a high impact on the current business and on the Company's strategy/operation in the medium and long term
- > instrument for continuity and governance risk mitigation

LTIP EXECUTIVES

- > includes the CEO, VPs, directors and executive managers
- > an integral part of TOTVS' executive compensation (and in the market comparison)
- > instrument of long-term engagement and retention
- > creation of long-term value and consistent legacy for shareholders

LTIP HIGHLIGHTS OF THE YEAR

- > 1% to 3% of non-executive TOTVERS (managers, coordinators, specialists and analysts) who are considered as highlights of the year are appointed annually, based on performance evaluation
- > corresponding “deferred” compensation bonus in the year of receipt
- > instrument of recognition, motivation, differentiation and long-term retention
- > reinforcement of the culture of meritocracy, ARC concept and expected performance standards
- > ensure the internal processes of succession and innovation/operational efficiency generally led by these talents.



3. SECTION - HUMAN CAPITAL

COMPENSATION MODELS: ATTRACTIVENESS AND RESULT DRIVERS [102-35, 102-36, 102-37, 103-1, 103-2, 103-3]

Compensation Models	Targets and Metrics
Variable commercial and service compensation	Monthly and quarterly individual quantitative targets Stimulus to overcome sales and delivery challenges Recurrent net revenue: addition of ARR - Churn with greater focus on recurrent SaaS
Short-Term Incentive - PSP and bonus	Bi-annual model with annual recovery Company level: trigger in EBITDA + Recurring Revenue growth Area level: view of Contribution Margin + Recurring Revenue growth Individual level: Strategy map + specific projects
Long-Term Incentive Plan (LTIP) - Share-based compensation	The plan aims to recognize, engage and retain TOTVERS in the long term (3 years), reinforcing TOTVS' culture of meritocracy and valuing those who stand out not only for their delivery, but especially for the way they face day-to-day challenges Calibrated by 9Box: Result (50%) and Skills + Potential (50%)

The Human Relations and Compensation Policy, revised and published in 2020, aims to establish guidelines and responsibilities to be observed in TOTVS' people management process, at all stages of its People Management Cycle: Attraction, Development and Engagement, aligned with the attributes of Culture (#WEARETOTVERS) and observing the concept of meritocracy (ARCO - Attitude, Result and Consequence).

DIVERSITY AND EQUAL OPPORTUNITIES [103-1, 103-2, 103-3, 405-1, 405-2]

The diversity of each TOTVER is respected and valued, which is why actions are carried out aimed at the inclusion and equity of minority groups. In this sense, TOTVS does not tolerate discriminatory acts, whether due to race, culture, age, religion, gender, sexual orientation, gender identity, physical condition or any other nature.

In 2020, the indicator for the variation of employees by gender and position showed an average variation of 0.13% compared to 2019. Also, in 2020, the female audience grew by 14% against 7% for men.

Employees by position and gender in % [405-1]¹²

	2019			2020		
	Men	Women	Total	Men	Women	Total
Executive Directors and Managers	74%	26%	99	76%	24%	126
Managers	68%	32%	232	67%	33%	267
Coordinators	67%	33%	436	63%	37%	442
Specialists	77%	23%	766	77%	23%	939
Analysts	66%	34%	4,614	66%	34%	5,270
Technicians and Assistants	55%	45%	824	55%	45%	822
% por gênero	66%	34%	100%	66%	34%	100%
% by gender	4,622	2,349	6,971	5,219	2,647	7,866

¹ The totals above exclude Directors / Executives, Interns, Apprentices and Board of Directors members. 2. For the total number of active employees, all direct employees in the Brazil and International Market units were considered.

3. SECTION - HUMAN CAPITAL

Total number of men by position [405-1]

	2019	2020	Variation (%)
Executive Directors and Managers	73	96	0.33
Managers	158	179	0.13
Coordinators	291	280	-0.04
Specialists	592	721	0.21
Analysts	3,056	3,492	0.14
Technicians and Assistants	452	451	0.00
Total	4,622	5,219	0.13

¹ The total above exclude Directors / Executives, Interns, Apprentices and Board of Directors members. ² For the total number of active employees, all direct employees in the Brazil and International Market units were considered.

Total number of women by position [405-1]

	2019	2020	Variation (%)
Executive Directors and Managers	26	30	0.15
Managers	74	88	0.19
Coordinators	145	162	0.12
Specialists	174	218	0.25
Analysts	1,558	1,778	0.14
Technicians and Assistants	372	371	0.00
Total	2,349	2,647	0.13

¹ The totals above exclude Directors / Executives, Interns, Apprentices and Board of Directors members. ² For the total number of active employees, all direct employees in the Brazil and International Market units were considered.

Race and ethnicity of employees by gender and position (%) [405-1] ¹²

	2019		2020	
	Men	Women	Men	Women
Executive Directors and Managers	73.7%	26.3%	76.2%	23.8%
White	62.6%	25.3%	58.7%	19.8%
Black	1.0%	-	0.9%	-
Mixed-race	5.1%	-	4.8%	-
Yellow	1.0%	-	-	-
Indigenous	-	-	-	-
Not informed	4.0%	1.0%	11.9%	3.9%

Managers	68.1%	31.9%	67.0%	33.0%
White	51.7%	28.4%	51.3%	25.8%
Black	0.9%	-	0.4%	-
Mixed-race	10.3%	2.2%	9.4%	2.6%
Yellow	1.7%	-	1.1%	-
Indigenous	0.0%	0.4%	-	0.7%
Not informed	3.4%	0.9%	4.9%	3.7%

Coordinators	66.7%	33.3%	63.3%	36.7%
White	52.5%	27.5%	48.4%	28.7%
Black	1.6%	0.5%	1.4%	0.9%
Mixed-race	8.5%	3.4%	8.4%	3.6%
Yellow	0.7%	-	0.2%	-
Indigenous	0.2%	-	-	-
Not informed	3.2%	1.8%	5.0%	3.4%

	2019		2020	
	Men	Women	Men	Women
Specialists	77.3%	22.7%	76.8%	23.2%
White	56.7%	18.3%	56.7%	19.2%
Black	1.8%	0.8%	1.6%	0.6%
Mixed-race	14.9%	2.5%	14.7%	2.8%
Yellow	1.2%	0.1%	0.9%	0.3%
Indigenous	0.1%	-	0.2%	-
Not informed	2.6%	1.0%	2.7%	0.3%

Analysts	66.2%	33.8%	66.2%	33.8%
White	44.4%	24.4%	44.8%	23.3%
Black	2.8%	1.1%	3.0%	1.2%
Mixed-race	15.4%	6.4%	14.2%	6.1%
Yellow	0.6%	0.5%	0.6%	0.4%
Indigenous	0.2%	0.2%	0.1%	0.1%
Not informed	2.9%	1.3%	3.5%	2.7%

Techs. and Asst.	54.9%	45.1%	54.9%	45.1%
White	34.7%	44.8%	36.3%	27.6%
Black	3.4%	2.8%	2.9%	2.7%
Mixed-race	15.7%	12.0%	13.7%	10.9%
Yellow	0.4%	0.2%	0.4%	0.5%
Indigenous	-	0.4%	-	0.4%
Not informed	0.7%	1.6%	1.6%	3.0%

Total employees	66%	34%	66%	34%
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¹ The totals above exclude Directors / Executives, Interns, Apprentices and Board of Directors members.

² For the total number of active employees, all direct employees in the Brazil and International Market units were considered.

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Proportion of employees with disabilities by position in % [405-1] ¹²						
	2019			2020		
	Men	Women	Total	Men	Women	Total
Executive Directors and Managers	1.0%	-	1.0%	0.8%	-	0.8%
Managers	-	0.4%	0.4%	-	0.4%	0.4%
Coordinators	-	0.2%	0.2%	-	0.2%	0.2%
Specialists	0.8%	0.5%	1.3%	0.9%	0.4%	1.3%
Analysts	1.2%	0.3%	1.5%	1.2%	0.4%	1.6%
Technicians and Assistants	13.2%	10.4%	23.7%	13.1%	10.6%	23.7%
% by gender	2.5%	1.5%	4.0%	2.3%	1.5%	3.8%
Total employees	6,971			7,866		

¹ The totals above exclude Directors / Executives, Interns, Apprentices and Board of Directors members. ² For the total number of active employees, all direct employees in the Brazil and International Market units were considered. To calculate the percentages, the total number of employees in Brazil was 6,971 for 2019 and 7,864 for 2020, respectively.

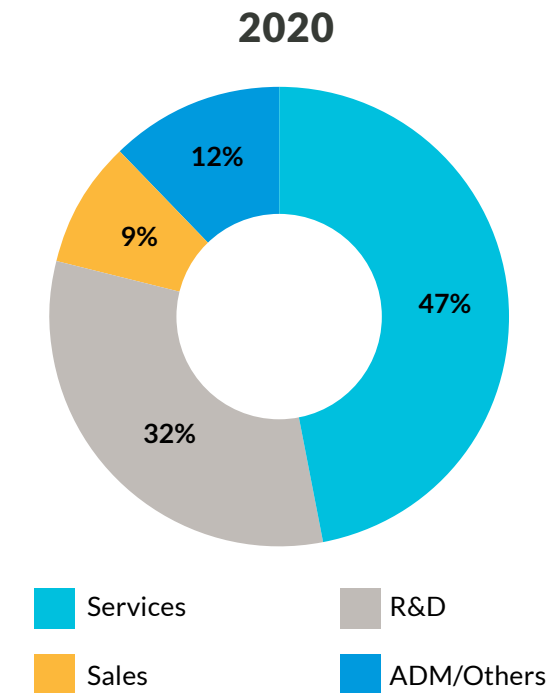


Employees by age and gender ¹²	2019			2020		
	Under 30 years old	30 - 50 years old	Over 50 years old	Under 30 years old	30 - 50 years old	Over 50 years old
Executive Directors and Managers	1.01%	86.87%	12.12%	-	85.83%	14.17%
Men	-	84.93%	15.07%	-	85.57%	14.43%
Women	3.85%	92.31%	3.85%	-	86.67%	13.33%
Managers	5.17%	86.64%	8.19%	3.00%	87.64%	9.36%
Men	6.33%	83.54%	10.13%	2.79%	86.03%	11.17%
Women	2.70%	93.24%	4.05%	3.41%	90.91%	5.68%
Coordinators	5.05%	88.76%	6.19%	3.17%	90.27%	6.56%
Men	5.50%	89.00%	5.50%	3.57%	91.43%	5.00%
Women	4.14%	88.28%	7.59%	2.47%	88.27%	9.26%
Specialists	4.05%	80.16%	15.80%	2.57%	81.93%	15.51%
Men	4.22%	79.39%	16.39%	2.65%	82.29%	15.06%
Women	3.45%	82.76%	13.79%	2.29%	80.73%	16.97%
Analysts	28.76%	66.84%	4.40%	28.76%	66.89%	4.34%
Men	30.04%	65.45%	4,52%	30.36%	65.18%	4.47%
Women	26.25%	69.58%	4.17%	25.63%	70.26%	4.10%
Technicians and Assistants	68.08%	30.22%	1.70%	64.96%	32.85%	2.19%
Men	71.02%	26.77%	2.21%	66.74%	30.60%	2.66%
Women	64.52%	34.41%	1.08%	62.80%	35.58%	1.62%
Employees by age (%)	28.03%	66.29%	5.68%	26.65%	67.45%	5.90%
Total employees	6,971			7,866		

¹ The totals above exclude Directors / Executives, Interns, Apprentices and Board of Directors members. ² For the total number of active employees, all direct employees in the Brazil and International Market units were considered.

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Employees by activities performed (%) [405-1]



¹ For the compilation of this indicator, all direct employees of the Brazil and International Market units were considered.

TURNOVER [401-1]

In 2020, the pandemic scenario demanded adaptations in the ways of working, requiring flexibility in this new moment. With this in mind, TOTVS adopted the remote work model, in order to promote focus on quality of life, outside the office, and to reframe TOTVER's experience in its work activities.

Relevant data:

- /// **Talent retention:** 94.4% of talent retention in 2020 versus 89.5% in 2019;
- /// **Dismissals:** Reduction of 24.6 p.p. compared to 2019 and 2.7 p.p. below the High Tech market;
- /// **Hiring:** 1,248 positions filled in 2020, 19% through internal recruitment; and
- /// **Ownership:** 479 TOTVERS awarded with TOTVS shares, through the Long-Term Incentive Plan, with 95% retention of this audience. [401-1]

Turnover by gender [401-1]¹

Turnover rate	2019	2020
Male	13.85%	11.50%
Female	6.99%	5.04%
Total	20.84%	16.54%

¹ The totals above exclude Directors / Executives, Interns, Apprentices and Board of Directors members.

Turnover by age group [401-1]¹

Turnover rate	2019	2020
Under 30 years old	8.93%	6.06%
31 - 50 years old	10.95%	9.64%
Over 50 years old	0.95%	0.85%

¹ The percentages exclude Directors / Executives, Interns, Apprentices and Board of Directors members.

Hiring and turnover by region [401-1]¹

Turnover rate	2019	2020
South region	3.40%	3.12%
Southeast region	15.24%	12.00%
Midwest region	0.95%	0.62%
Northeast region	0.33%	0.19%
North region	0.26%	0.11%
International market	0.66%	0.50%

¹ The totals above exclude Directors / Executives, Interns, Apprentices and Board of Directors members.

Part of the year-on-year turnover rate decrease is explained by the slowdown in hiring and dismissals during the most critical period of the pandemic (march to july 2020), when the high-tech market retracted as a whole. However, according to adjusted projections and not taking into account pandemic effects, TOTVS rates are still lower than the average for companies in the sector, thus reinforcing the work performed by the HR and Business areas in the strategy of retaining and reducing dismissal, especially of talent. [401-1]

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TALENT RETENTION AND CONTINUING TRAINING [401-1, 404-2]

Retaining talent in a software development Company inevitably leads us to the challenge of training and professional development. It is also important to remember that the high turnover rate in the sector results from the intense dynamism of activities and projects in this segment, combined with the low availability of professionals in relation to market demand. As a result, we are committed to career development and, for this reason, we constantly practice and encourage the improvement of skills, the identification of excellence, relationships and diverse recruitment.

In an unusual year of pandemic, where we practiced 100% remote work in our units, we hired 1,248 people. We recorded a turnover rate of 16.54%, 4.3% lower than the previous year (20.84%). Internal mobility is also an important talent retention mechanism. About 19% of the job positions offered in 2020 were filled internally. [401-1, 404-2]

QUALITY EDUCATION
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



PERFORMANCE EVALUATION, TRAINING AND QUALIFICATION [103-1, 103-2, 103-3 404-1, 404-2]

Online qualification and training reached expressive numbers. We offered around 190,000 hours of training with more than 5,000 learning topics, benefiting 8,041 different TOTVERS. Based on constant collaboration and learning, we continue to invest in TOTVS Network University, driven by our knowledge and technology DNA, through a platform with copyrighted videos for sharing. Also, we make brand activation on LinkedIn, a professional relationship platform, in addition to promoting our participation in tech events, live streams on careers at the Company, among other meetings with professionals in the sector. [404-1]

TOTVS NETWORK UNIVERSITY [404-1, 404-2]

A collaborative platform, where the TOTVER learns, teaches and enhances its professional development, based on the binomial “Technology + Knowledge are our DNA”. With a collaborative spirit, TOTVERS can also be teachers, which promotes sharing, innovation and constant evolution for all.

We continue to develop our TOTVS Network University with more than 5,000 contents, more than 30,000 free online training vacancies, 190,000 hours of free online courses held in 2020, thus contributing to the qualification of TOTVERS, the market and of our customers, which reinforces the strong engagement and connection of our ecosystem with our employer brand. The contents range from topics related to soft skills to more technical subjects in areas such as UX, technology,



programming, sales and much more. In total, more than 8,041 TOTVERS were trained. We are by far the largest collaborative network technology organization.

TRAINING [103-1, 103-2, 103-3, 404-1]

The average hours of training per employee in 2020 was 23.5. In turn, the average number of hours between men and women was 24.6 and 18.3, totaling 138.5 thousand and 50.8 thousand hours, respectively. The total hours include qualifications, internal training and content delivered on the online platform.

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Average hours of training per year, per employee and gender ¹² (404-1)						
Year	2018		2019		2020 ³	
Gender	Total hours	Hours per employee	Total hours	Hours per employee	Total hours	Hours per employee
Men	64,836	20.9	108,487	19.2	138,505	24.6
Women	29,071	16.2	49,151	16.8	50,863	18.3
Total	93,907	19.2	157,638	18.4	189,368	23.5

¹ Third parties are not considered in this indicator. ² All owned and acquired units were considered until Dec/2020. ³ All owned and acquired units were considered until Dec/2020.

There was an increase of approximately 20% in total hours per employee compared to 2019 due to new content available on the online platform, such as videos, learning pathways and podcasts.



Average hours of training per year, per employee and functional category in 2020 (404-1)			
Functional Category		Hours	Hours per employee
Executive Directors and Managers	Total	666	6.1
	Men	498	5.9
	Women	168	6.7
Managers	Total	3,166	13.5
	Men	1,867	11.8
	Women	1,299	17.0
Coordinators	Total	15,917	27.1
	Men	12,064	33.1
	Women	3,853	17.2
Specialists	Total	22,083	22.2
	Men	18,474	24.1
	Women	3,609	15.7
Analysts	Total	125,084	22.9
	Men	92,694	25.2
	Women	32,390	18.3
Technicians and Assistants	Total	21,143	21.3
	Men	11,718	21.3
	Women	9,425	21.2
Apprentice and Interns	Total	1,309	27.8
	Men	1,190	39.6
	Women	119	7
TOTAL ³		189,368	19.31

¹ Third parties are not considered in this indicator. ² The total number of TOTVERS trained on a monthly basis is controlled through the online training platform, with monthly extraction of reports and monitoring of hours and number of courses completed. For this number, we consider active and inactive Totvers in that year. For subsidy, we consider the total amount invested in the year, and the number of approved scholarships / Totvers awarded in the year. ³ All owned and acquired units were considered until Dec/2020. [103]

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INVESTING IN COURSES [404-2]

Investments in training include scholarships granted for Undergraduate, Graduate/MBA, Master's, Doctorate and Language courses, as well as formal and informal training actions aimed at improving TOTVERS' skills.

In 2020, due to the pandemic scenario, we had a reduction in the amount invested in training / subsidy, but we increased the offer of content at the Network University, a new model adopted by TOTVS University in 2020. In this format, TOTVERS themselves produce content (in videos or media) and share it on the platform, so that any TOTVERS can access and train. This model is consolidated in 2021 and brings even more content and news this year.

Amount invested (R\$) [404-2]

	2018	2019	2020 ²
Qualifications	R\$4,771	R\$4,090	R\$2,815
Scholarships awarded ¹	R\$1,131	R\$1,061	R\$722

¹ Undergraduate, Graduate, MBA, Master's, Doctorate, Language and Intensive course scholarships are considered. ² For this indicator, all units owned and acquired until Dec/2020 were considered.

PERFORMANCE EVALUATION [404-3]

TOTVS annually assesses the performance of its employees in order to develop individual and team skills in line with the Company's expectations. Such assessments allow TOTVS to assess the potential of its human capital in the short, medium and long term. In addition, the results obtained indicate which people need support and training, as well as potential professionals for promotion. On the other hand, the employee can perform self-assessment, identifying their strengths and weaknesses, self-criticism and improvement in their performance. The indicator on performance evaluation and career development is managed by the TOTVS Performance team, which is responsible for the organizational development and is linked to the Company's Human Relations department. This metric is a tool for TOTVS to plan training and organizational development programs, encourage the construction of individual development plans for employees, recognition programs, among others.

PERFORMANCE EVALUATION CYCLE [404-3]

The performance evaluation cycle is a continuous and transparent process, which promotes meritocracy through the recognition of differentiated behaviors and deliveries. It is based on the concept of ARCO - Attitude, Result and Consequence (see figure below), at all stages of the cycle, supporting the practice of management by meritocracy, which aims to evaluate, reward and celebrate differentiated deliveries. The meritocracy cycle follows a calendar and formal feedback steps and guides the construction of the individual development plan, validation of successors and the contracting of bi-annual goals aligned with the Company's strategy.



Figure: People Management Cycle - ARCO



Figure: Meritocracy Cycle Schedule

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Management by meritocracy is translated into a development program, recognition programs, salary actions, promotions, observation and support for performance recovery, as well as an exit strategy.

Performance evaluation is an ongoing process of identifying and developing TOTVERS' performance. It is carried out annually using the 9Box methodology (Nine Box Matrix), used to demonstrate the relation between the results achieved, the individual's potential and skills. The result and adherence to human competences are analyzed on a Cartesian plane, aligned with the potential, thus composing the performance evaluation. This action promotes meritocracy and the development of teams through feedback conversations and also enables the succession design.

Percentage of total employees submitted to performance evaluation and career development (%) [404-3]

	2019		2020	
	Men	Women	Men	Women
Total employees	5,892	3,065	5,216	2,648
Percentage of total employees submitted to performance evaluation and career development	7,866	2,561	4,724	2,372
% by gender	83%	84%	91%	90%
% leadership positions	85%	89%	93%	91%
% other positions	82%	83%	90%	89%
% Total	83%		90%	

¹ Consolidated data for the years 2019 and 2020 considers all units in Brazil, Argentina, Colombia, Mexico and the United States and does not include franchises. ² For the "leadership" functional category are considered leading analysts, coordinators, managers, executive managers, directors, and vice presidents. For "non-leaders", they are considered apprentices, interns, assistants, technicians, analysts and specialists.

In 2020, TOTVS evaluated 90% of the total of 7,866 employees. From this percentage of TOTVERS evaluated, 90% of men and 89% of women engaged in the evaluation. It is worth remembering that the evaluation process also provides for self-assessment by the employee, including to be eligible for salary actions.



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WE ARE TOTVERS WITH PRIDE

Even in a pandemic context, in which, since February 2020, many work positions were eliminated, salaries were reduced and employment contracts were suspended, TOTVS maintained its workforce, without applying any salary reduction, not even suspension of any employment contracts due to the pandemic. This action, in line with our cultural principle “We Value Good Professionals who are Good People”, guarantees the tranquility of employees and reinforces the Company's commitment to regional economic development.

TOTVS has always been made of people and by people, in the best sense. Today, we have 7,800 TOTVERS of 27 nationalities, in seven different countries. Of this total, 250 are located outside Brazil, and our internal audience has grown along with the Company's expansion process.

This growth is not only related to the hiring of people - 1,248 job positions were filled in 2020 -, but also to eNPS (Employee Net Promoter Score), a marketing metric and tool adapted and incorporated by HR to measure the level of employee satisfaction, which appoints to how committed they feel to recommend the Company to other employers and people in their personal, social and professional relationship circle. We increased 30 points in the eNPS compared to 2019, which reflects the strength of our employer brand and the high level of engagement of our TOTVERS with the brand.

Among the challenges in people management, we highlight the progress in the talent retention rate, 94.4% compared to 89.5% in 2019.

In terms of attrition, when comparing the sum of total dismissals to the average of assets, the Company recorded a reduction of 24.6 percentage points (p.p.) compared to 2019, and 2.7 p.p. below the high-tech market.

It is also worth noting that 479 TOTVERS were awarded Company shares through the Long-Term Incentive Plan, and 95% of this group were retained in our staff.

3. SECTION - HUMAN CAPITAL

DIVERSITY AND INCLUSION [103-1, 103-2, 103-3, 202-2]

The word TOTVS comes from Latin and means EVERYTHING, EVERYONE, TOTALITY. This is TOTVS. Being a company of all people means, for us, being open to diversity, in all its forms, valuing people who, day by day, create and recreate successful paths based on their stories and perceptions of the world.

The importance of diversity and inclusion (D&I) led the Company to build a program based on this value, divided into four pillars: gender, LGBTI+, people with disabilities, race and ethnicity. This program was officially launched in march 2020, after conducting a survey in our internal audience. 57% of TOTVERS participated of this research, on a confidential and voluntary basis, of which 90% said they believe it is very important that TOTVS have actions directed towards this theme.



90%

believe that it is very important for TOTVS to work on the theme of diversity and inclusion

57%

of TOTVERS participated

78%

78% said that having diversity and inclusion actions in the Company increases their pride on working at TOTVS

#ELASNATOTVS

Designed to strengthen the Gender pillar, the livestreams featured chats about women's empowerment centered on three categories.

Women Who DO month, with a lecture on:

- Unconscious Gender Bias

Women Who CARE month, with lectures on:

- Women and mental health in pandemic times
- Self-confidence to lead the world
- The challenges of working from home and the multiple journeys

Women Who TRANSFORM month, with lectures on:

- The story behind inspiring projects
- Why do we need to talk about gender equality?
- How to surmount self-sabotage and accelerate your career?
- Inspiration through representation

D&I Talks

To foster dialogue and reflection among TOTVERS on the other pillars of the Diversity & Inclusion Program, TOTVS also organized, over the course of 2020, internal panels dedicated to topics such as:

- What is the autism spectrum disorder and the context of autistic professionals in technology
- LGBTI+ The importance of information and visibility
- Why do we need to talk about racism?
- Why do we need to talk about the role of black women in society?
- Struggles and achievements of the Deaf community in society
- Social Impact and Anti-racism: how am I part of this change?
- Inclusion of Professionals with Disabilities in the workplace
- The importance of actions to foster gender equality in companies



16 Livestreams held



1.300 participants



76% women

The initiative is very important for bringing the perspective of outside references on the topics, while also contextualizing them within our company's day-to-day activities from the viewpoint of TOTVERS. "I was honored to be invited and to be able to talk about some of my experiences and hopefully to inspire others not to give up on their goals, especially their professional ones." – Guest on the livestream "Social Impact and Anti-racism: how am I part of this change?"

AMONG THE INITIATIVES THROUGHOUT THE YEAR ARE:

- /// Inclusive Recruitment and Selection Guide
- /// Live sessions #ELASNATOTVS (#WOMENATTOTVS) and D&I TALKS
- /// TOTVS Network University – Learning Pathways
- /// Inclusion of parameters on diversity and inclusion in the Code of Ethics and Conduct
- /// Guide to Best Practices for Home Office PWD Managers
- /// TOTVS Tech Week

3. SECTION - HUMAN CAPITAL

5 GENDER EQUALITY

Achieve gender equality and empower all women and girls



TOTVS adhered to the Women's Empowerment Principles (WEPs), created by UN Women and the Global Compact. They represent seven steps that Companies must follow to incorporate values and practices aimed at gender equity and women's empowerment in their business. To enhance growth of women's participation in the company's technology areas, we founded #ELASNATOTVS (#WOMENATTOTVS), a name chosen through internal voting for the gender pillar of our Diversity and Inclusion Program.

#ELASNATOTVS promoted chats in live session formats, divided into three categories: women who do, women who care and women who transform. There were 16 sessions, which brought together 1,300 participants, 76% of them women.

We create D&I video content on our education platform, TOTVS Network University, providing materials on the importance of diversity in the Company, female leadership in times of uncertainty, inclusive culture and representation, and unconscious biases. They all contain learning pathways in a collection with 5,400 items, which also includes topics such as soft skills and more technical subjects such as UX. In a video format, the materials enables TOTVERS to learn, teach and enhance their professional development.

Within the scope of the Diversity and Inclusion Program, TOTVS incorporated into its Code of Ethics and Conduct (CODEC) specific content on diversity and inclusion and revalidated the Operational Standard for Recruitment and Selection, including the topic with parameters that correspond to the levels of governance desired by the Company and that promote the real application of D&I principles in their daily lives.

In addition, TOTVS has developed a Good Practice Guide for Managers of People with Disabilities (PWDs) in Home Office, which lists a series of guidelines - from what it is to be a person with a disability to valuable tips on how to support the work and the development of TOTVERS with disabilities.

Finally, we held the TOTVS Tech Week event, 100% online, with 50% of female speakers. With 12 hours of free sessions and 2,500 subscribers, TOTVERS shared with the community of developers in 10 webinars and workshops how the main technologies of TOTVS are developed and applied, in addition to addressing topics about IT careers.



3. SECTION - HUMAN CAPITAL

HEALTH, WELFARE AND SAFETY [103-1, 103-2, 103-3, 401-3, 403-9, 403-10]

The year 2020 was, in fact, unusual. The world was profoundly affected by the humanitarian, social and economic crisis triggered by an invisible enemy, the new Coronavirus, which forced us to change and rethink the way we do everything; it was a moment of important reflections, many lessons to learn and relevant transformations in work relations and social interaction, in which, more than ever, technology played a key role, enabling the connection of business and people upon the necessary social distancing. For TOTVS it was no different.

During this period, we remained solidary in the fight against Covid-19 and, as always, we remain determined and united, tirelessly supporting our ecosystem, companies and people for the development of Brazil. We created a Crisis Committee and our Board of Directors remained available, holding regular meetings, discussing situations related to our operation and deliberating the necessary measures in all spheres.

Among the actions, we have adopted preventive and mitigation measures, in line with the guidelines of the health authorities, ensuring the safety of our TOTVERS with the following actions:

- remote work practice in all our units
- suspension of international travels and restriction of national ones
- exclusive health plan call center service (24-hour service)
- no dismissals due to the pandemic, layoffs nor reduction of wages / salaries and working hours
- guaranteeing the continuity of our operations with the maintenance of services and support service to our customers
- availability of an online page with the pandemic development
- actions taken for products and services to adapt to the scenario, such as changes in tax and labor obligations, for example
- collaborative and non-profit sector project “All Together”, based on an application that allows you to certify, in partnership with clinical analysis laboratories, whether employees are able to return to the workplace in a safe and organized manner
- creation of a Minimum Return to Activities Protocol by the Brazilian Association of Information and Communication Technology Companies (BRASSCOM)

Also, our well-being, health and safety policies, with prevention of accidents at work and occupational health, continued in force more than ever and properly supervised.

PARENTAL LEAVE [401-3]

TOTVS participates of the federal government's Empresa Cidadã Program, which offers 20-day paternity leave (starting on the first business day of the baby's birth) and also provides for the extension of paternity leave for up to 120 days (in the case of unilateral custody of the child for adoption purposes) and 180 days of maternity leave.

All employees who returned to work after parental leave in 2020 remained employed. [401-3]

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Parental Leave [401-3]			
Return to work and retention rates after maternity/paternity leave, by gender in 2020	Gender	2019	2020
Total employees on parental leave	Men	120	159
	Women	125	144
Total employees who returned from parental leave	Men	120	159
	Women	125	144
Total employees who returned to work after the maternity/ paternity leave and remained employed 12 months after their return	Men	109	131
	Women	104	122
Retention rate of employees who returned to work after the end of leave (%)	Men	100%	100%
	Women	100%	100%
Retention rate of employees who returned to work after 12 months (%)	Men	91%	82%
	Women	83%	84%

¹ The asset base of December of each year was considered to define the total number of employees who were entitled to take leave in 2019 and 2020. The maternity and paternity leave extension program began in the Q1 2019, which justifies the lower number of beneficiaries in 2019.

² In 2019, the following companies were included in the program: Bematech Hardware Companies, TTS LTDA, TFS SP, POA and Belém branches, TOTVS Brasília, TOTVS Hospitality, TOTVS Large, TOTVS Reservas and TOTVS SA São Paulo, Assis, Belo Horizonte, Brasília, Campinas, Caxias, Cianorte, Joinville, Macaé, Recife, Rio de Janeiro and Porto Alegre branches. ³ In 2020, the following companies were included in the program: TTS LTDA, TFS SP, POA and Belém branches, TOTVS Brasília, TOTVS Hospitality, TOTVS Large, TOTVS Reservas, Neolog and TOTVS SA São Paulo, Assis, Belo Horizonte, Brasília, Campinas, Caxias, Cianorte, Joinville, Macaé, Recife, Rio de Janeiro and Porto Alegre branches. ⁴ The companies CONSINCO S/A, SUPPLIER S/A and WEALTH SYSTEMS were not included in the program in 2020.

WORK ACCIDENTS [403-9]

Indicators relating to health and safety are monitored by the SESMT(Serviços Especializados em Engenharia de Segurança e em Medicina do Trabalho, in english “Specialized Service in Safety Engineering and Occupational Medicine”) area, in order to meet the legal requirements pertaining to Brazilian labor and social security legislation.

Work Accidents [403-9] ¹			
Year	2018	2019	2020
Total hours worked	18,571,200	17,536,800	18,134,400
Total days lost ²	175	58	15
Absence rate (%) ²	0.094	0.033	0.008

¹For this indicator, all owned and acquired units were considered until Dec/2020 (Wealth Systems, Consinco, Neolog, Supplier and RJ). ² To calculate the total number of days lost and the absence rate, only the number of accidents was considered.

In 2020, due to the Covid-19 scenario, restrictive measures were adopted for commercial and service activities in Brazilian cities and in the world, as protective measures to fight the pandemic and reduce cases of the disease. In addition, in order to increase social isolation rates, home office was adopted for administrative activities and offices in general (remote work) to reduce urban circulation. For this reason, cases of work-related accidents and illnesses decreased. There was also a 3.41% increase in hours worked compared to 2019 due to the increase of the number of employees from all units acquired in 2020. [403-9]

3. SECTION - HUMAN CAPITAL

OCCUPATIONAL HEALTH [403-10]

The work environment quality is essential for employees to be more willing to perform their duties. In this regard, through +Saudáveis (+Healthier) program, TOTVERS are instructed on the workplace organization, well-being, as well as health tips to prevent diseases. To fight absenteeism related to occupational diseases, TOTVS promotes the encouragement of physical activity and posture care with the “postural blitz”.

Occupational health indicators are also monitored by SESMT (“Specialized Service in Safety Engineering and Occupational Medicine”) with a view to promoting the health and well-being of employees, adopting measures and ergonomically adapting work environments, avoiding injuries and days lost due to absences.

In 2020, there were no cases of occupational diseases or cases requiring mandatory reporting. In addition, there was no rate of absence and lost days. [403-10]

Occupational Diseases [403-10] ¹²³			
Year	2018	2019	2020
Total cases of occupational diseases	1	1	0
Total mandatory reporting cases	1	1	0
Total days lost (Sick notes) ⁴	60	45	0
Absence rate - days lost (%) ⁴	0.000323	0.000257	0

¹ For this indicator, all units owned and acquired were considered until Dec/2020. ² There were no cases of deaths in the period covered by the report; ³ Currently, information about third parties is not monitored. ⁴ To calculate the total number of days lost and the absence rate, only the number of occupational diseases was considered.

+HEALTHIER Program

- /// Face mask + hand sanitizer gel kit distribution
- /// Quick return to office instruction guide
- /// Flu vaccination campaign, via drive-thru, with immunization of more than 5,000 TOTVERS
- /// Launch of the discount platform for products and services
- /// Live sessions on mental health in the home office and the “new normal”
- /// Course for pregnant women
- /// +Cuidado (+Care) personal support program actions in thematic months (yellow September, pink October and blue November) for TOTVERS and family members
- /// Wellness Week (lectures and self-care activities)
- /// Vida Leve (Light Life) Nutrition Program
- /// Health management, care and monitoring

3. SECTION - HUMAN CAPITAL

BENEFIT PLANS [201- 3]

TOTVS offers two types of pension plans:

- **PGBL (Free Benefit Generating Plan):** The PGBL (Plano Gerador de Benefício Livre) plan, in english “Free Benefit Generating Plan”, is suitable for those who file income tax in the full model, due to the tax incentive up to 12% of taxable gross income. Another feature of the PGBL plan is that taxation is levied on the total amount (contributions + earnings), upon redemption or receipt of income. Contributions made by TOTVS, on behalf of the participant, will always be credited to the PGBL plan.

- **VGBL (Free Benefit Generating Life):** The VGBL (Vida Gerador de Benefício Livre) plan, in English “Free Benefit Generating Life” is suitable for those who file income tax through the simplified model, as it has no tax incentive. Another characteristic of the VGBL plan is that taxation is only levied on income at the time of redemption or receipt of income.

The private pension program offered by TOTVS offers a basic monthly contribution with a counterpart of 100% of the company, as follows:

- **GROUP I** - President, Vice Presidents and Directors: 2% to 5% contribution on the gross fixed salary, defined by TOTVER (not applicable to the 13th month salary);
- **GROUP II** - Other positions: 2% contribution on the gross fixed salary, defined by TOTVER (not levied on the 13th month salary);



- **Voluntary contribution without interference from TOTVS:**

- > **Monthly** - TOTVERS monthly pay a basic contribution and may also make up to 10% voluntary contributions on their gross base salary, with minimum amount of thirty reais (R\$30.00); and
- > **Sporadic** - TOTVERS monthly pay a basic contribution and may also make contributions in the minimum amount of fifty reais (R\$50.00).

Adherence to the pension plan is voluntary, however, TOTVS recommends TOTVERS to join, thus ensuring future benefits at the time of retirement.

In addition, there is no difference in the participation of units, salaries, positions, region and/or time with the company in relation to the plans, except for the group formed by the Company's presidency, vice-presidency and directors.

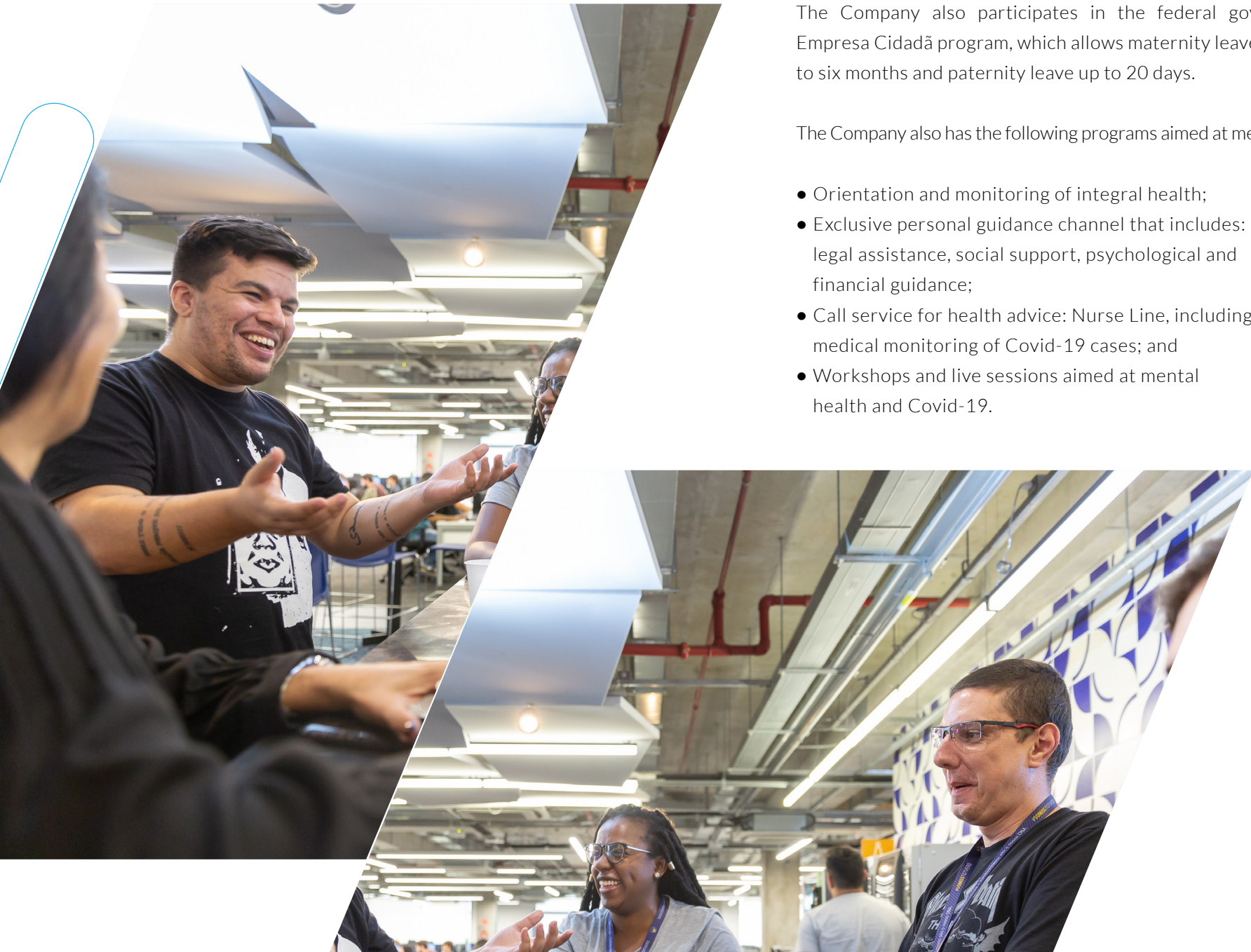
STANDARD BENEFITS [401- 2]

The benefits offered by TOTVS cover 100% of its employees, in addition to other initiatives aimed at quality of life, such as:

- > Medical and dental assistance to TOTVERS and their family dependents
- > Internal Medical Support;
- > Chronic Disease Monitoring;
- > Hospitalization Monitoring;
- > Monitoring and Nutritional Incentive;
- > Vaccination Campaigns;
- > Physical Activity Incentive Group;
- > 24-hour Emergency Service Channels;
- > Digital Health Information Channel;
- > Amor de Mãe (Mother's Love): support and health guidelines for pregnant women from early pregnancy to the baby's first year;
- > +Saudáveis (+Healthier) Life Balance Program - emphasizes the Company's commitment to the health and well-being of TOTVERS, and is divided into three pillars:



3. SECTION - HUMAN CAPITAL



The Company also participates in the federal government's Empresa Cidadã program, which allows maternity leave extension to six months and paternity leave up to 20 days.

The Company also has the following programs aimed at mental health:

- Orientation and monitoring of integral health;
- Exclusive personal guidance channel that includes: legal assistance, social support, psychological and financial guidance;
- Call service for health advice: Nurse Line, including medical monitoring of Covid-19 cases; and
- Workshops and live sessions aimed at mental health and Covid-19.

ENGAGEMENT SURVEY [102-43]

The last engagement survey raised important data on the evolution of the Company's journey, which measures the level of satisfaction and loyalty of employees. This advance is the result of concrete actions the Company has taken in order to increasingly make TOTVS a good place to work, for everyone.

Highlights from the latest engagement survey edition:

- 96% believe in TOTVS' potential and future (versus 92% in 2019)
- 93% are proud to work for the Company (versus 88% in 2019)
- 90% say their leaders give them autonomy (versus 82% in 2019)
- 71% have a feeling of well-being in relation to the period in which we live (versus 78.8% in 2019)
- 73% agree that TOTVS offers different forms of career development (versus 63% in 2019)
- 73% believe they are recognized for their results and have opportunities for evolution at TOTVS (versus 59% in 2019)

The survey pointed out that the issue of emotional health in times of pandemic affects us all, not just in the workplace. It is important to note that the Company has made recurring investments in professional development, as well as in recognizing the commitment of TOTVERS.



4. SECTION - INTELLECTUAL CAPITAL

RESEARCH & DEVELOPMENT

R&D Centers

UX Lab

TOTVS Labs

OPEN INNOVATION

iDEXO

4. SECTION - INTELLECTUAL CAPITAL

Intellectual capital is constituted by intangible organizational aspects, based on knowledge, such as patents, copyrights, software, brands, rights and licenses, and by “organizational capital”, that is, tacit knowledge, systems, procedures and protocols.

As TOTVS' core business is technology, our teams are constantly challenged to develop agile solutions, solve problems and offer the best options. Innovation is our ongoing commitment, as it is meeting market demand for the best software and services. The focus of our Research & Development (R&D) department, research centers, innovation laboratories, user experience laboratories, and the Exponential Ideas Institute is the development of cutting-edge software and services. In line with our core business, we have invested over R\$1.9 billion in R&D over the last five years.

In 2020, Research & Development (R&D) expenses represented 21.9% of Recurring Revenue, compared to 23.0% in 2019, which confirms the gains in scale and efficiency, as a result of the increasingly intense use of insights raised by the analysis of our solutions' telemetry, allowing a quick reallocation of

resources to seize opportunities and continuous investment in innovation, breadth, quality and digitization of our portfolio. In this context, some of the projects developed throughout 2020, with clear prospects for return in the medium/long term, met the capitalization criteria and totaled R\$18.9 million.

In Q4 2020, R&D expenses increased 4.7% compared to the last quarter, especially due to the collective agreements in the regions of Joinville and Porto Alegre, as well as the expansion of investments in R&D to implement the strategy of developing an ecosystem based on 3 business dimensions (Management, Techfin and Business Performance). Compared to Q4 2019, R&D expenses increased 5.2%, mostly due to the consolidation of the results of Consinco and Wealth Systems throughout 2020.

The Company invests in the development of new products, aiming to enter new markets. To identify which products should be developed, TOTVS conducts constant surveys to identify which business segments need specific solutions and, therefore, the development of solutions focused on these segments. The survey also aims to analyze, in line with the sales channels, which would be the business opportunities to be explored -, anticipating solutions, conquering new frontiers and meeting all customer needs.

9 **INDUSTRY, INNOVATION AND INFRASTRUCTURE**
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



4. SECTION - INTELLECTUAL CAPITAL

RESEARCH & DEVELOPMENT

R&D GOALS [102-12, 102-13, 103-1, 103-2, 103-3, 203-1]

- /// Better software and lighter, more flexible and scalable solutions;
- /// New technologies and impact assessment;
- /// Protection and security technologies for products and operations;
- /// Creation of a development ecosystem based on TOTVS tools;
- /// Improved concepts, functionality and uses of software products;
- /// Third-party tools integrated;
- /// New organizational models and new applicability;
- /// Encouraging and strengthening of open innovation.

R&D CENTERS

Our Research & Development (R&D) centers are specialized in the Company's 12 strategic operating segments. They are distributed in Brazil, Mexico and United States, exploring the technological potential, including regional ones, identifying the economic vocation and the offer of local qualified human capital, generating opportunities and socioeconomic development. The centers bring together professionals specialized in product and development, support, service and relationship, services

(implementation) and design & interface, to meet the specific demands and challenges of each segment.

UX LAB

In the TOTVS User Experience Laboratory (UX LAB), designers and researchers are dedicated to exploring opportunities for innovation, market trends and improving the experience of using the Company's solutions and services, offered through constant research, validations with customers and collaboration. There, we use methodologies based on Design Thinking, which involve empathy, collaboration and creativity, aiming to discovering new solutions based on customer needs, constantly improving processes and reviewing product interfaces, as well as the unification of the identity and unique experience of its solutions and the dissemination of the Design culture to TOTVS employees and customers.

INSTITUTE OF EXPONENTIAL IDEAS (IDEXO)

Entrepreneurship and open innovation are iDEXO's ingredients to success, from which TOTVS believes in co-innovation between startups, entrepreneurs and developers. The Institute, which is non-profit and located at the Company's headquarters in São Paulo, aims to identify innovative ideas with the potential for adoption and exponential growth in the operations of TOTVS and its customers. It currently has more than 80 startups, covering the 12 segments in which the Company operates. In two years, more than 360 customers have had their business challenges solved by a startup supported by iDEXO. The connection with the startup ecosystem allows TOTVS to expand its portfolio

of solutions to customers and offer even more agility to their innovation process, reducing costs and increasing revenue generation.

USA TOTVS LABS

Innovation Center located in Raleigh (North Carolina, United States of America), close to the Research Triangle Park (RTP), the largest science research park in the USA, in a region with a thriving technological environment and great talent pool, TOTVS LABS is focused on creating disruptive solutions in line with the most modern trends in Big Data, Mobile, Social Media and Cloud technologies. It is also focus on identifying new business models and startups, establishing strategic partnerships and transmitting knowledge to the other business units of the Company.

The main technologies developed in this lab involve Artificial Intelligence, Computer Vision, Natural Language Processing, Distributed Computing, 3D Printer, Robotics, Virtual Reality, Augmented Reality and UX Design.

4. SECTION - INTELLECTUAL CAPITAL

AGILE DEVELOPMENT

Connected to the main global trends in software development, TOTVS has been significantly evolving in agile processes and tools, implementing the agile software development process in all segments of the Company and in the software development teams (Innovation, Maintenance and Testing) of TOTVS. This initiative was a game changer in the software development process as it radically transformed the way we thought and developed our products, raising important reflections not only on our processes, tools and technologies, but also on the people involved and their roles, which is now more integrated and be more decisive in the quality of the final product, regardless of their hierarchical level or role during the creative process. It is based on this principle that we integrate all the professionals from the Innovation, Maintenance and Testing teams throughout the entire process. In the agile model, with the integration of teams, we built a highly collaborative process with professionals with an interdisciplinary perspective, dedicated to developing the best solution, with greater freedom of creation.

Also, we started to plan more about what will be developed, which allows the product objectives to be better absorbed through deployment by the squads, generating a more consistent process, mitigating the risk of errors and product reworking and also ensuring higher quality and added-value deliveries to the end customer. We currently have approximately 185 squads. Over the years, TOTVS has consolidated its leadership position in the ERP software market in the medium and small business segments. Investments in research and development were essential for the Company to stand out from competitors by bringing innovative solutions in proprietary technology and providing added services.

R&D FACTS AND DATA

- /// More than R\$1.9 billion invested in R&D in the last 5 years
- /// 2,500 TOTVERS in the R&D structure in Brazil and in the International Market (32% of our human capital)
- /// Implementation of the Agile Software Development Model, unifying and integrating all Innovation, Maintenance and Support teams
- /// 185 Agile Development Squads
- /// 50 UX projects with 24 areas and 69 people involved (core team) and 1,709 engaged customers
- /// 80 startups in iDEXO and more than 360 TOTVS customers with solved challenges
- /// More than 90 patents and 110 software registrations
- /// Strategic partnerships for innovation projects



4. SECTION - INTELLECTUAL CAPITAL

CERTIFICATIONS [102-11, 102-12]

The following certifications are an important tool for continuous improvement in the management of TOTVS processes and controls:

TIER - Effectively assesses the structure of Datacenters in terms of business requirements for system availability based on the expected performance or uptime of the site infrastructure. Currently, TOTVS holds the TIER III certification.

MPS BR - Process reference model containing good software development practices aiming to increase competitiveness and improve software development processes in the Brazilian market.

ISO 9001 - Standardization certificate that specifies a set of requirements to guide companies in the quality management system, to satisfy customers, pursue continuous improvement, ensure competitiveness and quality in companies.

ISO 27001 - ISO/IEC is the international information security management standard. It describes how to implement an information security management system and allows confidential and sensitive data to be protected, minimizing the likelihood of illegal or unauthorized access, and making data available when needed.

ISAE 3402 - ISAE 3402 is a formal report used by service provider organizations and prepared by an independent audit, describing the development, implementation and operational effectiveness of the organization's controls in order to ensure the quality and control of services provided and mitigate risks to customers.



X

5. SECTION - FINANCIAL CAPITAL

BUSINESS PERFORMANCE
Financial results

**STRATEGY,
NEW BUSINESSES
AND INVESTMENTS**
Value Generation

5. SECTION - FINANCIAL CAPITAL

Financial capital refers to a set of resources available in the Company to be used in the production of goods or in the provision of services, and it is obtained through financing, such as debts, shares or subsidies, or through investments.

CONTEXT: AN UNLIKELY YEAR IN WHICH WE MORE THAN SURVIVED

In this context of sanitary crisis and unprecedented negative impacts on humanity, on a global scale, TOTVS witnessed a favorable period for its business model, anchored in technology, one of the economic segments that stood out the most. We have grown since the beginning of this crisis and helped our clients to face it in better conditions. In this exceptionally challenging year 2020, which tested the resilience of our business model, the motto that guided our TOTVERS on this journey was: change, don't stop, do and do. All engagement and results were very positive, so we remain focused on our purpose of developing an ecosystem of solutions with three business dimensions – Management, Techfin and Business Performance – and we continue to make a difference with simple, uncomplicated, digital and impact solutions in the operations of our more than 40,000 customers from 12 strategic economic segments throughout Brazil, which represent 25% of the Brazilian GDP.

As part of the strategy to expand, strengthen and add value to our customers and leverage their results, which began in 2019, there is the implementation of TOTVS' new guidelines and strategic pillars. Among the pillars are (i) divestment of hardware operations, returning to an exclusive focus on software – open, connected and customizable ERP, HR and Vertical platforms; (ii) the organic creation of the Techfin team (technology for financial services), which main goal is to simplify, expand and make our customers' access to credit and other financial services cheaper; (iii) the identification of opportunities to develop performance solutions – artificial intelligence, machine learning and cloud – to integrate the value chain of customers, optimizing their sales results and profitability; and (iv) the review of the M&A strategy, including reinforcement and redesign of the area.

We also concluded the acquisition of Supplier and released seven new Techfin products, such as TOTVS Financial Panel, Antecipa (accelerating receivables) and Consignado (payroll-deductible loan),

consolidating our operations in financial services; we integrated Consinco and reinforced the CRM offer with the incorporation of Wealth Systems; then, we closed the year with the arrival of TAIL, a SaaS (Software as a Service) company, a specialist in omnichannel data intelligence, which joined our ecosystem as an important step towards consolidating the Business Performance dimension. [102-10]

In terms of strategy, what has changed for TOTVS is the concept of competition for customers, talents, investors, M&A, in addition to digitization and the conquest of new markets. We have accelerated the ability to bring new names to our portfolio, thus our brand is stronger, which allows us to expand our operations and generate more benefits to customers, throughout their entire value chain.

We have one of the most consistent business models in the market, based on predictability, profitability and sustainability.



5. SECTION - FINANCIAL CAPITAL

FINANCIAL PERFORMANCE [102-10, 102-11, 103-1, 103-2, 103-3, 201-1]

Financial results			
Key Financial Performance Indicators	2019	2020	2019 vs. 2020 variation
Net Revenue (in R\$ MM)	R\$2,282.1	R\$2,596.1	13,8%
Recurring Technology Revenue (in R\$ MM)	R\$1,729.2	R\$1,954.1	13%
Annual Recurring Revenue (ARR) (in R\$ MM)	R\$1,920.3	R\$2,219.3	33%
Customer Renewal Rate (in %) every quarter	98.0%	98.5%	50bp
Adjusted EBITDA (in R\$ MM) ¹	R\$469.7	R\$590.0	25,6%
Adjusted EBITDA Margin (in %) ²	20.6%	22.7%	210bp
Adjusted Net Income (in R\$ MM)	R\$252.1	R\$290.5	15.2%

¹ Disregarding the effect of IFRS16, Adjusted EBITDA is R\$425.7 million (+22.7% vs. 2018). ² Disregarding the effect of IFRS16, the Adjusted EBITDA Margin is 18.7% (+230 bp vs. 2018).

Net Revenue

Driven mainly by the consistent double-digit growth in Recurring Revenues (which reached 79.8% of Net Technology Revenue in the quarter and 79.2% in the year), Q4 2020 Net Technology Revenue increased 9.9% compared to Q4 2019 and ended the year 2020 with growth of 8.1% over 2019. Compared to Q3 2020, the 1.2% increase in Net Technology Revenue resulted from the 3.5% increase in Recurring Revenue in the period, more than surpassing the 7.1% reduction in Non-Recurring Revenue.

Recurring Revenue

The SaaS acceleration movement continued strong in 2020. We are approaching the level of R\$700 million annually, with a CAGR greater than 20% in the 2017/2020 period. Supported by this 21% evolution in SaaS, Recurring Revenue increased 13.7% in the quarter and 13.0% in 2020. Such performance was especially motivated by: (i) the evolution of sales levels, net of churn, especially in the SaaS model, which represented 65% of new sales in Q4 2020; (ii) added to the high Customer Renewal Rate during the year (above 98.5%); (iii) adjustments to contracts with higher inflation levels than those applied in the same period of 2019; and (iv) the consolidation of the results of Consinco and Wealth Systems.

Recurring Revenue in Q4 2020 has accelerated, organically growing 9.2% against Q4 2019 and surpassing the 8.2% year-on-year growth achieved in Q3 2020. This reflects: (i) sales to new customers and the installed base, as a result of the diversification of the economic segments in which we operate, which allowed us to quickly shift priorities and take advantage of business opportunities; (ii) contractual adjustments for the period; and (iii) the return of shortages to levels close to those before the pandemic.

The ARR (Annual Recurring Revenue) in Q4 2020 presented a strong net addition of R\$80.6 million, a new record and 42.2% higher than in Q3 2020 and 35% higher than in Q4 2019. This reflects the adaptability of TOTVS' commercial structure.

Another highlight for 2020 was the acceleration of cloud sales, whose revenue increased 27% in the year and 31% in Q4 2020. This movement is crucial for TOTVS' growth plans, since cloud customers are prepared for all the innovations we develop and allow the use of big data on another level.

In addition, the number of customers using the Digital Commerce platform of our joint operation with VTEX multiplied more than 11 times in 2020. From this universe of customers, 27.6% are in production, that is, they have already reached levels of volumes transacted (GMV - Gross Merchandise Volume) which also start to contribute to the Recurring Revenue of this modality.

5. SECTION - FINANCIAL CAPITAL

Additionally, the wide growth in the number of active customers who started using our new Techfin solutions (TOTVS Consignado, EduConnectPAY, Mais Prazo, TOTVS Antecipa and Financial Panel) was another highlight of the period. These results prove the success of these solutions and that we are on the right path to building the new Techfin and Business Performance ecosystems.

Non-Recurring Revenue

In the year-on-year comparison, Non-Recurring Revenues decreased by 3% in Q4 2020 and 7.1% in 2020, substantially associated with the drop in revenues from Non-Recurring Services, reflecting the fast process of “cloudification” of our portfolio. The renewal and expansion of TOTVS' portfolio have led customers to SaaS and cloud models. This is a lighter, more exponential, affordable and standardized model. This means less need for deployment and customization services. From 2018 to 2020, Non-Recurring Services revenue decreased 24.4%. It is a clear sign of the change chosen by TOTVS. On the other hand, in this same period from 2018 to 2020, the License Revenue, much more profitable, increased 24.9%. It reflects not only the continuous commercial strength of the maintenance model, but also of the corporate model, which is essentially linked to the transaction volume of customers, which has grown in absolute terms, but also to the evolution of SaaS itself, since an initial fee is charged, even in this modality.

Adjusted EBITDA

The 9.9% increase in Net Revenue, driven by the 13.7% growth in Recurring Revenue, combined with strict management of costs and expenses, allowed for a 24.6% increase in Adjusted EBITDA in Q4 2020, thus reaching a margin of 23.2% and 280 basis points above Q4 2019. This result demonstrates the success and scalability of the business model, in addition to the ability to transform and adapt to market opportunities.

Likewise, the Adjusted EBITDA Margin ended the year at 22.7%, with an expansion of 210 basis points compared to 2019, with the Adjusted EBITDA showing a growth of 19.2%, which further reinforces the Company's operational leverage capacity in an exceptionally challenging year. It is also important to point out that such EBITDA growth reflects the achievement of the Company's goals, which allowed full payment of Bonus/Profit Sharing as well as LTI (Long-Term Incentive - which already includes 479 people), and which together grew by 40% over 2019, including the effect of the 34% appreciation of TOTVS' shares in the year. From 2018 to 2020, the expansion of the Technology Adjusted EBITDA Margin reached 630 basis points.

Net Income and Cash Income

In the year-on-year comparison, Cash Income increased 25.7% compared to 2019, mostly due to the growth in Adjusted EBITDA, and also impacted by the reduction in the financial result, reflecting the lower average volume of cash invested and the lower average Selic rate of 2020.

Obtaining Rating

In May 2020, the credit rating agency Fitch Ratings assigned TOTVS the Initial National Long-Term Rating “AA(bra)” with a stable outlook. The affirmation of TOTVS' rating, with a Stable Outlook, reflects Fitch's expectation that the Company's credit metrics will not be significantly affected by the extremely adverse economic scenario as a result of the coronavirus pandemic. The rating also incorporates the Company's conservative capital structure and strong liquidity to withstand the expected pressures in terms of revenue and working capital in the coming months, and to address the risks inherent in the sector.

Source: Fitch Ratings

5. SECTION - FINANCIAL CAPITAL

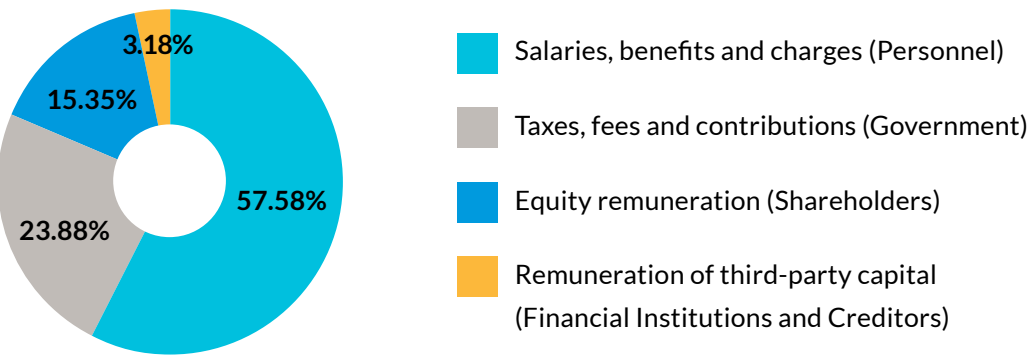
ESTRATEGY, NEW BUSINESS AND INVESTMENTS [102-10, 103-1, 103-2,103-3, 203-1]

Value Generation

The Value Added Distribution (VAD) is the result of the direct economic value generated and distributed by the Company to the parties related to its business. TOTVS generated a financial value of R\$1.921 in 2020 shared between its employees, government, financial institutions and creditors and shareholders, as shown in the table below:

Value Added Distribution (in R\$ thousand) [201-1]					
	2018	2019	2020	VAD (in % 2020)	2019 vs. 2020 variation
Total VAD (in R\$ thousand)	1,470,116	1,684,704	1,921,181	100%	14.04%
Salaries, benefits and charges	927,346	992,180	1,106,293	57.58%	11.50%
Taxes, fees and contributions	360,788	409,421	458,841	23.88%	12.07%
Remuneration of third-party capital	121,339	72,455	61,088	3.18%	-15.69%
Equity remuneration	60,643	210,648	294,959	15.35%	40.02%

Value Added Distribution (in %)

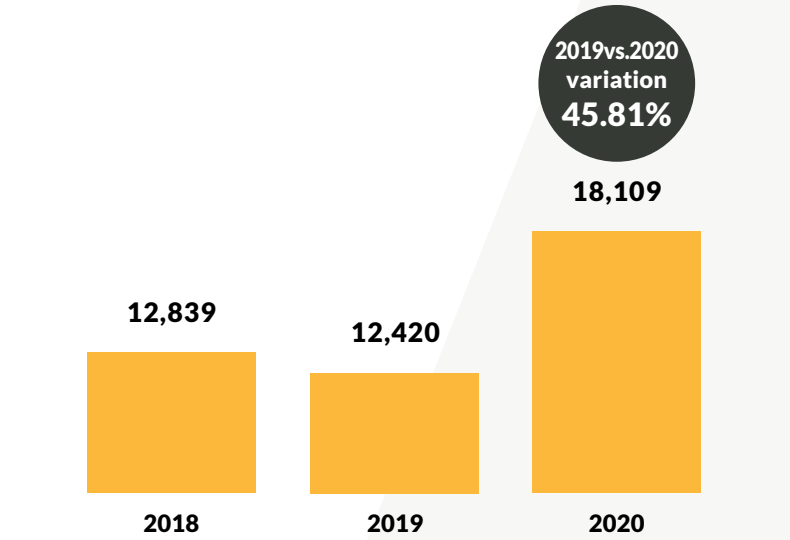


TAX INCENTIVES [103-1, 103-2, 103-3, 201-1, 203-1]

Tax incentives are instruments for promoting socioeconomic development and TOTVS acts as a protagonist driven by technological innovation research and development (R&D) activities.

In 2020, the incentives totaled R\$18,109 and helped the Company in its investments in innovation and best practices in employability, contributing to the excellence of its products and better meeting the needs of customers and developing the innovation agenda in Brazil. [201-1], [203-1]

Tax incentives / credits (in R\$ thousand) [201-4]



(1) Brazilian tax legislation provides for a mechanism to encourage the country's technological development (Law 11,196/05), which grants tax incentives to companies that carry out research and development (R&D) activities related to technological innovation.

X

6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

EXTERNAL RELATIONSHIPS (stakeholders)

Customers
Suppliers
Franchisees
Investors

Society
Social Opportunity
Institute (IOS)
Minha Chance
(My Chance) Program
Technology sector entities
Government / Public Authorities
Innovation Communities
Brand and reputation
Rankings and awards
Social networks and media

6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

Social capital and relationship capital is made up of institutions and relationships in communities, stakeholder groups and other networks. It covers common standards, values and behaviors; the trust and commitment desired by stakeholders; intangible brand and reputation attributes; and social license to operate.

The relationship is the source that nourishes and perpetuates the sharing of qualified information and the best products and services between a company and its stakeholders. This connection promotes a win-win relationship between stakeholders and, therefore, for all.



6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

EXTERNAL RELATIONSHIPS

“TOTVS believes in a Brazil that makes it happen.”

CUSTOMERS [103-1, 103-2, 103-3]

The strengths that brought TOTVS to our outstanding leadership position in technology and software for companies are reflected in the campaign “TOTVS believes in a Brazil that MAKES IT HAPPEN!”, and remain more real and stronger than ever, especially in an unusual and so challenging year as 2020. A year with changes, losses, many learnings and gains, in which we managed to reach a customer renewal rate of 98.5%. In addition, we registered growth in digital commerce customers (almost 30% of them already active) and acceleration in Techfin product customers.

It is noteworthy that the challenge we faced was collective, with strong impacts even on businesses and the economy. Despite all the difficulties, we worked, we made mistakes, we tested and relearned how to learn together, and we continue to believe in the dreams of thousands of entrepreneurs. We maintained our commitment of constant investment and improvement to better serve our base of more than 40,000 customers. The outstanding boldness in the business history of TOTVS, reflected in the motto “equal being always different”, showed that investing in the value

chain of customers is a correct bet, by building an ecosystem that, in 2020, in addition to the Management dimension, consolidated Techfin offer and started the journey in Business Performance. Supplier’s performance, as of the end of the second half of 2020, showed a V-shaped recovery with a strong inclination, proving the solidity of its model.

As a result, new markets open up an incalculable opportunity for the Company. The result of all this was a 20% growth in total net revenue and recurring revenue (including Supplier) in Q4 2020 compared to the Q4 2019, with EBITDA margin of 24%. In the concepts developed by analysts and investors, this balanced combination of growth and profitability (resulting more than 40 percentage points) is rarely found, especially in a company with almost 40 years of existence. The companies that find it become a reference in their markets.

In this challenging period, we were alongside our customers, building stories of innovation, overcoming, growth and business continuity.

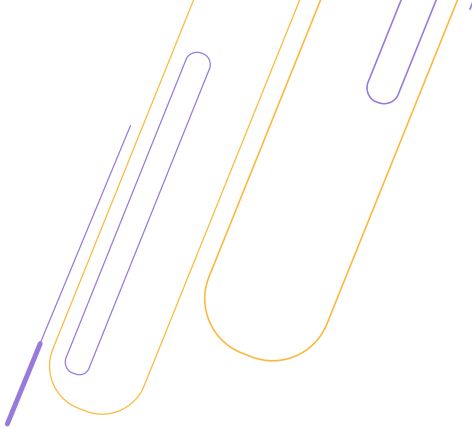
The journey with our customers, with a complete horizontal offer, in partnership, covers the sales cycle, implementation (cloud on premise), maintenance and after-sales, in 12 operating segments for companies of all sizes. TOTVS even offers, in terms of customer experience (CX), several methodologies and

solutions that make the customer service and consumption experience one of its differentials. Our distribution model, consisting of franchises and branches, in-house sales force and partnerships, is based on several media. We are attentive and present at all stages of the customers’ journey.

And, within the scope of the ESG agenda, in line with the UN SDGs (Sustainable Development Goals), we focus on the development of new product offerings and socio-environmental solutions for the TOTVS customers.

SUPPLIERS [102-9, 103-1, 103-2, 103-3, 201-1, 204-1, 414-1]

By the end of 2020, we had 1,938 suppliers, managed by our Contract Administration area. The chain is essentially composed of companies in the software development segment in which TOTVS operates, in addition to reselling databases and technological platforms to customers. It also includes consulting services in different areas, such as auditing, marketing, building infrastructure services such as cleaning, security and maintenance, as well as various supplies, such as office, hygiene and consumption supplies, among other items. Materials and services are supplied mostly by suppliers from the same city as the companies and branches of the Company, as we believe in promoting the local economy. [102-9, 201-1, 204-1]



6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

Our process for hiring service providers and suppliers is carried out in accordance with the Company's Procedures for the Procurement of Products and Services and Supplier Contract Management and its Code of Ethics and Conduct, considering fair criteria such as price, delivery time, payment conditions, quality, among other variables. [204-1, 414-1]

From the point of view of compliance, the contracts establish obligations regarding compliance with the Anti-Corruption Law, labor obligations and guarantee of non-existence of slavery and child labor, in addition to clauses requiring respect for human rights and diversity, in all its forms, as well as to environmental standards. We also suggest and encourage our suppliers to demand the same from their supply chains. See more in the Governance chapter. [414-1]

Over the past two years, TOTVS has intensified the supplier management process through a platform connected to the registration system, which digitally analyzes the elements aimed at identifying and assessing risks, among other elements. This procedure, based on compliance guidelines, ensures that the Company does not establish relationships or business with suppliers involved in any type of illegal or inappropriate practice based on current anti-corruption legislation and the ethical principles we adopt. [414-1]

FRANCHISEES [103-1, 103-2, 103-3]

In our business model, a cloud base with recurring technology revenue, the Company focuses on building and maintaining

relationships with customers. It all starts with the first contact, in which TOTVS teams identify the needs of each company – based on the specific nature of the company size or segment, also considering the characteristics of the market, their audience and the location where they operate. For this reason, the Company adopts the SR (Service and Relationship) Theory, which converges on sales and service provision by the same team. This proximity is also possible thanks to TOTVS' Distribution Model, which combines its own units with the franchise network. This structure and customization result in an agile and personalized service, according to the size of each client, and our presence wherever the customer is.

Franchisees participate in the origination of new customers and new sales, also providing services to implement our solutions directly to our customers. These franchisees act exclusively and are remunerated not only for the sales made, but also for recurring software revenues, which we believe motivates them and keeps them highly aligned with our interests, in particular the maintenance of the long-term relationship with our customers. TOTVS' units are a reference for the franchisees' operational, commercial and technical activities. TOTVS maintains a franchise control, monitoring and coordination department, which provides assistance to franchises and monitors their operational activities and development of commercial, administrative and marketing strategies. The franchises' activities are also monitored by satisfaction surveys carried out with customers served by all TOTVS commercial agents.

We maintained service excellence, even working remotely due to the pandemic. Our “sales machine” (ARR) proved to be stronger and more active than ever and, even working remotely, and increased R\$300 million in 2020 and 35% in Q4 2020 compared to the same period in 2019.

In 2020, we have 52 franchisees and five branches, which facilitates our customer service in terms of coverage in the national territory. Learn more about the customer service structure and journey in the “TOTVS” section under “Manufacturing Capital”.

TOTVS FRANCHISE MODEL HIGHLIGHTS

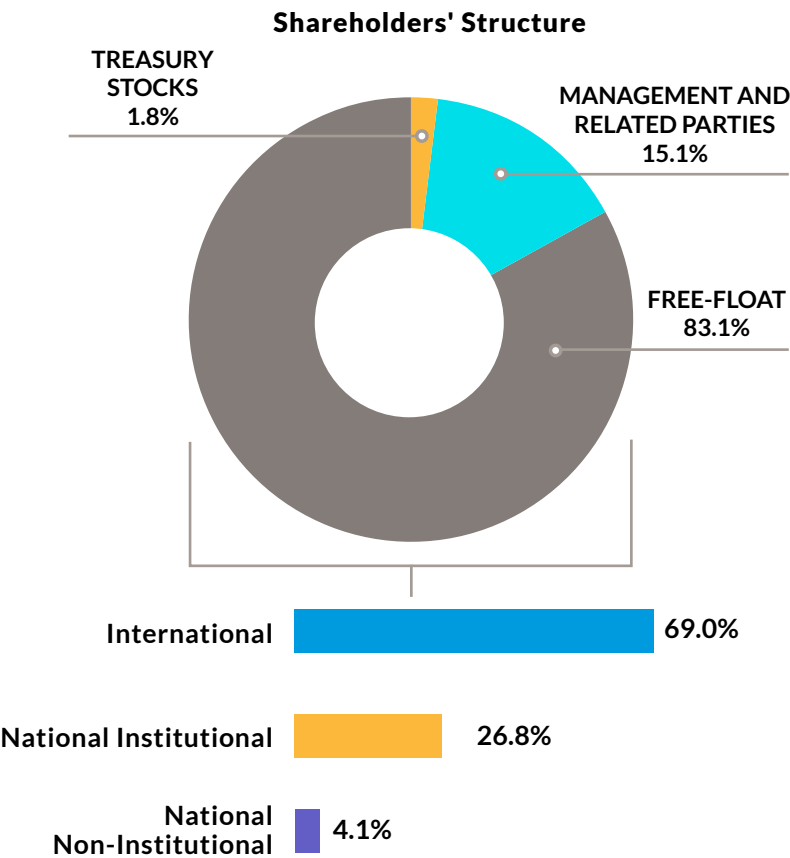
- /// Regional coverage - present in all states and in the big economic centers
- /// 650+ people in the sales and marketing areas and more than 3,000 people in the deployment services areas
- /// Almost 50% of new sales are made through the TOTVS franchise network
- /// Local experience: regional accent, regional knowledge and regional entrepreneur
- /// Quality: standardization in sales, service and implementation of TOTVS solutions throughout the country
- /// Commitment to TOTVS: exclusivity in the distribution of the Company business solutions

6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

INVESTORS [102-7, 102-40, 102-42, 102-43, 103-1, 103-2, 103-3]

We ended the year with a capital stock of R\$1,382,508 thousand. TOTVS' capital stock at the end of 2020 was composed of 577,913,181 common shares, with 83.1% of its capital as free-float shares, where 31% of the free-float is composed of national investors and 69% of foreign investors.



In 2020, TOTVS shares (B3:TOTS3) appreciated by 34.2%, while Ibovespa appreciated by 2.92%. The average financial volume in 2020 was R\$156 million/day, versus R\$67.1 million/day recorded in 2019. In 2020, the average share price was R\$24.2, and the total financial amount traded was R\$38,852,913 billion. For more details on the history of negotiations over the last three years, refer to item 18.4 in the Reference Form.

Throughout 2020, we saw an increase of interaction and interest of shareholders, investors and sell side in the ESG themes and initiatives developed by TOTVS, as well as of consultations by investment funds and clients about the sustainability practices of the Company. We responded to a series of surveys that aimed to measure and qualify the Company in bidding processes to compose indexes or competition for products and services. We strengthened ties with investors on this topic and invited one of our main investors to participate in the TOTVS Sustainability WG and share experiences with TOTVERS on the Company's ESG practices. [102-40, 102-42, 102-43]

In 2021, as part of ESG Agenda advancement, we included, for the first time, investment analysts (sell side) and investors in the process of consulting stakeholders and prioritizing ESG topics by the Company. [102-40, 102-42, 102-43]

As of January 2021, TOTVS shares became part of the IBrX-50 portfolio, the B3 index composed by the 50 shares with the greatest trading power in the Brazilian stock market.

The Company's shares were included in the composition of the "Middle Cap" category of the MSCI Brazil, MSCI Latin America and MSCI Emerging Markets indexes, as of December 1, 2020, as per the semi-annual rebalancing of their theoretical portfolios published by the MSCI.

The inclusion of TOTVS shares in such indexes reinforces its leadership position in the Brazilian software market and a prominent position in Latin America, contributing to greater liquidity and diversification of the Company's shareholder base.

It is noteworthy to emphasize our recognition as leader in the technology sector in Latin America in the MidCap category, emerging as a reference in "Best ESG Metrics".

6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

INVESTOR DAY [102-43]

Still under the pandemic scenario, which prevents people gathering, TOTVS held on March 9, 2021, the INVESTOR DAY, an event for investors and analysts, in a hybrid way, i.e., with online transmission and few in-person attendees, following the recommendations of protocols of the health authorities.

During the event, TOTVS shared the main results and achievements of the last 12 months, such as the 25.5% expansion in EBITDA; 37.4 of ROE Supplier; the strong net addition of R\$300 million in ARR (Annual Recurring Revenue), totaling R\$2.2 billion; 80% recurring revenue; maintenance of the historical average under control of churn and non-payment; the increase in satisfaction reflected in the NPS; the 21% growth of the SaaS model, responsible for 65% of new sales in Q4 2020; 96% of TOTVERS believe in the future of the Company; 30-point increase in eNPS; more than 40% increase in NOR and EBITDA margin; customer renewal rate of almost 99%; commitment to the ESG Agenda; and the challenges for the next period. The event highlight was the announcement of the acquisition of 92% of the share capital of RD Station - leader in digital marketing automation software -, for the amount of R\$1,861 million. The event also featured question and answer sessions for participants, who were able to ask questions and interact with the Company's executives. The presentation videos and materials can be found on TOTVS' Investor Relations website at <https://ri.totvs.com/en/investor-services/calendar-and-events/totvs-day/>.



6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

SOCIETY [102-12, 102-13, 103-1, 103-2,103-3]

A partner for the growth of Brazil, TOTVS is a 100% national company committed to go far beyond the audiences with whom we relate, benefiting society in general. With the responsibility of being the biggest company in Brazil's IT sector, it showed, in particular, from 2020, how technology is essential in the world due to the pandemic.

The Company understands and directly invests in promoting the development of the technology sector, especially in meeting the SDGs relating to quality education, gender equality, decent work and economic growth, responsible consumption and production.

In line with our Engagement pillar, the Company is also a signatory to the Ethos Institute's Business Pact for Integrity and Against Corruption, and continues to make efforts to make its products increasingly accessible to people with disabilities. [102-12]

In terms of mobilization, after two years, we resumed the consultation of stakeholder engagement, now including new strategic audiences in the process, such as investment analysts (sell side) and investors, which were not previously consulted. [103-2]

And, under the Strategy pillar, we prioritized the integration of ESG initiatives to the business strategy, based on the insights raised from the consultations and the topics that the Company has the greatest potential for impact. [103-3]

4 QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



SOCIAL OPPORTUNITY INSTITUTE (IOS)

[103-1, 103-2, 103-3, 203-1]

In the social sphere, TOTVS has been sponsoring the Social Opportunity Institute (IOS) since 1998, an entity that has already trained more than 39,000 young people and people with disabilities for the labor market. [203-1]

IOS has the mission of employing the students by appointing graduate and pre-selected students to partner companies, complying with the Apprenticeship Law and the Law of Quotas for People with Disabilities.

The amount invested by TOTVS in the Institute in 2020 was R\$6.2 million. [203-1]

Also in 2020, in addition to the annual social investment, we launched the “TOTVERS who makes it happen” campaign, joining efforts by TOTVS, TOTVERS and franchises, and we raised R\$ 275,000 to support IOS students’ families in extreme social vulnerability, a situation aggravated by the pandemic, or families from regions where the Institute operates.



IOS

/// 22 years of experience

/// 1,400+ students graduated from IOS courses

/// 49% increase in students’ family income

/// 813,000 students employed with the support of IOS

/// 100+ partners

Source: IOS 2020 Annual Report

6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

TRAINING FOR NEW TALENTS

In addition to internal training programs, TOTVS also engages with other agents in the ecosystem to develop new professionals in Brazil. Through a partnership with the Government of the State of São Paulo, coordinated by the Paula Souza Center, it participates in the Minha Chance (My Chance) Program, through which it trains young students from State Vocational Schools (“ETECs”) and State Faculties of Technology (“FATECs”). This is also the mission of the Social Opportunity Institute (IOS), an institution maintained by TOTVS, which offers training in business management and technology.

Among the relevant actions and projects in the areas of IGR (Institutional and Governmental Relations) and HR (Human Resources) carried out in 2020:

> **MyChance Program:** held by the TOTVS Corporate University in partnership with the São Paulo Government’s Economic Development Department, the first edition of the ‘Basic Support ERP Course’ took place in 08 ETEC (São Paulo State Vocational School) units spread throughout the State of São Paulo, and a total of 123 students have completed the course and graduated. The program, conceived since the beginning of 2019, aims to increase the employability and professional qualification of young people from São Paulo, and also build business-school content in line with the labor market demands. TOTVS trained the faculty to disseminate the course content and provided an online classroom environment. In addition, within the scope of this initiative and through TOTVS University, it created a ‘Showcase

of Talents’, with videos of most of the students who graduated, demonstrating what they learned as a kind of digital curriculum.

> **ICT Pathways Workshops:** in partnership with Brasscom and the São Paulo Government’s Economic Development Department, TOTVS participated in the construction of the student profile for the new IT pathways at Paula Souza Center. The areas of Institutional and Governmental Relations (IGR), Attraction and Selection (HR), Devs and Corporate University (HR), Information Security (IT) and Infrastructure and Computer Networks (IT) participated in the Company.

TECHNOLOGY SECTOR ENTITIES

[102-12, 102-13, 103-1, 103-2, 103-3]

TOTVS believes in protagonism and representativeness, and for this reason, it actively participates in the key topics and discussions aimed at the technology sector development and related to the business segments in which the Company operates. This ensures that the Company is aligned with market demands and the interests of its strategic stakeholders.

It is important to highlight that TOTVS has voluntarily adopted the 10 Principles of the Global Compact, the UN Sustainable Development Goals (SDGs) and, since 2014, is a signatory of the Global Compact of the United Nations (UN). In 2020, the Sustainability Policy was prepared in order to guide the Company’s business and establish a commitment to the sustainable development agenda.

[102-12, 102-13]

Committed to maintaining integrity in business and transparency in its relationships, TOTVS annually releases its Communication on Progress Report (COP), as well as, since 2016, publishes its Integrated Report, which follows the guidelines of the IIRC (International Integrated Reporting Council) and the GRI (Global Reporting Initiative). In addition, the Company participates in the Business Pact for Integrity and Against Corruption and in the Integrity Working Group, both from Ethos Institute, to discuss the topic of integrity involving business practices and the implementation of policies to promote integrity and fight corruption. [102-12, 102-13]

List of main entities with which TOTVS is related:

- Chairman of the Board of Directors of the Brazilian Association of Information and Communication Technology Companies (BRASSCOM) and the leadership of the Talent Training TWG to work on the development agenda of Human Capital qualified for ICT;
- Brazilian Association of Software Companies (“ABES”);
- National Association for Research and Development of Innovative Companies (“ANPEI”);
- Federation of Brazilian Associations of Information Technology Companies (Assespro Federation);
- Association for the Promotion of Excellence in Brazilian Software (“SOFTEX”);
- Business Mobilization for Innovation Leaders Committee (“CNI”);
- Ethos Institute;
- UN - Global Compact Network Brazil;

6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

- Brazilian Association of Listed Companies ("ABRASCA");
- Brazilian Association of Publicly-Held Companies ("ABRASCA")
- Brazilian Institute of Investor Relations ("IBRI");
- Brazilian Institute of Corporate Governance ("IBGC");
- American Chamber of Commerce Brazil-United States (Amcham);
- Brazilian Trade Automation Association ("AFRAC");
- Brazilian Association of Industrial Internet ("ABII");
- RedeAgro (Agribusiness Association);
- Brazilian Franchising Association ("ABF");
- Brazilian Association of Hotel Industry - São Paulo ("ABIH-SP");
- Brazilian Association of Business Communication ("Aberje");
- Brazilian Association of Human Resources (ABRH-SP);
- Brazilian Center for the Services Sector (CEBRASSE);
- Brazilian Association of Machinery and Equipment Industry (ABIMAQ);
- Joinville Business Association (ACIJ);
- Brazilian Association of Logistics (ABRALOG);
- Brazilian Automation Association (GS1);
- Brazilian Association for Distribution and Logistics of Pharmaceutical Products (ABRADILAN). [102-12, 102-13]

ECOSYSTEM ENGAGEMENT INITIATIVES

> **Convergence of educational network contents with the necessary skills of the ICT labor market:** through Brasscom Public Consultations to update the Ministry of Education's National Catalog of Vocational and Higher Degree Technology Courses. Apart from that, we also participated in updating the National Senai Course Catalog with the demands of the productive sector.

> **Pandemic Legacy** - Remote Learning: due to the Covid-19 pandemic, we helped, through Brasscom, the educational sector to adapt to the remote environment by preparing the Guide to Good Practices in the Digital Environment.

> **"TOTVERS THAT MAKE IT HAPPEN" campaign:** collection of financial donations to support IOS students and their families, whose socioeconomic situation was worsened by the crisis caused by the Covid-19 pandemic. An initiative carried out in partnership with HR, the total collected allowed to purchase 1,187 food cards for all active students of all IOS Units and 1,850 data packages, which were distributed in the 2nd semester of 2020 and 1st semester of 2021.

> **Abes Conference:** the event discussed ways of repositioning the business, considering the socioeconomic changes, mostly due to the pandemic. It was a fully digital event broadcast on the 28th, 29th and 30th of September 2020. TOTVS was one of the sponsors and our Executive Director Eduardo Neubern gave an exclusive lecture on the Company's Techfin strategy. The conference was attended by 721 participants from 323 companies.

> **Brasscom TecFórum Lives:** this event promoted a space for conversations between public and private agents and to reflect on technology, public policies and digital government to achieve a Digital, Connected and Innovative Brazil. In 2020, the event was held in a new format, that is, completely digitally. TOTVS participated in the discussion: 'Taxation

for the Digital Economy', with Ariela Zanetta Simoni (IGR Coordinator).

> **Payroll Exemption:** Through the main associations representing the Information and Communication Technology sector (Brasscom, Abes and Assespro), TOTVS worked in the plea for the extension of the payroll exemption to 2021 with the National Congress and the Federal Government. We were successful in this measure and, as a result, according to a survey carried out by Brasscom, the extension of this policy should result in the maintenance of 84,000 jobs currently active in the sector.

> **Software double taxation:** through Brasscom, we were part of ADI 5659 (Direct Action of Unconstitutionality), which aimed to demonstrate the unconstitutionality of ICMS collection on software operations. In 2021, we were successful in the historic judgment of the Supreme Court on the constitutionality of the ISS tax (Service Tax) on the aforementioned operations, as well as maintaining the legal relationships prior to the decision of the Judges.

> **Tax Reform:** through Brasscom, we disseminated among the legislative and executive authorities and the press the study of the effects and impacts of the IBS tax (Tax on Goods and Services) to raise awareness of the importance of Brazil providing intelligent and competitive taxation.

6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

> **"Engenharia Comunica" Project (Corporate Engine)** aims to bring TOTVERS (especially developers) knowledge about the Brazilian political context and the impacts on the Data Protection agenda, among other related topics, background in the area of Institutional and Governmental Relations (IGR), goals and performance; Brazilian government system and regime; Representative Democracy and Participatory Democracy.

> **Data Protection Agenda:** sensitivity by and defense before the legislative and executive authorities regarding the importance of the LGPD (Brazilian General Data Protection Law) - which came into force in August 2020 -, of the immediate creation of the ANPD (Brazilian Data Protection Authority) and approval of PEC 17/2019, which guarantees that only the Government has the competence to amend the Legislation. This sectoral work culminated in the disapproval of the Bill that aimed to build a District Data Protection Authority. The IGR (Institutional and Governmental Relations) department helped the group responsible for the adaptations of the company and its products to comply with LGPD with monthly and ad hoc reports (translation of the Latin expression 'for this purpose'), mapping the main news in the media, bills of law, IGR performance and trends in the political environment.

> **TOTVS Live sessions about LGPD:** participation of the IGR department in live sessions on the subject related to disseminating and understanding legislation, trends in the political environment and actions for TOTVERS, franchises,

customers and the market in general.

> **Remote Work Guide:** project developed by Brasscom, with the direct support of TOTVS through the leadership of the Thematic Working Group on Talent Development, performed by Ariela Simoni (IGR Leader). This guide was prepared with the purpose of understanding the new culture of remote work in Brazil mostly driven by Covid-19. It is, above all, a guide to good practices that addresses four dimensions of study: remote work adoption aspects, legal aspects, infrastructure aspects and cultural & people aspects.

> **CNI Innovation Indicators Working Group:** a group led by Laércio Cosentino, which created innovation indicators for Brazil. The WG aims at understanding such environment in Brazil in relation to developed countries such as the USA, China and 15 countries in Europe, in addition to providing data and subsidies for the creation or improvement of public policies that enable the advancement of this agenda.

> **Accounting:** R\$1.2 million was spent in 2020, considering the expenses with participation in associations, sector entities, development agendas and forums that contribute to the improvement of the information technology business environment and foster discussions on public policies. [102-12, 102-13]

6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

GOVERNMENT [102-13]

To increase our positive social impact, TOTVS believes that we have to strengthen our responsibility as a company that MAKES IT HAPPEN, participating in the institutional defense and development of Brazil.

Throughout 2020, we worked to get even closer to the Executive and Legislative Branches. Driven by technical performance and principles of transparency, we aim to build and improve public policies that combine economic growth and social advances through technology. The use of technologies as inducers of access and development has stimulated the interest of the public sector in discussions related to the sector's regulatory agenda, including issues related to the business environment and the prosperity of the IT sector itself.

Our activities carried out in partnership with the government contribute to three Sustainable Development Goals (SDG 8, 9 and 12).

8 DECENT WORK AND ECONOMIC GROWTH
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Ensure sustainable consumption and production patterns



TOTVS, as a software developer company, committed to strengthening the countries' where we operate economy, believes in the potential of technology as a means of generating foreign currency, solving problems, creating labor and developing. And, regarding fight against Covid-19, the choice for remote work allowed not only the safety of our team and customers, according to the protocols of the health authorities, but also the best service, facilitating access and relationships of a significant portion of society.

INNOVATION COMMUNITIES

NETWORK KNOWLEDGE AND TECHNOLOGY

TOTVS supports the technology sector growth and, at the same time, encourages the expansion of the number of people involved with the tech universe. In our relationships, it promotes meetings targeted at the public in this segment and encourages sharing knowledge between members of the technology sector. One of our initiatives is Beer for Devs, a program via streaming on YouTube, held in a relaxed environment, with developers from various companies, addressing the most diverse technology topics, including initiatives such as the Ministry of Health's chatbot to answer questions about the fight against Covid-19, in addition to the Juntos Contra o Covid project (in English, 'Together against Covid' project), an information platform on geolocation and tracking of the occurrence of the pandemic. The subject gained notoriety in 2020 for obvious reasons, but it is not the only agenda.

TOTVS DEVELOPERS

TOTVS also focuses on the production of content for the technology professionals, hosted on a blog, this time with a more technical approach. Created for experiences and knowledge sharing, the platform allows the gathering of interested parties in trend topics related to software development. The target audience is, in addition to developers, DevOps, Solution Architects, SysAdmins, Data Scientists and technology experts. With this platform, TOTVS reinforces the strategy of renewing its image in the development market and getting closer to these audiences, also aiming to attract and retain talent, a brand relationship strategy with its core business. The protagonists are the company's developers, who share their experiences and present how innovation and development are worked on in the Company's development cells. This portal is an inductor of engagement and also facilitates the relationship with professionals and companies that wish to cooperate with TOTVS platforms, by providing a guide for integrating APIs (Application Programming Interface) from which developers can create new software and applications capable of communicating with other company platforms), library for the development of responsive web and mobile applications, code testing area in various computer programming languages, among other features. Innovation, technology, knowledge, enthusiasm, creativity and an instinct for curiosity are the guiding ingredients of this network. The community now has more than 10,000 members on the Blog, 6,000 subscribers on the official website and 1,700 subscribers on YouTube. Learn more about the initiative by accessing the official blog page (<https://developers.totvs.com/>) and join to learn, share, collaborate and discuss the main technology topics.

6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

BRAND AND REPUTATION

Through rebranding started in 2019, our new brand positioning brought the statement of the institutional campaign: “The Brazil that MAKES IT HAPPEN, MAKES IT with TOTVS”, we endorse a recurrent practice of working together. This is because working together is, for us at the Company, managing a company that is part of the business of approximately 40,000 companies, in 12 segments, which innovate, transform and make a difference.

As the biggest technology company in Brazil, TOTVS reinforces its purpose in simplifying the business world, as one of the Brazilian companies that believe in and invest in the country and is a reference in their sectors.

Among the opportunities created by the ESG corporate policy is the expansion of the perception of TOTVS' value creation in our relationship ecosystem. In line with the ESG agenda, we are increasingly focused on strengthen TOTVS' positioning as an Innovative Brand, as well as expanding the relationship with Universities and Research Centers. This not only adds value in the short term for the Company, but also makes the brand be perceived as essential in the evolution and sustainability of the tech sector as a protagonist, collaborative and a reference.

According to the 2020 Interbrand ranking, for the second consecutive year, TOTVS was the 25th most valuable brand in Brazil, valued at R\$504 million, and the only technology brand on this list, which we believe is a valuable asset to attract new

customers, as well as to attract the best and most innovative technology professionals in the software industry.

RECOGNITION / RANKINGS AND AWARDS

- /// Computing Today 2020 Yearbook
- /// Best Companies on the Stock Exchange in 2020 (Infomoney)
- /// Top of Mind HR 2020
- /// Top Education 2020 Award
- /// Broadcast Companies Award
- /// Best Workplaces in Technology from Great Place to Work (GPTW)
- /// IT Media-Korn Ferry Award for TOTVS CEO
- /// 8 Institutional Investors Awards - recognition as highlight in the Latin America Technology Industry, MidCap category, Best ESG Metrics
- /// Most Attractive Employers in 2020 (to young talents in Brazil) - IT Companies (Top 20)

SOCIAL NETWORKS AND MEDIA

To allow for greater connection and communication with its audiences and expand it, TOTVS is present in several networks, bringing its followers closer to the Company's practices and purposes, such as:

TOTVS

Institutional Website: www.totvs.com
Investor Relations website: ri.totvs.com/en

Twitter: [@totvs](https://twitter.com/totvs) 20,870 followers

LinkedIn: br.linkedin.com/company/totvs 594,454 followers

Instagram: www.instagram.com/totvs 50,800 followers

Youtube: www.youtube.com/Totvs 25,075 subscribers
Channel focused on content, containing videos focused on management, technology and the geek world.

TOTVS Solutions Channel 16,590 subscribers
Product-focused channel, containing video cases webinars and demonstrations for our customers.

- Webinars**
- Still considering the atypical pandemic year, we held several online events for prospects and customers about the most diverse products in our portfolio
 - From January to December, more than 370 webinars with 24,000 participants were held
- Webaulas**
- In order to offer training in TOTVS solutions for professionals who use our solutions on a daily basis or for those who want to learn to be more qualified for the market, we provide free web classes.
 - There were more than 180 online classes with more than 9,800 people

Blog TOTVS: <https://www.totvs.com/blog/>
Focused on Management and Systems content for companies.

6. SECTION - SOCIAL AND RELATIONSHIP CAPITAL

[103-1, 103-2, 103-3]

TOTVS Products Portal: <https://produtos.totvs.com/>
focus on releases and news of TOTVS systems.

ELEVE

 **Youtube**
2,890 subscribers

 **Instagram:**
9,416 followers:

 **Facebook**
32,552 followers:

ENGAGEMENT IN SOCIAL NETWORKS - 2020

[103-1, 103-3, 102-43]

LINKEDIN HIGHLIGHTS

In 2020, given the Covid-19 pandemic, TOTVS made an important move in its channels through live sessions, seeking to get closer to its audiences and partners.

TOTVS Talks Marathon

The live sessions were intended to support our customers, prospects and the market as a whole during a pandemic, through inputs for management in times of crisis. With this in mind, we invited leaders from more than 40 companies from different segments and regions in Brazil to tell how they are operating and adapting their activities.

Towel Day

Every May 25th, TOTVERS, also known as ‘the Galaxy Hitchhikers’, bring their towels and embark with the company in the incredible Douglas Adams trip! The #TOWELDAY is also the #GEEKPRIDEDAY, and mobilizes TOTVERS throughout Brazil to dress as their favorite characters, inspired by this movement so special and so present in our culture.

Programmer’s Day

On Programmer’s Day (Sep 13th), the Company gathers its programmers to talk about the main tips for everyday life in a special live on the topic on LinkedIn, Youtube, via Beer for Devs, the program in which developers speak on various technology topics.

Finance Meeting 2020

The one-day online event guided the audience about the revolution in corporate finance and how to take unprecedented leaps in your business with new ways of accessing financial services. In the new reality, banks will increasingly be anywhere and everywhere. Even within management systems.



44% OF DIGITAL REACH GROWTH IN TOTVS OWN CHANNELS

- + 11% growth in new followers in the social media (currently: 600 thousand LinkedIn followers, 52 thousand Instagram followers)
- + 30% growth in the number of social media interactions
- + 68% growth in the number of views on the Youtube (5,4MM views)

100% GROWTH IN THE OUTREACH AND VOLUME OF DIGITAL EVENTS

- 600 online events and 50 thousand participants
- 45 live streamings via social media (TOTVS Talks)
- +200 thousand views
- 430 webinars (Product / Solution)
- +28 thousand participants
- 125 web classes (Trainings)
- +10 thousand participants



X

7. SECTION - NATURAL CAPITAL

NATURAL RESOURCE MANAGEMENT

Social and Environmental
Technologies

ENVIRONMENTAL INDICATORS

Energy

Water

Waste

7. SECTION - NATURAL CAPITAL

Natural capital comprises all renewable and non-renewable environmental resources, as well as environmental processes that provide goods or services that support an organization's past, present and future prosperity. This includes: water, soil, minerals and forests, biodiversity and ecosystem quality.

NATURAL RESOURCE MANAGEMENT

[302-1, 302-4, 303-1, 303-5, 306-4, 306-5]

TOTVS published in December 2020 the ESG Sustainability Policy (acronym for Environmental, Social and Corporate Governance), which refers to the three central factors in measuring the sustainability and social-environmental impact of the Company. The term 'ESG', which has gained corporate notoriety, is used in the capital market and by investors to refer to the assessment of environmental, social and governance aspects in the analysis of an organization's business. The integrated analysis of these factors helps to assess future financial performance and the ability to responsibly generate value in the long term. Our policy provides, for example, that technological innovation and digital education must be promoted, contributing to develop the sustainability topic in society, as well as to promote the use of technology as a provider of solutions for contemporary social and environmental challenges.

ESG incorporated into the business

We aim to generate value for our stakeholders, with the evolution of the strategy execution and the maturing of reflections around the strengthening of the ESG pillars, as part of the sustainability culture at TOTVS, expanding our capacity to meet the demands of our audiences and to create shared value across our relationship ecosystem.

In 2020, the world was impacted by the new Coronavirus pandemic leading to profound changes in public health, economic performance and global politics. Topics related to the ESG agenda also achieved notoriety and walked alongside economic issues, being driven, for example, by discussions related to global commitments around climate change, reflections on diversity and inclusion in organizations and the improvement of practices and structures of governance within institutions. We are also attentive to such topics.

Social and Environmental Technologies

TOTVS, as a technology company, works to add value throughout its chain by the development of products and services that are reflected in sustainable and innovative practices, in companies of different sectors and sizes. And innovation, as a fomenter of behavior change, especially with the use of technology, although not necessarily, is one of the foundations of sustainability.

Our innovation process starts with research, searching for evidence from customers, associations, trade associations and the market in general of the real needs. After that, we conduct

the project structuring process. In the conception phase, we continue carrying out workshops, validating concepts, flows, creating ideas, co-creating, defining personas and journeys, then the prototyping phase begins in which we validate the ideas and needs of each persona and their relevant journey raised in the workshop. After this phase, we continue with the architecture and continuous development of the solutions. Customers and users participate in all stages of this process, validating, improving and approving. An important and relevant aspect is that in every innovation we build "with" the customer and not "for" the customer, so their participation is effective from the first moment and not just at the end, at the time of approval. An important point is, whenever possible the field visit is essential, putting ourselves in the user's shoes to capture other insights that enable a better user experience.

And, to understand how TOTVS invests in innovation, let's see the case of the Logistics Suite project, in which so far, we have more than 900 users involved, more than 100 companies of different sizes and segments, more than 20,000 hours just in conception, incessantly working to deliver the best experience to our customers. This same construction process occurs in TOTVS innovations as a whole, in all products, always guided by TOTVS telemetry.

7. SECTION - NATURAL CAPITAL

In this Logistics Suite example, at first, we released in 2020 the solutions that will enable Inbound Logistics. Logistic Outbound and Visibility is under construction. In this project, we started to create collaborative environments, enabling visibility to all stakeholders involved in the processes, addressing pain, gaps and lack of information, which is one of the biggest problems in Brazilian logistics.

In short, we can mention the solutions created below: a. Scheduling: allows you to create operational windows by planning docks considering physical capacity, resource productivity and constraints. These windows are made available in a collaborative environment in which the customer, supplier and partners conduct the entire operation; b. YMS (Yard and Gate Management System): responsible for meeting the complex management of operational flows inside and outside the company, through flexible routes, on-site management, active call, control points, scales and checkpoints; c. Checklist: allows you to create fully flexible inspection checklists, adapting to the most diverse variations in receipt and/or dispatch, which guarantees defined processes and procedures; d. Warehouse Management: product intelligence results in increased productivity, optimization of physical space, monitoring, operational visibility and traceability from receipt, storage to dispatch. These are all SaaS solutions, in which the customer will enjoy the solutions as a service, without worrying about investment in infrastructure, updates etc., leading to a significant reduction in the Opex/Capex cost in IT.

As a result, these solutions bring productivity and scalability when implemented, the result of thousands of hours of research focused on technologies, processes, business and field research identifying personas and journeys. As a result, we started to deliver intuitive solutions, a suitable design for each persona (CX), easy deployment and significant reduction in training and implementation costs.



Technologies that help our customers in their segments

/// **Agriculture:** the use of technologies such as Artificial Intelligence, Internet of Things and Machine Learning collaborate to increase the productivity of Brazilian agribusiness. Through the installation of sensors, devices and software in the field, the producer improves his crop, optimizes the use of natural resources and reduces the risks inherent to agribusiness.

/// **Paperless technologies:** in addition to facilitating information access and security, the use of paperless technologies reduces the environmental impact of processes, especially in the administrative, financial and customer service areas.

/// **Logistics:** TOTVS offers services that enable a better logistics strategy, with better transport management and, consequently, less consumption of natural resources and a reduction in the emission of greenhouse gases.

/// **Retail:** offers solutions ranging from inventory control, through product management, to the use of Artificial Intelligence to create customized offers for consumers. Thus, the technology generates a series of benefits, such as reducing costs and avoiding, for example, food waste.

/// **Manufacturing:** various solutions, such as process automation, supply chain synchronization, data capture and analysis, and collaboration and information sharing, which enable real-time management of manufacturing operations, increasing energy efficiency, productivity, product quality and reducing waste in the production process. In addition, TOTVS also has an environmental management system to assist companies in the regular assessment of environmental risks and impacts and continuous improvement of their processes.

7. SECTION - NATURAL CAPITAL

GREENHOUSE GAS EMISSIONS

As part of the development of its ESG Agenda, the Company will make efforts, in light of its ESG policy and its business materiality mapping process, to monitor the impacts of its activities, as an important first step. Based on this, it will develop a diagnosis and inventory of greenhouse gas emissions from its operations and thus plan its actions on the topic, related to the global challenge of preventing and combating the effects of climate change, especially in its sector of operation.

An emission inventory, according to the CDP, allows mapping the sources of greenhouse gas (GHG) emissions from an activity, process, organization, economic sector, city, state or even a country, followed by quantification, monitoring and recording these emissions.

If carried out periodically, a GHG inventory becomes a gas management tool, making it possible to know the GHG emissions profile of the inventoried entity. Generally, corporate GHG inventories are carried out with annual time frames, facilitating their planning and comparability.

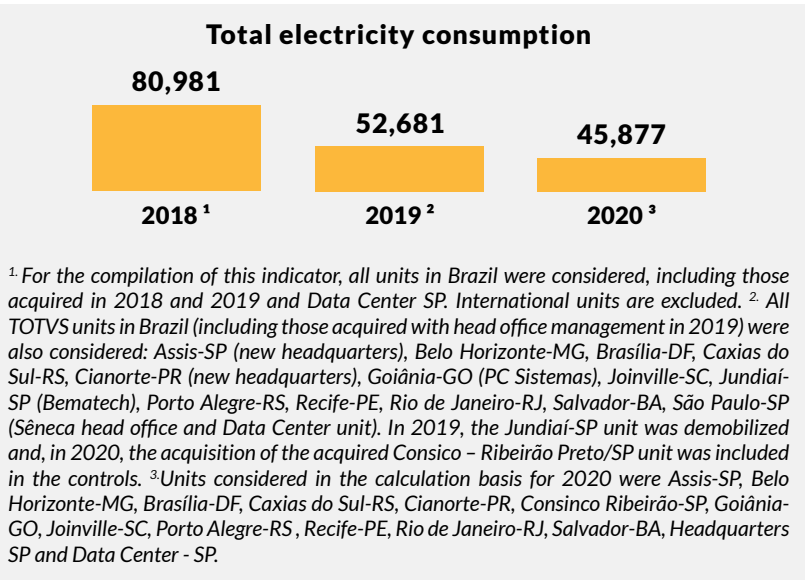
ENVIRONMENTAL INDICATORS

Energy [302-1, 302-4]

Investing in technologies and disseminating qualified information are, for TOTVS, efficient ways to promote responsible consumption of natural resources and reduce negative impacts on the environment. Regarding energy consumption, for example, the Company has taken actions that allow it to optimize resources year after year. Our headquarters building was planned considering the saving of natural resources through measures such as the installation of 100% LED lighting, centralized lighting automation controls and internal management of energy consumption through a central BMS (Building Management System) and, on an experimental basis, the installation of photovoltaic cells on the façade, which allows us to complement the sources of energy supply for our installations.

In 2020, TOTVS' energy consumption was 45.8 thousand GJ. Considering that TOTVS has a power purchase agreement for the supply of renewable energy for its main units (Headquarters - SP, Data center - SP and Joinville - SC, which represented about 84% of the total energy consumed by the Company in 2020) and as the Brazilian energy matrix is mostly made up of hydroelectric plants, we can say that around 98% of the energy consumed by the Company in 2020 came from a renewable source. [302-1]

Total energy consumption (GJ) [302-1]



The reduction of 12.92% in power consumption is related both to the Covid-19 pandemic scenario (by public rules of social isolation) and to the demobilization of the Jundiaí-SP unit in 2019. Due to the pandemic caused by Covid-19, operations underwent changes in relation to the work model, causing most employees to work in home office model. In order to keep operations with as little impact as possible, all Data Centers of TOTVS units continued to operate and, in a timely manner, with on-site technical support, without a significant increase in energy consumption. [302-1,302-4]

The indicator is monitored by the Facilities team, which monthly controls the consumption in all national units under TOTVS' integral management. [302-4]

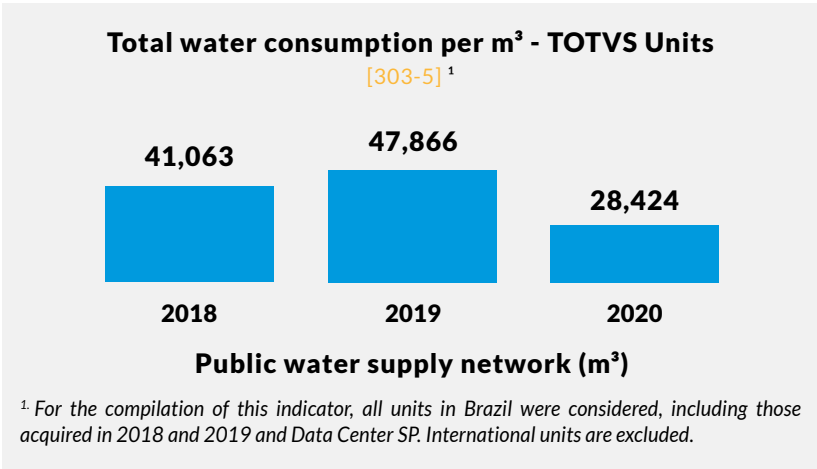


7. SECTION - NATURAL CAPITAL

Water [303-1, 303-3]

The conservation of natural resources is crucial for the continuity of all living beings and for maintaining the integrity of ecosystems. The shortage of this resource may significantly impact some sectors of the economy, as well as the generation of electricity from hydraulic sources.

At TOTVS, water is used exclusively for consumption in administrative operations (offices). In addition, 100% of the water consumed comes from the public water supply system and there is no other source of water in the company. [303-1, 303-3]



In 2020, the 59.38% reduction in water consumption compared to 2019 was due to the Covid-19 pandemic and the new public rules of social isolation that resulted in the closing of offices. This way, employees were designated to work in home office model (remote work). Only the Headquarters-SP

and Joinville-SC units operated with minimum capacity and other sites for emergency care. [303-5]

Waste [103-2, 103-3, 306-4, 306-5]

The impacts on the environment due to improper waste disposal range from air, water and soil pollution. The National Solid Waste Policy ("PNRS"), created by Law No. 12,305/2010, establishes the responsibility of companies for the correct waste disposal. In addition, the same law provides guidelines on management and procedures in order to avoid direct and indirect impacts on the health and safety of people and the ecosystem caused by the companies' activities.

As an IT service company, TOTVS generates waste mostly from the offices, which can be recycled and reused. The waste indicator is monitored by TOTVS' Facilities area, which manages the contract with an outsourced company in charge of the recycling process and common waste collection at the Company's headquarters. Monthly reports are issued as a basis for control and metrics for the area. Part of the materials sold are reverted and donated to the IOS – Social Opportunity Institute – a social assistance charity supported by TOTVS. [306-4]

In 2020, 2.0 tons of waste were sent to landfill and 9.7 tons of waste were sent for recycling. [306-4; 306-5]

Total weight of waste by type, method and disposal¹ (T) [306-4; 306-5]

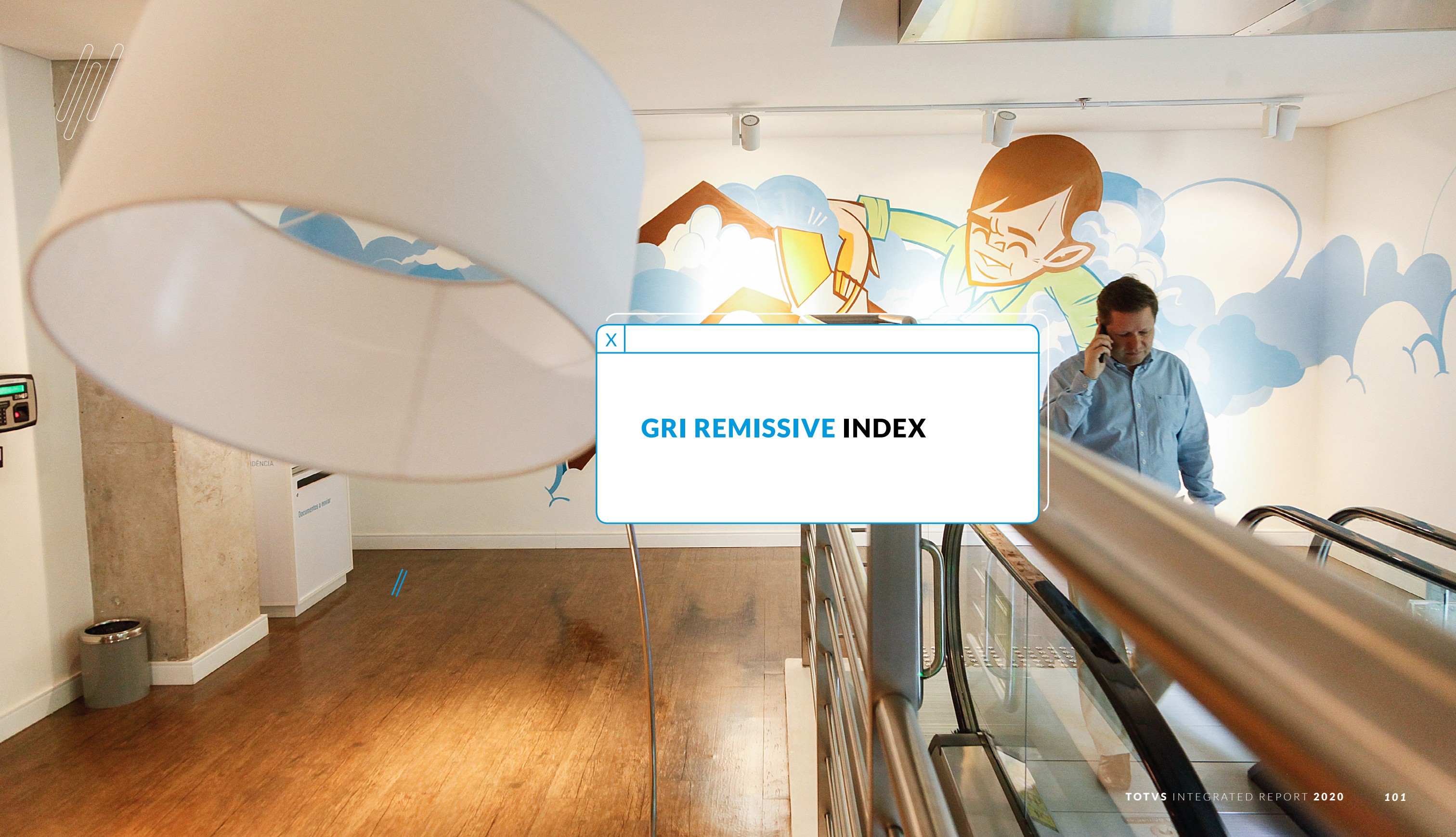
	2018	2019	2020
Landfill	2.1	2.0	2.0
Recycling ²	12.8	8.4	9.7
Total (in tons)	14.9	10.4	11.7

¹To calculate this indicator, waste generated at the Company's headquarters in São Paulo was considered. ²The materials sent for recycling are paper, glass, plastics and electronic waste.

There was a 12.67% increase in the total waste generated in 2020 compared to 2019 due to the recalculation of the indicator and the inclusion of electronic waste. In relation to 2018, the reduction had been 21.92% due to the change in the invoice model, thus avoiding 87,000 prints in the year. [306-4]

In 2020, an inventory was carried out of all the Company's equipment and peripherals that were replaced due to depreciation or disuse. This inventory resulted in the reuse of 2,696 tons of electronic waste. The project consists of the sale of this equipment through an auction performed by the supply area. After the auction, the winning company must issue a certificate that proves the receipt of electronic waste, as required by environmental legislation. [306-4]

Finally, in 2020, the estimated savings from material recycling (paper, glass and plastic), with the exception of electronic waste, were the following: we avoid cutting 117.39 trees; we enable the manufacture of 585.2 kg of new products; we saved about 36kg in natural resources and stopped using the equivalent of 10,315kg in bauxite.



X

GRI REMISSIVE INDEX

REMISSIVE INDEX

GRI STANDARD	CONTENT	PAGE/ DIRECT RESPONSE	OMISSION	SDG	GLOBAL COMPACT PRINCIPLES
101 - FOUNDATION					
	Does not include content	-		-	-
102 - ORGANIZATIONAL PROFILE					
102-1	Organization name	TOTVS S.A		-	-
102-2	Main brands, products and services	23 - 27; 48 - 50		-	-
102-3	Location of Organization's headquarters	Sao Paulo, SP, Brazil.		-	-
102-4	Location of operations	23 - 27; 48 - 50		-	-
102-5	Ownership and legal form of the Organization	Corporation		-	-
102-6	Markets in which the Organization operates	48 - 50. For more information, check out the Reference Form available on the IR website. https://ri.totvs.com/en/		-	-
102-7	Organization size	19; 23 - 27; 35; 48 - 50		-	-
102-8	Total workers, by type of employment, employment contract and region, classified by gender	52 - 53		8	6
102-9	The Organization's supply chain	85		-	-
102-10	Significant changes in the Organization and its supply chain	07; 25; 28; 35		-	-
102-11	Approach or precautionary principle	We did not formally adhere to the Precautionary Principle; however, we updated our risk map in 2019 and reassessed our process for analyzing the main impacts and risks of our operations.		-	-
102-12	Externally developed economic, environmental and social letters, principles or other initiatives that the Organization subscribes to or endorses	28; 43; 76		-	-
102-13	Main participations in associations	91 - 93		-	-

REMISSIVE INDEX

GRI STANDARD	CONTENT	PAGE/ DIRECT RESPONSE	OMISSION	SDG	GLOBAL COMPACT PRINCIPLES
STRATEGY					
102-14	Statement by the Organization's most senior decision maker on the relevance of sustainability to the organization and its sustainability strategy	03; 07		-	-
102-15	Main impacts, risks and opportunities	20 - 21 . For more information, check out the Reference Form available on the IR website. https://ri.totvs.com/en/		-	7
ETHICS AND INTEGRITY					
102-16	Organization's values, principles, standards and norms of behavior	24; 36; 40 - 44		16	1, 10
102-17	Counseling mechanisms and ethical concerns	36; 40 - 44		16	2, 10
CORPORATE GOVERNANCE					
102-18	Organization's governance structure	29			-
102-22	Composition of the highest governance body and its committees	29 - 33		5, 16	-
102-23	Inform whether the chair of the highest governance body is also an executive director	30 - 32		16	-
102-25	Processes used by the highest governance body to ensure the prevention and management of conflicts of interest	35 - 37; 41 - 42		16	-
102-26	Roles played by the highest governance body and senior executives	29 - 31 . For more information, check out the Reference Form available on the IR website. https://ri.totvs.com/en/		16	-
102-29	Role played by the highest governance body in identifying and managing impacts, risks and opportunities arising from economic, environmental and social issues	30; 36 - 37. For more information, check out the Reference Form available on the IR website. https://ri.totvs.com/en/		16	-
102-30	Role played by the highest governance body in analyzing the effectiveness of the Organization's risk management processes for economic, environmental and social issues	30. For more information, check out the Reference Form available on the IR website. https://ri.totvs.com/en/		-	-

REMISSIVE INDEX

GRI STANDARD	CONTENT	PAGE/ DIRECT RESPONSE	OMISSION	SDG	GLOBAL COMPACT PRINCIPLES
102-31	Frequency with which the highest governance body analyzes impacts, risks and opportunities arising from economic, environmental and social issues	28 - 29. For more information, check out the Reference Form available on the IR website. https://ri.totvs.com/en/		-	-
102-32	The highest level body or position that formally reviews and approves the Organization's sustainability report	The report was approved by the Board of Directors		-	-
102-33	Process adopted to communicate critical concerns to the highest governance body	38		-	-
102-35	Compensation policies applied to the highest governance body and senior executives	Policy available on the IR website. https://ri.totvs.com/en/esg/bylaws-policies-and-charters/		-	-
102-36	Process adopted for determining compensation	33 - 34; 55; 57		-	6
102-37	Report how stakeholder opinions are requested and taken into account in relation to compensation, including voting results on compensation policies and proposals, if applicable	33; 55; 57		16	-
STAKEHOLDER ENGAGEMENT					
102-40	Present a list of stakeholder groups engaged by the organization	09 - 18		-	-
102-41	Report the percentage of total employees covered by collective bargaining agreements	100%		8	3
102-42	Basis used for identifying and selecting stakeholders for engagement	09 - 18		-	-
102-43	Approach adopted by the organization to engage stakeholders	09 - 18		-	-
102-44	Main topics and concerns raised during stakeholder engagement and measures taken by the organization	09 - 18		-	-
REPORTING PRACTICES					
102-45	Entities included in the consolidated financial statements	Financial statements available on the IR website. https://ri.totvs.com/en/financial-information/results-center/ .		-	-

REMISSIVE INDEX

GRI STANDARD	CONTENT	PAGE/ DIRECT RESPONSE	OMISSION	SDG	GLOBAL COMPACT PRINCIPLES
102-46	Process adopted to define report content and aspect boundaries	09		-	-
102-47	Material topics identified in the report content definition process	09		-	-
102-48	Effect of any restatements of information provided in previous reports and the reasons for such restatements	09; 39		-	-
102-49	Significant changes in the periods covered by previous reports with respect to material topics and topic boundaries	The materiality matrix was updated and new topics were included. More information in the “About the Report” chapter		-	-
102-50	Period covered in the report.	01/01/2020 - 12/31/2020		-	-
102-51	Date of most recent previous report (if any)	The most recent report, in GRI format, was published in 2020 (base year 2019). It is available on the TOTVS IR website.		-	-
102-52	Reporting cycle	Annual		-	-
102-53	Contact for questions about the Report or its contents	To request further information or clarification regarding the content of this document, contact us by e-mail: ri@totvs.com.br		-	-
102-54	Option chosen by the organization according to the GRI Standards options	03		-	-
102-55	GRI Content Summary for the chosen option	101-110		-	-
102-56	External verification	It has not been performed		-	-
ECONOMIC AND FINANCIAL PERFORMANCE					
201 - ECONOMIC PERFORMANCE					
103-1	Explanation of the material topic and its limit	71; 79 - 85		-	-
103-2	Management method and its components	71; 79 - 85		-	-
103-3	Management method evaluation	71; 79 - 85		-	-
201-1	Direct economic value generated and distributed	79 - 82; 85		2, 5, 7, 8, 9	-

REMISSIVE INDEX

GRI STANDARD	CONTENT	PAGE/ DIRECT RESPONSE	OMISSION	SDG	GLOBAL COMPACT PRINCIPLES
201-3	Coverage of the Organization’s defined benefit pension plan obligations	71		-	-
201-4	Significant financial support received from the government	79 - 82; 85		-	7, 8, 9
202 - MARKET PRESENCE					
103-1	Explanation of the material topic and its limit	53 - 55		-	-
103-2	Management method and its components	53 - 55		-	-
103-3	Management method evaluation	53 - 55		-	-
202-1	Proportion of salary in relation to the local minimum salary by gender	54		8	-
202-2	Procedures for local hiring and proportion of senior management recruited from the local community at key operating units	53 - 55		8	-
203 - INDIRECT ECONOMIC IMPACTS					
103-1	Explanation of the material topic and its limit	79 - 82		-	-
103-2	Management method and its components	79 - 82		-	-
103-3	Management method evaluation	79 - 82		-	-
203-1	Development and impact of investments in infrastructure and services offered, primarily for public benefit, through commercial engagement, in products or services or pro bono activity	82		2, 5, 7, 9, 11	1, 7, 8, 9
204 - PURCHASE PRACTICES					
204-1	Policies, practices and proportion of spending on local suppliers in important operating units	85 - 86		12	-

REMISSIVE INDEX

GRI STANDARD	CONTENT	PAGE/ DIRECT RESPONSE	OMISSION	SDG	GLOBAL COMPACT PRINCIPLES
205 - ANTI-CORRUPTION					
103-1	Explanation of the material topic and its limit	39 - 41		-	-
103-2	Management method and its components	39 - 41		-	-
103-3	Management method evaluation	39 - 41		-	-
205-1	Percentage and total number of business units submitted to risk assessment related to corruption	39 - 41		12, 16	10
205-2	Communication and training in anti-corruption policies and procedures	39 - 41		12, 16	10
205-3	Cases of corruption confirmed and actions taken	No cases of corruption were confirmed in the Company		12, 16	10
ENVIRONMENTAL PERFORMANCE					
302 - ENERGY					
302-1	Energy consumption within the Organization	99		7, 8, 12, 13	7, 8, 9
302-4	Reduced energy consumption	99		7, 8, 12, 13	7, 8, 9
303 - WATER					
303-1	Water consumption as a shared resource	100		7, 8, 12, 13	7, 8, 9
303-3	Water catchment	100		7, 8, 12, 13	7, 8, 9
306 - EFFLUENTS AND WASTE					
306-3	Waste generated	100		3,6, 12	7, 8, 9
306-4	Waste not destined for final disposal	100		3,6, 12	7, 8, 9

REMISSIVE INDEX

GRI STANDARD	CONTENT	PAGE/ DIRECT RESPONSE	OMISSION	SDG	GLOBAL COMPACT PRINCIPLES
SOCIAL PERFORMANCE					
401 - EMPLOYMENT					
103-1	Explanation of the material topic and its limit	57 - 71		-	-
103-2	Management method and its components	57 - 71		-	-
103-3	Management method evaluation	57 - 71		-	-
401-1	Total number and rates of new employee hires and employee turnover by age group, gender and region	60		5, 8	-
401-2	Benefits provided to full-time employees that are not offered to temporary or part-time employees, by major operating units of the Organization	71 - 72		8 5, 8	- -
401-3	Return to work and retention rates after maternity/paternity leave, by gender	68		-	-
403 - HEALTH AND SAFETY					
103-1	Explanation of the material topic and its limit	68 - 72		-	-
103-2	Management method and its components	68 - 72		-	-
103-3	Management method evaluation	68 - 72		-	-
403-9	Work accidents	68		8	-
403-10	Occupational diseases	68		8	-
404 - TRAINING AND EDUCATION					
103-1	Explanation of the material topic and its limit	57 - 67		-	-
103-2	Management method and its components	57 - 67		-	-

REMISSIVE INDEX

GRI STANDARD	CONTENT	PAGE/ DIRECT RESPONSE	OMISSION	SDG	GLOBAL COMPACT PRINCIPLES
103-3	Management method evaluation	57 - 67		-	-
404-1	Average hours of training per year, per employee, by gender and by functional category	61 - 62		4, 5, 8	-
404-2	Programs for competency management and continuous learning that support the continued employability of employees and to manage the end of career	60 - 63		8	-
404-3	Percentage of employees receiving regular performance and career development evaluations, by gender	61; 63 - 64		5, 8	-
405 - DIVERSITY AND EQUAL OPPORTUNITIES					
103-1	Explanation of the material topic and its limit	57 - 67		-	-
103-2	Management method and its components	57 - 67		-	-
103-3	Management method evaluation	57 - 67		-	-
405-1	Composition of groups responsible for corporate governance and breakdown of employees by functional category, according to gender, age group and other diversity indicators	57 - 67		5, 8	-
SUPPLY CHAIN 414 - SOCIAL EVALUATION OF SUPPLIERS					
103-1	Explanation of the material topic and its limit	85 - 86		-	-
103-2	Management method and its components	85 - 86		-	-
103-3	Management method evaluation	85 - 86		-	-
414-1	Percentage of new suppliers selected based on social criteria	85 - 86		12, 17	-

REMISSIVE INDEX

GRI STANDARD	CONTENT	PAGE/ DIRECT RESPONSE	OMISSION	SDG	GLOBAL COMPACT PRINCIPLES
RESPONSIBILITY FOR PRODUCTS AND SERVICES 418 - CUSTOMER PRIVACY					
103-1	Explanation of the material topic and its limit	38 - 39		-	-
103-2	Management method and its components	38 - 39		-	-
103-3	Management method evaluation	38 - 39		-	-
418-1	Total number of substantiated complaints regarding breaches of customer privacy and loss of customer data	38 - 39		9, 12, 17	-

GLOSSARY

ABBREVIATION	TERM	MEANING
B2B	Business to Business	English expression to designate business relationships between companies
B2C	Business to Consumer	English expression to designate transactions between businesses and consumers
COP	Communication of Progress	Annual report on advances in the principles of the United Nations Global Compact
Design Thinking	Approach applied in people-centered innovation projects	An approach that facilitates thinking and acting “outside the box”, as well as using creativity in a collaborative way to have ideas (creativity) and implement ideas (innovation) based on the real needs of stakeholders
Due Diligence	Term commonly used in corporate acquisitions	Process of investigating a business opportunity that the investor must accept in order to assess the risks of the transaction. The analysis includes aspects such as its area of activity, the possibilities and prospects for the future of the business, as well as its state. Although such an investigation may be made under legal obligation, the term usually refers to voluntary investigations, assets and liabilities.
ESG	Environmental, Social and Governance	Environmental, social and corporate governance data refer to metrics related to intangible assets within the company, which represent a growing percentage of the Company’s future value.
IFRS	International Financial Reporting Standards	International Accounting Standard
Onboarding	English term for integration	It brings together the procedures that bring a new employee closer to the organizational culture
Risk Owners	Person or legal entity responsible for managing threats and vulnerabilities	Each risk owner must be someone for whom the risk is relevant to their work and who has the authority to deal with it. The owner of the risks associated with IT infrastructure – such as malware – should be the head of the IT department as he has the best understanding of how to address the threats and the power to implement the necessary measures.
SaaS	Software as a Service	Acronym to describe the provision of services according to customer demand
Turnover	English expression for turnover of staff	Turnover in people management is the flow of professionals entering and leaving an organization
UX	User Experience	Area/Subject that aims to ensure that the user has a good experience when using the product (software), both from an aesthetic/ visual point of view, and from the point of view of usability/ease, making use more intuitive.

APPENDIX I - THE 10 PRINCIPLES OF GLOBAL COMPACT

1



PRINCIPLE 1:
Businesses should support and respect the protection of internationally proclaimed human rights; and

2



PRINCIPLE 2:
make sure that they are not complicit in human rights abuses.

3



PRINCIPLE 3:
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4



PRINCIPLE 4:
the elimination of all forms of forced and compulsory labour;

5



PRINCIPLE 5:
the effective abolition of child labour; and

6



PRINCIPLE 6:
the elimination of discrimination in respect of employment and occupation.

7



PRINCIPLE 7:
Businesses should support a precautionary approach to environmental challenges;

8



PRINCIPLE 8:
undertake initiatives to promote greater environmental responsibility; and

9



PRINCIPLE 9:
encourage the development and diffusion of environmentally friendly technologies.

10



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

APPENDIX II - SUSTAINABLE DEVELOPMENT GOALS (SDGS)

THE 17 SUSTAINABLE DEVELOPMENT GOALS (SDGS)



MATERIALITY 2021 - ODS PRIORITIZED BY TOTVS

4 QUALITY EDUCATION Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	
5 GENDER EQUALITY Achieve gender equality and empower all women and girls	
8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	
10 REDUCED INEQUALITIES Reduce inequality within and among countries	
12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns	
17 PARTNERSHIP FOR THE GOALS Strengthen the means of implementation and revitalize the global partnership for sustainable development	

INTEGRATED 2020 REPORT

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