

cielo

# Content



**ABOUT THE REPORT.....03**

- Relevance Matrix

**MESSAGE**

**FROM THE CEO.....05**

**CIELO.....07**

- Mission and values
- Commitments
- Awards and recognition

**CORPORATE GOVERNANCE.....12**

- Governance structure
- Managing sustainability
- Management of affiliates

**RISK MANAGEMENT.....18**

- Main risks
- Emerging risks
- Ethics
- Ethics channel
- Anticorruption Policy

**CONNECTING WITH THE FUTURE OF PAYMENTS.....26**

- Sector conjuncture
- Strategic planning
- Digital evolution
- Products and solutions

**CLIENT FOCUS.....36**

- Quality and service availability
- Client relations
- Cybernetic security

**VALUED RELATIONSHIPS.....46**

- Employees
- Community
- Suppliers and partners

**OPERATIONAL AND ENVIRONMENTAL EFFICIENCY.....64**

- Business performance
- Eco-efficiency and management
- Climate strategy

**ATTACHMENTS.....78**

**GRI CONTENT INDEX.....103**

**CREDITS.....119**

# About the Report

In this 7<sup>th</sup> Sustainability Report, Cielo presents its performance in the economic-financial, social and environmental dimensions for the period from January 1 to December 31, 2018, covering 75% of the Company's operations. The report was prepared based on the Core option of the Global Reporting Initiative Standards (GRI Standards). In line with best market practice, the information herein was submitted to external audit, which was conducted by KPMG Financial Risk & Actuarial Services Ltda. [102-45](#) | [102-46](#) | [102-50](#) | [102-54](#) | [102-56](#)

The document addresses the Company's goals, targets and challenges during the period, as well as its approach to managing sustainability and relations with

its diverse stakeholder groups: clients, commercial partners, suppliers, employees, representatives of pacts and commitments, communities, civil society and users of electronic means of payment. [102-40](#)

The financial statements cover all the companies in which Cielo has holdings, in accordance with consolidated accounting rules. Regarding the companies Servinet, Cielo USA (indirect subsidiary Merchant e-Solutions), Braspag, Multidisplay (indirect subsidiary M4 Produtos), Cateno, Aliança (indirect subsidiary Stelo since September 15, 2018), FIDC-NP, FIDC Plus, FIC Pegasus and Coral, the results were fully consolidated, that is, the controlling shareholder recognized all of its assets, liabilities, revenues and expenses, making

it necessary to recognize the stake of the 3 non-controlling shareholders. Whereas in the case of Paggo and Orizon the results are allocated under equity in subsidiaries. [102-45](#)

To define the content presented herein, the Relevance Matrix was reviewed during the year with a view to fulfilling stakeholder expectations. With respect to the previous report, published in April, 2018, there were no restatements of information, neither were there alterations in scope and boundaries. [102-48](#) | [102-49](#) | [102-51](#)

Any doubts and comments related to this material and the Company's sustainability practices may be addressed to the e-mail [sustentabilidade@cielo.com.br](mailto:sustentabilidade@cielo.com.br). [102-53](#)

## Relevance Matrix 102-46 | 102-49

The review of the Cielo Relevance Matrix involved analysis of the previous year's report and materiality process, of questionnaires from the New York Stock Exchange Dow Jones Sustainability Index and the São Paulo B3 S.A. – Brasil, Bolsa, Balcão Corporate Sustainability Index (ISE), as well as internal documents. Other external materials surveyed included The 2018 Sustainability Yearbook, released by RobecoSAM – a global reference in the sustainable investments sector –, The Global Risks Report 2018, from the World Economic Forum, Defining Materiality: What Matters to Reporters and Investors, published by the Global Reporting Initiative in partnership with RobecoSAM, and Turning Points: Corporate Progress on the Ceres Roadmap for Sustainability, from Ceres, as well as sector documents such as the Sustainability Accounting Standards Board (SASB) and the EY Financial Industry Study.

Based on this analysis, a list of 16 topics considered to be current for sector was drafted, which was the starting point for prioritizing those considered most important for Cielo.

[\(See the full list of topics in Attachments.\)](#)

During the prioritization stage, a total of 95 stakeholders were consulted online, comprehending employees, suppliers, users of means of payments, investors/shareholders, commercial partners, clients, civil society and industry associations. [102-40 | 102-42](#)

In addition to the consultation of internal and external stakeholders, members of the Sustainability Committee, which advises the Board of Directors, were involved in prioritizing the most relevant topics. The outcome of this process was the identification of ten topics considered to be of greater relevance in 2018, which were approved by the Cielo Board.

## Material topics 102-47

<p><b>1<sup>st</sup></b></p> <p><b>Topic:</b> Focus on client service and satisfaction, tailoring products and services to their needs</p> <p><b>Target:</b> reduce the number of calls and the response time in addressing client complaints to the Call Center and the Help Desk</p>	<p><b>2<sup>nd</sup></b></p> <p><b>Topic:</b> Confidentiality in use of client data (new topic)</p> <p><b>Target:</b> adapt systems to receive and provide information on the base derivation keys (BDK) used to encrypt card data</p>	<p><b>3<sup>rd</sup></b></p> <p><b>Topic:</b> Fraud prevention and control and cybernetic security</p> <p><b>Target:</b> adapt systems and processes to ensure compliance with Brazil's personal data protection law (Law No. 13,709/2018)</p>	<p><b>4<sup>th</sup></b></p> <p><b>Topic:</b> Ethics, integrity and anticorruption practices</p> <p><b>Target:</b> review the Code of Ethics</p>
<p><b>5<sup>th</sup></b></p> <p><b>Topic:</b> Attract, develop and value employees, fairness and respect for diversity at all hierarchical levels and in all relationships</p> <p><b>Target:</b> strengthen the attraction and selection area to ensure high quality candidates and to meet the organization's different profile requirements</p>	<p><b>6<sup>th</sup></b></p> <p><b>Topic:</b> Expansion of client base (new topic)</p> <p><b>Target:</b> expand the Cielo product and solution sales channels (retail and entrepreneurs)</p>	<p><b>7<sup>th</sup></b></p> <p><b>Topic:</b> Capacity and operational availability</p> <p><b>Target:</b> boost services and transaction capture by ensuring operational availability</p>	
<p><b>8<sup>th</sup></b></p> <p><b>Topic:</b> Connecting with the future of payments (new topic)</p> <p><b>Target:</b> expand Open Payment program (APIs)</p>	<p><b>9<sup>th</sup></b></p> <p><b>Topic:</b> Trends and disruptive technologies*</p>	<p><b>10<sup>th</sup></b></p> <p><b>Topic:</b> Regulatory risks*</p> <p><b>Target:</b> plan and implant an operational, credit, liquidity and market risk management framework in accordance with Bacen requirements</p>	

\* Regulatory risks and Trends and disruptive technologies were elevated to priority topics after validation by the Board of Executive Officers.

# Message

## from the CEO

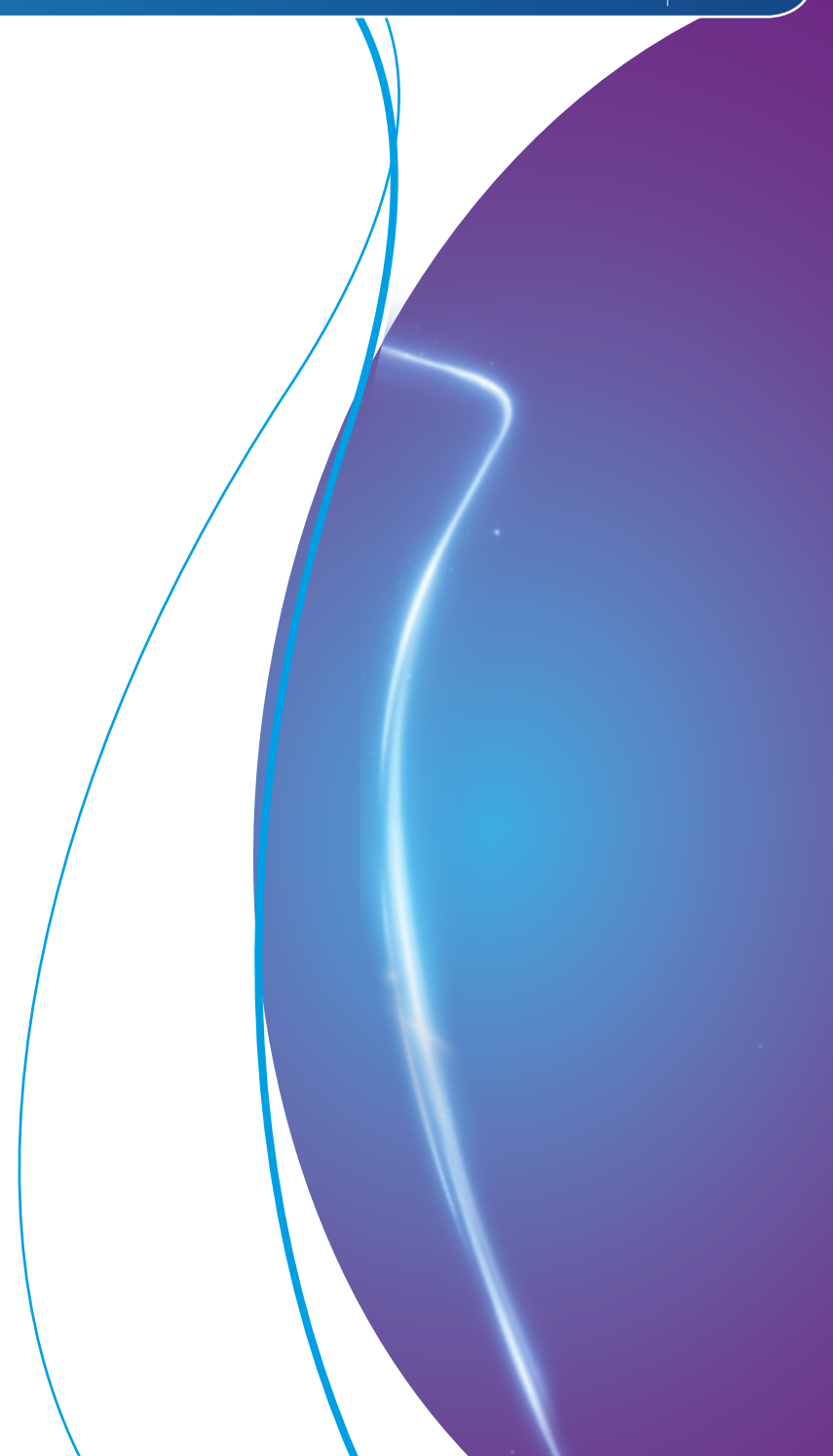
102-14 | 102-15

A challenging year, with important changes in the macroeconomic, political, industry and internal conjunctures, 2018 was marked by a slight resumption in growth in the country, by changes in management and by an even more competitive environment in the means of payment sector – as a result of a significant increase in the number of players, the opening of the market and the regulatory measures applied by the Brazilian Central Bank (Bacen) over recent years.

In this context, we obtained a net revenue of R\$11,685.8 million, growing 0.7% against 2017. Adjusted net income, on the other hand, decreased by 19% in the same comparison. Even so, we approved the largest nominal return ever for shareholders in the amount of R\$3.5 billion, corresponding to a dividend payout in excess of 100%.

In spite of these challenges, with our sights set firmly on the future, we identified the opportunity to reaffirm our leadership of the industry. We focused on the segments in which we already operate, broadening our vision to encompass new businesses and clients that show great potential

We expanded access to financial services by means of solutions that are adaptable to diverse types of clients – both bankarized and not, new entrepreneurs and large accounts, among others –, enabling us to serve different profiles and business needs. We also provided support in managing businesses and in developing our clients. The first results of these initiatives are already perceptible, with sales of 483,000 Stelo terminals in the Company's first year operating as our fully-owned subsidiary.



To drive the evolution of our solutions, we stepped up the digital development process and investments in technology, as well as creating an Innovation Committee. We also partnered with suppliers to identify points for improvement in our processes and sought to drive sustainability throughout our value chain.

During the year, employee numbers in Brazil reached 3,108, a 43.8% increase in headcount compared with 2017. This was deemed essential for the development of the business. We also reinforced the commercial team to ensure that Cielo is prepared to thrive more than ever in the new competitive environment. We continued to maintain our socioenvironmental commitment in line with the United Nations Organization (UNO) Global Compact, to which we have been signatories since 2011, with a view to contributing to sustainable development.

We will be fully focused on the client experience in 2019. We will work on delivering ever more competitive products and services, as well as providing the best service experience in the market and raising the level of our field services.

We are convinced that we are prepared for the new competitive scenario, capable of generating value for all our stakeholders and ensuring the future growth of our businesses.

**Paulo Caffarelli**  
CEO, Cielo





# Cielo

Focused on technology and services for retail, Cielo S.A. operates in the accreditation, transmission, processing and financial settlement of transactions and the capture of the main domestic and international credit and debit card brands. The Company offers products for all types of businesses, adding cutting edge logistics and rigorous security standards, backed by a robust framework to support the success of its clients. [102-1](#) | [102-2](#) | [102-6](#)

A publicly traded company ([see the shareholding breakdown in Attachments](#)), the Company is headquartered in Alphaville, in the municipality of Barueri (São Paulo). It has also operated in the United States since the acquisition of its subsidiary Merchant e-Solutions in 2012. The Company operates in the electronic payments sector by means of a multi-service, multi-brand and multi-channel platform, serving the most diverse range of clients – from small store-owners to large retailers, including liberal professionals and freelancers – and economic segments. [102-3](#) | [102-4](#) | [102-5](#) | [102-6](#) | [102-7](#)

In 2018, driven by the contributions of 3,108 employees in Brazil, Cielo obtained a net revenue of R\$11,685.8 million, up 0.7% on 2017. However, at R\$3,286.4 million, net income decreased by 19% compared with the previous year. [102-7](#) | [102-8](#)

## Mission and values [102-16](#)

### Mission

Captivate our clients with the best solutions from a leading, profitable, and sustainable company with passionate employees.

### Values

- Employees with attitude, team spirit, and passion for everything they do
- Captivated customers
- Owner mindset
- Ethics in all relationships
- Excellence in execution
- Innovation with results
- Sustainability and corporate responsibility

## Commitments

### Participation in external initiatives

[102-12](#) | [102-13](#)

Since 2011, Cielo and its subsidiaries in Brazil have been signatories to the United Nations Organization (UNO) Global Compact, actively engaged in promoting the Sustainable Development Goals (SDGs). Since 2012, the Company has adopted the Standards Global Reporting Initiative (GRI) guidelines for the elaboration of its sustainability reports. In 2017, the Company became a member of the Group of Institutes, Foundations and Companies (Gife).

In the 2015 Instituto Ethos Open Letter to Brazil on Climate Change, Cielo declared its commitment to mitigating the impacts in its operations; since 2011, the Company has undertaken a Greenhouse Gas (GHG) Emissions Inventory in accordance with Brazilian GHG Protocol Program methodology. Cielo reports its emissions by means of the Carbon Disclosure Project (CDP), an organization that provides information to investors about companies focused on reducing global warming, and Brazil's Public Emissions Register, a platform developed by the Brazilian GHG Protocol Program for publishing member organizations' GHG emissions inventories.





Currently this is the largest data bank of corporate inventories in Latin America.

Additionally, Cielo participates in the following initiatives and organizations, by means of which it contributes to debates on subjects of interest in its areas of activity and to the formulation of public policy:

- Brazilian Association of Credit Card and Services Companies (Abecs)
- Brazilian Institute of Corporate Governance (IBGC)
- American Chamber of Commerce (Amcham)
- International Chamber of Commerce (ICC)
- Brazilian Commercial Automation Association (AFRAC)
- Digital Brazil Movement, linked with the Instituto IT Mídia
- Global Compact Working Groups: Sustainable Development Goals, Human Rights and Anticorruption
- Corporate Initiatives of the Fundação Getulio Vargas Center for Sustainability Studies (GVces)
  - Brazilian GHG Protocol Program
  - Companies for the Climate (EPC)
  - Applied Life Cycle (CiViA)
  - Local Development and Major Enterprises (ID Local)
  - Innovation and Sustainability in the Value Chain (ISCV)
- Athletes for Brazil, Instituto Ethos and Lide Sports Pact, supported by Mattos Filho Advogados

## Indexes

- Dow Jones Sustainability Index (DJSI)
- B3 Corporate Sustainability Index (ISE) – B3 S.A. – Brasil, Bolsa, Balcão
- Bovespa Index (Ibovespa)
- Special Corporate Governance Stock Index (IGC)
- Differentiated Tag Along Stock Index (ITAG)
- Brasil 100 Index (IBrX-100)
- Brasil 50 Index (IBrX-50)
- Financial Index (IFNC)
- Carbon Efficient Index (ICO2) – B3 S.A. – Brasil, Bolsa, Balcão
- Mid-Large Cap Index (MLCX)
- Corporate Governance Trade Index (IGCT)
- Brasil Broad-Based Index/B3 (IBrA)
- Novo Mercado Corporate Governance Index (IGC-NM)

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

**ISEB3**  
2019

## Awards and recognition



**Guia Você S/A –  
The 150 Best  
Companies to  
Work for**

Cielo was ranked among the 150 best companies to work for, coming first in the Financial Services category.

**Guia Você  
S/A – The Best  
to Start your  
Career**

The Company was among the 35 best companies to begin a career.

**Exame  
Magazine  
Biggest &  
Best**

**The 100 biggest companies in Brazil** – for the 12<sup>th</sup> year running, Cielo came in first place in the Services category in the Exame magazine Biggest & Best ranking.

**Forbes**

For the fourth year running, the Company was ranked among the most innovative companies in the world in the *Forbes* magazine ranking. It climbed 19 places compared with 2017, coming 74<sup>th</sup>.

**The 10 Most  
Innovative  
Companies  
in Brazil**

The Company was featured among the most innovative organizations in Brazil according to the *Forbes* ranking, which underscores the creation and implementation of original and disruptive products and processes.

**2018  
Innovation  
Brazil  
Ranking**

In the Valor Econômico award, which recognizes the 150 most innovative companies in Brazil, Cielo came first in Financial Services and 7<sup>th</sup> in the overall ranking.

**Época  
Negócios  
360°**

For the 7<sup>th</sup> time running, the Company came first in the Financial Services category and 3<sup>rd</sup> in the overall ranking, which recognizes the best companies in the country in the dimensions Financial Performance, Corporate Governance, People, Innovation, Future Vision and Sustainability.

**Valor 1000**

**Valor Econômico** – Cielo came in 53<sup>rd</sup> place among the 1,000 biggest companies in Brazil in the *Valor Econômico* overall ranking. In the industry ranking, the Company came 5<sup>th</sup>.

**Época Negócios and Great Place to Work**

**The 2018 Best Companies to Work for** – for the 18<sup>th</sup> time the Company was ranked among the 150 best companies to work for in the publication's ranking, in the large companies category. **Barueri and region ranking** – special mention and 6<sup>th</sup> position in the best places to work ranking.

**Brazil Ombudsmen Award**

The Cielo Ombudsman was recognized for the "Registration Cancellation" initiative, which involved the creation of a preventive monitoring routine for the incorrect charging of products/services and capture solutions, avoiding complaints and damages to the Company's image/reputation. The award was granted by the Brazilian Company Client Relations Association (Abrarec).

**IR Magazine**

The new Investor Relations website received the award from *IR Magazine*, with special mention in Best Use of Technology, for the implantation of LIA, the first virtual assistant on an IR website in the world.

**2018 Content Marketing Awards**

The 2017 Cielo intern and trainee campaign was recognized in the category Best global use of LinkedIn.

**CEO Forbes**

The former Cielo CEO Eduardo Camposana Gouveia was ranked among the 15 best CEOs in Brazil by *Forbes*.

**HSM Leadership Management**

**Individual Leaders Category** – Eduardo Gouveia – 3<sup>rd</sup> place.

**Top of Mind**

**Rio Grande Brands** – Cielo was the brand with the highest Top of Mind recall in the Electronic Payment Terminal category.

**Caio Award**

The Company received the award, which is aimed at incentivizing, recognizing and valuing the work done by companies in events, for the case Parents in Cielo.



# Corporate governance

103-2 | 103-3: Economic performance

The main drivers of the Cielo corporate governance model are ethics, transparency, fairness, accountability and corporate responsibility, principles that are essential for business sustainability. Since 2009, the Company has been listed on the Novo Mercado B3 stock exchange, a segment in which companies with the highest standards of corporate governance are listed, with a set of corporate rules that extend shareholders' rights, as well as a more transparent and wide-reaching information

disclosure policy. The governance model adopted by Cielo is also aligned with the best practices.

The Company also has Level 1 American Depositary Receipts (ADRs) on the Nasdaq International over the counter (OTC) market, the premium segment of the US stock exchange, which identifies leading companies for the quality of their operational businesses, excellence in information disclosure and listing on renowned overseas stock exchanges.

## Initiatives for a robust governance model

- Three independent members on the eleven-member Board of Directors (BD).
- The positions of chairman of the Board of Directors and CEO are occupied by different executives.
- Corporate Governance Secretary reporting directly to the chief executive officer.
- Self-assessment of the Board of Directors, with mechanisms that include collegiate and individual approaches conducted by the Corporate Governance Secretary, with the participation of an independent board member.
- Periodic external assessment by a third-party consultancy, overseen by an independent board member with support from the Corporate Governance Secretary.
- Corporate governance internet portal to restrict information exchange between members of the Board of Directors and Advisory Committees.
- Fixed agenda of recurring questions to be discussed by the Board of Directors and an annual calendar of ordinary meetings for the Board of Directors, the Fiscal Council and the Advisory Committees.
- Proposal to formalize the Board of Directors' decision-making process.
- Commitment to diversity in senior management.
- Governance guidelines aligned via documents such as the Bylaws, Shareholders' Agreement and regulations.
- Policies, norms and procedures are reviewed every two years – except those governing risks, which are reviewed annually to determine their compatibility with Company goals and market conditions.
- Provision of manual for shareholder participation in meetings.
- Policy for Related Party Transactions and other situations of conflict of interests, aimed at ensuring that majority interests do not participate a priori in decisions from which they may benefit.
- Adoption of 23 policies, reviewed periodically by the board of directors, including Anti-Money Laundering and Combating The Financing of Terrorism Policy; Corporate Risk Management Governance Policy; Compliance Policy – adopted in 2018; and Anticorruption Policy; Disclosure of Material Act or Facts and Trading of Securities Policy; Corporate Management Policy; Customer Relationship Policy; and Sustainability Policy – established previously. All may be viewed on the internet at <https://ri.cielo.com.br/en/about-cielo/corporate-governance/bylaws-and-policies>. 102-16
- Execution of mandatory training on Anticorruption, Code of Ethics, Trading Cielo Shares, Management of Business Continuity, Risk Management, Payment Institutions – Regulatory Aspects, Normative Instruments, Prevention of Money Laundering, Information Security, Working Hours, Shift Control System – Matrix.
- Simultaneous disclosure of relevant facts, announcement of results and other market communications to the CVM and via Investor Relations website. These communications are then emailed to the mailing list. 102-43

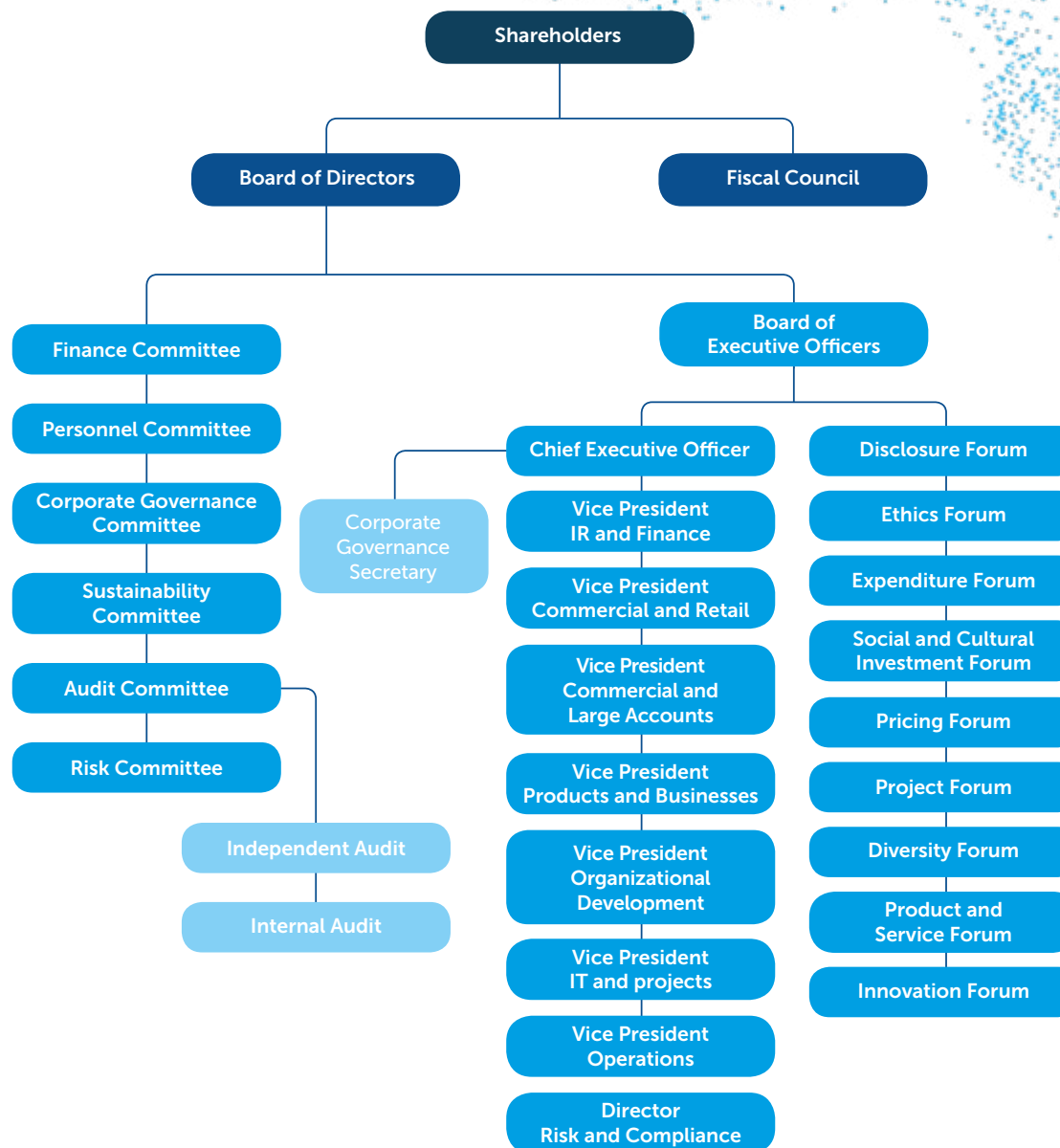
## Governance structure 102-18

The Company is administered by the Board of Directors, comprising members elected in the General Meeting, and by the Board of Executive Officers. The Company Bylaws provide for the creation of advisory committees which provide support and drive quality and efficiency in the activities of the administrative bodies.

Members of the Board of Directors and the Board of Executive Officers are nominated based on their strategic contributions and on merit, as well as gender, age, ethnic background, nationality and educational background. Full information about the governance structure and practices is available on the website <https://ri.cielo.com.br/en/about-cielo/corporate-governance/>.

The installation of advisory committees and forums is the responsibility of the Board of Directors and/or the Board of Executive Officers. The following advisory bodies are currently in place:

- Board of Directors Advisory Committees: (i) Audit Committee; (ii) Finance Committee; (iii) Corporate Governance Committee; (iv) Personnel Committee; (v) Sustainability Committee; (vi) Innovation Committee; (vii) Risk Committee.
- Board of Executive Officers Advisory Forums: (i) Disclosure Forum; (ii) Ethics Forum; (iii) Expenditure Forum; (iv) Social and Cultural Investment Forum; (v) Pricing Forum; (vi) Projects Forum; (vii) Diversity Forum; (viii) Products and Services Forum; and (ix) Innovation Forum.





# 100%

## stake in Stelo acquired by Cielo in 2018

In 2018, the CEO resigned after one and a half years in office. After the position was assumed on an interim basis by the executive vice president, Finance and Investor Relations, the Board of Directors confirmed Paulo Rogério Caffarelli as the new chief executive officer by unanimous vote. [102-10](#)

During the year the opening of a Share Repurchase Program was authorized, with a limit of 1,550,000 ordinary shares, with no nominal value, equivalent to 0.14% of the Company's floating shares.

Regarding the ownership structure, in 2018 Cielo acquired the remaining 70% of Stelo for R\$67,319,648.35, and the shareholder First Eagle Investment Management, LLC (First Eagle) increased its stake in Cielo's capital to 139,883,513 ordinary shares, corresponding to 5.15% of this class of share. [\(See the ownership structure in Attachments.\) 102-10 | 102-48](#)

## Managing sustainability

102-29 | 102-31 | 103-2 | 103-3: Anti-corruption | 103-2 | 103-3: Anti-competitive behavior | 103-2 | 103-3: Energy | 103-2 | 103-3: Water | 103-2 | 103-3: Emissions | 103-2 | 103-3: Effluents and waste | 103-2 | 103-3: Environmental compliance | 103-2 | 103-3: Supplier environmental assessment | 103-2 | 103-3: Employment | 103-2 | 103-3: Training and education | 103-2 | 103-3: Supplier social assessment

Aware of the importance of sustainability for the success of its businesses, Cielo has a Sustainability and Corporate Responsibility Management area and a Sustainability Committee, comprising four members of the Board of Directors, two of whom are independent, one representing each of the controlling shareholders and the vice president of Organizational Development (statutory director), demonstrating the strategic nature and the importance of the committee for the Company.

The Company also has its Sustainability Policy, the purpose of which is to reaffirm its commitment to sustainable development by means of guidelines that ensure the incorporation of social, environmental and governance aspects into the businesses. Applicable to all managers and employees, the policy governs ethical conduct in relations, anticorruption measures, social responsibility, respect for human rights, responsibility in the value chain, fair competitive practices, social investments, volunteer work, efficient management of natural resources and governance for sustainability.

Activities related to this area are discussed in board meetings, with presentations on the initiatives in place at least once every six months and quarterly reports from the Sustainability Committee, which met twice in 2018. The questions addressed during the year included: consideration of the Sustainability Committee’s annual activity report; recommendations for the structure of the 2018 sustainability report; status of the implementation and execution of the Sustainability Strategic Planning for the period 2017–2021; diversity and inclusion initiatives, in particular the Diversity Program; and monitoring of initiatives that ensure alignment with management best practices established by Brazilian and American corporate sustainability indexes.

Furthermore, in 2018 the Company launched an [internet portal](#) dedicated to sustainability. The purpose of the website, available in Portuguese and English, is to ensure the transparency and visibility of the measures undertaken in this area.

## Socioenvironmental risks are analyzed on a quarterly basis by the Sustainability Committee



On a monthly basis, the Board of Directors also analyzes impacts, risks and opportunities arising from economic questions by means of the Finance Committee, a board advisory body which meets monthly and also reports the subjects discussed to the Board of Directors on a monthly basis. The Sustainability Committee analyzes environmental and social risks on a quarterly basis. [102-31](#)

### Frequency and responsibility for assessing impacts, risks and opportunities [102-31](#)

Questions	Impacts	Risks	Opportunities
Economic	Finance Committee – monthly	Finance Committee – monthly	Finance Committee – monthly
Environmental	Sustainability Committee – quarterly	Sustainability Committee – quarterly	Sustainability Committee – quarterly
Social	Sustainability Committee – quarterly	Sustainability Committee – quarterly	Sustainability Committee – quarterly



## Management of affiliates

Cielo has a specific area for managing affiliates, companies in which it has a stake or a controlling share. The purpose is to boost the financial and business contribution made by these companies by means of alignment with Cielo guidelines and policies. They have a high potential for synergy with the Cielo businesses, meaning that joint measures result in greater agility and less bureaucracy in product and service development.

In 2018, Cielo finalized the purchase of the remaining 70% shares in Stelo for R\$67,319,648.35, acquiring 100% of the company's stock. Aligned with the goal of diversifying the offer of solutions and services, the acquisition of Stelo permitted the Company to explore new commercial initiatives, such as the sale of payment terminals by means of an own brand and an independent structure, enabling it to meet the most diverse client requirements. [102-10](#)

On the occasion, the transaction was submitted for consideration by the Board of Directors which, by means of its independent members and with the abstention of the other members, in line with best corporate governance practice, examined and approved the terms proposed for the transaction, including the acquisition price.

The transaction was finalized after the Company complied with a series of conditions, which included approval by the competent authorities, such as the Brazilian Central Bank (Bacen) and the antitrust authority Cade (*Conselho Administrativo de Defesa Econômica*).

### Participation and activities of affiliates [102-6](#)

**Stelo:** physical payment solutions. In 2018, Cielo concluded the purchase of the Company, acquiring 100% of its capital.

**Cateno:** means of payment management – cards, bills and operational risk. Joint venture created by Cielo and Banco do Brasil (BB).

**Braspag:** payment processing solutions. Cielo Group company.

**Orizon:** solutions and processes for the healthcare sector. Cielo Group company.

**M4U:** digitalization of means of payment and mobile solutions. Cielo Group company.

**Merchant e-Solutions:** an American acquiring (physical and online) and payment processing company.





# Risk management

102-11 | 102-15 | 103-2 | 103-3: Economic performance | 103-2 | 103-3: Anti-corruption | 103-2 | 103-3: Anti-competitive behavior | 103-2 | 103-3: Public policy | 103-2 | 103-3: Customer privacy | 103-2 | 103-3: Socioeconomic compliance

On an annual basis, Cielo reviews its Corporate Risk Management Governance Policy, which sets forth basic guidelines and the responsibilities associated with managing corporate risks, internal controls and compliance, in line with applicable regulations and best market practices.

The policy is applied by the Risk and Compliance area, directly

subordinated to the CEO, who reports the results of this work to the senior management. A number of other normative policies on Risk Management are also in place. These are reviewed annually and may be consulted on the Company's Investor Relations website at <https://ri.cielo.com.br/en/about-cielo/corporate-governance/bylaws-and-policies/risk-management-governance-policy/>. 102-31

10<sup>th</sup>

**Topic:** Regulatory risks

**Target:** plan and implant an operational, credit, liquidity and market risk management framework in accordance with Brazilian Central Bank (Bacen) requirements



The risk management process is supported by a methodology aligned with regulatory requirements and best market practices. When risk events or vulnerabilities in the internal control environment are detected, action plans are drafted to contain them within acceptable levels. Moreover, employees are encouraged to proactively report potential risks identified at any stage of the process or operation in which they work.

Additionally, products and services under development or in the process of being changed are assessed from a risk perspective, taking into account possible impacts for the Company. The Risk and Compliance, Legal, Institutional Relations, Sustainability, Control and Fraud and Money Laundering

Prevention areas are involved in project, product and service evaluation processes, being responsible for identifying risks and vulnerabilities in the control environment and opportunities for improvement.

In 2018, a structured improvement plan was drafted for the Risk and Compliance area, with a view to defining the stages of the risk culture, the levels of which range from employees, through the Risk area to the Audit area. Moreover, during the year, the Risk Committee was established to provide support for the Board of Directors in ensuring that the risks are addressed preventively.

## Main risks

Over the years, the focus of risk management has mainly targeted managing operational questions inherent to the business environment, which depends on cutting edge technology, information security and ongoing operational continuity. Seeking to implement best practices, and following Brazilian Central Bank (Bacen) authorization to operate as an accreditation institution, Cielo has also focused on improving its processes for managing credit, liquidity, and market risks, as well as minimum capital requirements.



Regulatory changes can also impact business development. Therefore, in addition to having a methodology to identify and stay abreast of the main corporate risks to which the Company is exposed, the Corporate Risk Management Governance Policy encompasses monitoring of the regulatory environment, including the rules established by the card brands, which ensures that products and processes are compliant with the internal and external standards in force.

The Legal area is responsible for monitoring and informing the areas affected about any regulations applicable to Cielo. The regulatory questions in focus during 2018 included the reduction in the payment period for commercial establishments, the decrease in the administration fees charged by accreditors, the elimination of limits in debit transactions and the pulverized payment of service taxes (ISSQN) in the municipalities in which the terminals are installed. During the year, the Company's Data Privacy Policy, which sets forth specific rules for all the information collected by the companies, was also approved.

The Company has a Tax Management Policy, which establishes internal controls to ensure that all the information used in tax administration is accurate, complete, up-to-date and auditable. In addition to ensuring compliance with tax legislation, the policy provides for stakeholder relations that observe best corporate and tributary practices. This and the Company's other policies are based on the principles set forth in the Code of Ethics: Ethics, Legality, Responsibility and Corporate Citizenship.

Additionally, the Company has special areas to track market trends and innovations, such as the Strategy, New Businesses and Analytics areas and the Cielo Garage, with a view to anticipating changes in the competitive environment. Along the same lines, the Company conducts market and client surveys, as well as participating in diverse means of payment and retail segment events.

Socioenvironmental risks are monitored by the Sustainability and Corporate Responsibility management area. Additionally, the Risk and Compliance area conducts independent oversight, periodically reporting on risks to the competent forums, monitored by senior management. [103-2](#) | [103-3: Product portfolio](#) | [FS2](#)

Specifically regarding environmental questions, Cielo's activities do not generate a significant impact. Even so, the Sustainability area participates in the Product Forum undertaking an assessment of all the socioenvironmental risks inherent to the Company's products and services, from their elaboration to their final disposal, when this is applicable. [102-11](#)

The purpose of the Product Forum is to provide support for the Board of Executive Officers in relation to the quality and efficiency of Company activities, in line with strategic goals and the basic principles of corporate governance. Moreover, the Company has guidelines to ensure that products and services under development or undergoing changes are assessed from a risk perspective. It is the responsibility of the Risk and Compliance area to monitor whether the implementation is compliant with all the necessary conditions and recommendations. The Risk and Compliance area is also responsible for monitoring the controls implemented to mitigate any risks in this sphere. [\(Further information in Sustainability applied to products and services.\)](#)

## Risk management culture

Cielo disseminates its risk management, internal control and compliance culture by means of a periodic employee training program. Mandatory annual e-learning courses are conducted on matters such as anticorruption practices, share trading, the Code of Ethics, prevention of money laundering, managing business continuity and information security, among others. Workshops on risk management, crisis management and business continuity management are organized on a constant basis.



## Emerging risks 102-15

To identify emerging risks for the business, the Company conducts three-year cycles of strategic planning, reviewed on an annual basis, which comprehend extensive mapping of the market and strategic risks in the dimensions competition, business model, technology and regulation.

In addition to the formal strategic planning process, the Company has internal processes focused on monitoring the market and identifying potential emerging risks for the business. Examples of these processes include market and client surveys (more than 28,000 interviews per year), monitoring of domestic and international trends in the sector and in technology, and tracking the Bacen regulatory agenda. [102-44](#)

The main emerging risks identified by the Company are those that might lead to the disintermediation of products or services provided by acquiring institutions. These include

new instantaneous peer-to-peer (P2P) transfer solutions, which could lead to disintermediation of debit transactions by acquiring institutions, which would in turn result in a significant loss in transaction volume for Cielo.

Another example of an emerging risk is the introduction of transaction capturing technology solutions that do not necessarily involve physical point of sale (POS) hardware. Such solutions pose a threat to the Company's revenue from the rental and sale of terminals, as well as potentially decreasing merchant loyalty to the acquiring institution, since they facilitate the exchange of the payment service provider.

The objective behind mapping emerging risks is to drive strategic measures that lead to, for example, the launch of new products and services. Cielo launches in 2018 include payment by [QR code](#) and the new [LIO+](#) capture solution.



## Ethics

103-2 | 103-3: Anti-corruption | 103-2 | 103-3: Anti-competitive behavior | 103-2 | 103-3: Supplier environmental assessment | 103-2 | 103-3: Employment | 103-2 | 103-3: Diversity and equal opportunity | 103-2 | 103-3: Supplier social assessment | 103-2 | 103-3: Public policy | 103-2 | 103-3: Customer privacy | 103-2 | 103-3: Socioeconomic compliance

For Cielo, ethical conduct demonstrates a Company's commitment to society and should be reflected in its relations with all its stakeholders. The Company has a Code of Ethics, which is constantly updated, that sets forth the behaviors, practices and procedures expected of employees, managers, affiliates and other stakeholders. All employees must sign a formal term of agreement with the code and undertake mandatory training whenever it is altered.

The code provides guidance on equality of opportunity, respect for people, conflicts of interest, contributions and affiliation to political parties, anti-corruption practices, prevention of fraud, competitive behavior, prevention of money laundering, accepting gifts and courtesies, information security, social networks, the environment, occupational health and safety, forced labor, the sexual exploitation of children and adolescents and child pornography. [415-1](#)

To ensure the ongoing enhancement of the material and incorporate its principles into the management process, Cielo has an Ethics Forum, which is responsible for addressing situations identified as deviations from the code's principles.

Because it values supplier relations, the Company also has a Supplier Code of Ethics, which was reviewed in 2018 and accepted by 100% of its commercial partners. The document contains guidelines on socioenvironmental and anti-corruption practices. It is designed to share Cielo's principles with a view to ensuring the construction of lasting relationships with the Company's suppliers. Furthermore, the Company abides by the principles of free competition, transparency and impartiality in contracting suppliers, and guarantees rigorous compliance with contract terms.

4<sup>th</sup>

**Topic:** Ethics, integrity and anticorruption practices

**Target:** review the Code of Ethics



## Ethics channel

103-2 | 103-3: Anti-corruption | 103-2 | 103-3: Anti-competitive behavior | 103-2 | 103-3: Supplier environmental assessment | 103-2 | 103-3: Employment | 103-2 | 103-3: Diversity and equal opportunity | 103-2 | 103-3: Supplier social assessment | 103-2 | 103-3: Public policy | 103-2 | 103-3: Customer privacy | 103-2 | 103-3: Socioeconomic compliance

Cielo has an Ethics Channel, managed by a specialized independent company, through which any deviations may be reported with the guarantee of confidentiality, anonymity and impartiality. This may be accessed via the internet (<https://canaldeetica.com.br/cielo/#home>) and telephone (0800-775-0808). The channel is open to receive reports from employees and third-parties, including suppliers, service providers and clients.

The reports are investigated by Internal Audit, an area independent of the Executive Board. The Internal Audit reports on its investigations to the Audit Committee on a monthly basis, while the Board of Directors receives a report every six months. Activities are monitored until the cases are concluded.

Reports that are classified as well-founded are presented regularly to the Cielo Ethics Forum, comprising the chief executive officer and the executives reporting directly to him, so that the main incidents and the persons involved are made known and decisions are taken on critical cases. Reports made to the Ethics Channel are analyzed

and investigated by especially assigned groups established in accordance with the nature and the origin of the deviation in conduct. Access to the information is restricted to the Audit area, which is responsible for analyzing it, providing an opinion and addressing the reports received. The penalties for breaches of rules are set forth in the Cielo Consequence Management Standard.

Cases deemed to be well-founded or ones that are more complex are referred to the highest authority in the flow, the Ethics Forum. Less complex cases are dealt with by the managers responsible. If a member of the Board of Executive Officers is implicated, the Board of Directors is required to decide on the matter. All the reports, as well as

the investigations and monitoring are reported monthly to the Audit Committee and, every semester, to the Board of Directors.

During the course of 2018, the Company received 85 reports of breaches of the Code of Ethics. From this total, 29 cases were classified as well-founded. Investigation of the 85 reports received (36 anonymous, 29 internal and 20 external) was coordinated by the Internal Audit area.

The sanctions applied in these cases included the dismissal of an employee and the removal of a third-party involved in psychological harassment; the dismissal of employees engaged in operational fraud and the improper use of corporate cards; the monitoring of declarations concerning potential conflicts of interest involving employees who have relatives that own or who themselves own establishments accredited by Cielo (24 of the 29 reports were deemed well-founded). In 2018, no cases of corruption were recorded. 103-2 |

103-3: Anti-corruption | 205-3

The Cielo subsidiaries also have an independent channel for dealing with breaches of the Code of Ethics: Braspag (<http://canaldeetica.com.br/braspag>), M4U (<https://canalconfidencial.com.br/m4u>) and Stelo (<http://canaldeetica.com.br/stelo>).

## The Ethics Forum



comprises the CEO and the executives reporting directly to him

## Anticorruption Policy

103-2 | 103-3: Anti-corruption

The Company has an Anticorruption Policy, in place since 2013, which emphasizes ethics as a corporate value in all relationships; it repudiates all forms of corruption and supports measures to combat it. These principles are also set forth in the Company's Sustainability Policy and Code of Ethics.

The Anticorruption Policy was disseminated throughout the Company via the intranet, an internal communication channel, in the Integrity Program, as a result of Decree No. 8,420/2015, which regulates Brazil's Anticorruption Law. The law provides for the creation of mechanisms to combat the corruption of public administration bodies by companies.

As a result, 100% of Cielo employees, including members of the Executive Board, interns, temporary workers and apprentices, received communications on the Company's Anticorruption Policy and the Code of Ethics, which also addresses corruption. Regarding the Board of Directors, 89% of the members signed the term of acknowledgment. [205-2](#)

To minimize exposure to corruption-related risks as set forth in the Anticorruption Law (Law No. 12,846/2013), Cielo has established mechanisms to prevent, detect and address this kind of offense. The main sources of exposure to the risk of corruption in the Company's processes are:

- Meetings with representatives of public authorities
- Invitations to and the participation of public authorities in events sponsored by the Company
- Hiring employees who are related to public authorities
- Interactions related to regulatory or inspection processes
- Accreditation of candidates, political parties and collective financing institutions

Guidelines are set forth for each of these cases in the Norms of Relationship with Public Authorities and the Accreditation Rules, which must be obeyed by all employees and managers.



**100%**

of the Company's employees received communications on the Cielo Anticorruption Policy and Code of Ethics





**Anticorruption training**

103-2 | 103-3: Anti-corruption

To disseminate these guidelines, the Company provides anticorruption training in an e-learning format at least once a year, with mandatory participation for all employees and managers. Training on the main legal and regulatory aspects and situations that could characterize corruption-related offenses is also provided in the same format. In 2018, the decrease in the percentage of anticorruption training compared with 2017

was due to the new hires for the commercial team (1,100 employees), a process which began in October 2018 and ended in December of that year. New employees have up to 45 days to conclude the Company's mandatory courses, counting from the date of their admission or from the updating of the policy. In 2019, the deadline for concluding the courses will be reduced to 30 days. 205-2

**Anticorruption training** 205-2

Course	2017				2018			
	Eligible	Concluded	Not Concluded	%	Eligible	Concluded	Not Concluded	%
Anticorruption	2,033	2,025	8	99.60	3,231	2,613	618	80.87

The Code of Ethics sets forth guidelines governing the range, responsibilities and management of consequences related to corruption. These forbid bribes, embezzlement, the granting of unwarranted advantages, the direct or indirect acceptance of gifts, favors, money or courtesies. The code also encourages the reporting of any related

offenses. Within the Company, the code is disseminated on a broad basis to all stakeholders, with specific training for managers, employees, interns and apprentices.

All operations (100%) considered by Cielo to be "client transactions" are assessed and monitored to prevent and combat money laundering. 205-1

Furthermore, between 2017 and 2018, to reinforce the program's controls, Cielo updated its guidelines and rules for participation in tenders, donations, relations with public authorities, anti-corruption policy and compliance.

All supplier contracts contain anti-corruption clauses. Additionally, client transactions are assessed on a monthly basis to ensure compliance with Brazil's Anti-Money Laundering and Financing of Terrorism Law. In both cases, deviations are reported to the Financial Activities Control Council (Coaf). 205-1

Cielo also has a Competition Policy, which provides guidelines and orientation for managers and employees on infractions that are detrimental to the economy, both in the context of contacts between competitors, either directly or through industry associations, and in Cielo's commercial practices. 103-2 | 103-3: Anti-competitive behavior | 206-1



# Connecting with the future of payments

## Sector conjuncture 102-15

2018 was characterized by multiple challenges, with important changes in the macroeconomic, political and sector environment, against the backdrop of a sluggish resumption in the country's growth. Gross Domestic Product (GDP) grew 1.1%, maintaining the same level as 2017.

Within this context, the means of payment industry presented an improvement in numbers, in the wake of trends in the Brazilian retail sector, as shown by the Cielo Broad Retail Index (ICVA).

According to the Brazilian Association of Credit Card Companies and Services (Abecs), card purchases totaled R\$1.55 trillion in 2018, growing 14.5% over the same period in 2017 – the highest growth since 2014, when the sector expansion

was 14.8%. At 15.5%, the number of card transactions grew even more, reaching 18.8 billion in 2018 – equivalent to 35,800 transactions per minute.

Also according to Abecs, growth in the electronic payment market outperformed the economy as a whole, demonstrating the segment's dynamism. In this more competitive environment, the payment volume processed by large companies in the sector fell from 86% in 2016 to 80% in 2018, in accordance with estimates by the bank Credit Suisse. In the same period, new entrants increased their share in payment volume from 3% to 10%. In addition to regulatory changes implanted by the Brazilian Central Bank (Bacen), this competition is the result of advances in technology. According to the

Central Bank, there are now more than 20 acquirers and 200 sub-acquirers in operation in the country.

As a result, in spite of the increase in transaction volume and revenue, companies experienced a drop in margins and profits. One of the main indicators is the discount rates charged on each merchant transaction, which are falling. For credit transactions these currently stand at 2.63%, compared with 2.95% in 2009, with a tendency to decrease even further.

## Strategic planning

Faced with this challenging conjuncture and to reaffirm its position as industry leader, in 2018 Cielo adopted a bolder positioning aimed at capturing a relevant portion of market growth and little explored segments. To this end, the Company established seven drivers which will be at the center of its decision making:

### Main drivers



Cielo is currently undergoing restructuring, which incorporates the establishment of targets in line with the Company's strategic goals. As of 2019, all the vice presidents' individual targets will be linked with service quality, products and sales, IT availability and the use of alternative channels for sales to promote full alignment with the Company's focus.

## Digital evolution

Beyond working in the means of payment sector, Cielo is a company based on innovation and technology. Its investments are focused on solutions that ensure excellence in availability, agility and security, with a robust back-end structure fully capable of meeting market requirements. Internally, the Company environment is agile and collaborative, with engaged professionals dedicated to accompanying the transformations in a market in which there is a great deal of potential to be captured. In 2018 the Digital Cielo working methodology was maintained, establishing innovation as the responsibility of the entire organization by means of five elements.

- **End-to-end digital** – automatic real-time decision making, with digitalization of processes.
- **Client at the center** – focus on the client and the product and service creation process.

- **Agility at scale** – teams with full responsibility for delivery, based on continuous interaction and tests with clients, as well as the incorporation of feedback.
- **Decisions based on data** – constant use of data for decision making.
- **Intensive use of new technologies** – adoption of the latest technologies in the design of client experiences.

To help drive this process, the Innovation Committee was created in 2018. Its role is to support the Board of Directors in initiatives related to research, technological trends and innovation, as well as policies and strategies. Comprising five members – three of whom are external, with broad experience in technology and innovation –, the Committee meets periodically during the course of the year.



**8<sup>th</sup>**

**Topic:** Connecting with the future of payments (new topic)

**9<sup>th</sup>**

**Topic:** Trends and disruptive technologies

**Target:** expand Open Payment program (APIs)



In 2018, there were significant advances in the application of the agile model, as well as in the consolidation and expansion of digital methodology. Proof of this was the increase in the number of squads from four to 27 between 2017 and 2018. These are multidisciplinary teams consisting of business, IT and operational area professionals who employ design techniques focused on the client experience and short-term advances based on the sprint concept, which can be implemented every two weeks. Project prerequisites are opportunities for product and service evolution that are aligned with Company strategy.

In this respect, the team's links with functional structures are reduced. They work more independently, free from the traditional command and control structure, which helps drive a cultural change for the Company as a whole. The model also results in the more rapid delivery of value for the client, with ongoing feedback and monitoring, enabling the rapid identification of improvement opportunities and adjustments in course.

In 2018, the squad model was responsible for 54% of the Company's project portfolio, driving a 40% gain in efficiency. One of the main deliveries in the year was the Digital Account with Prepaid Card, a product conceived and launched by the squads in 100 days, focused on non-bankerized users. Following traditional models, implantation of the project could have taken from six months to one year.

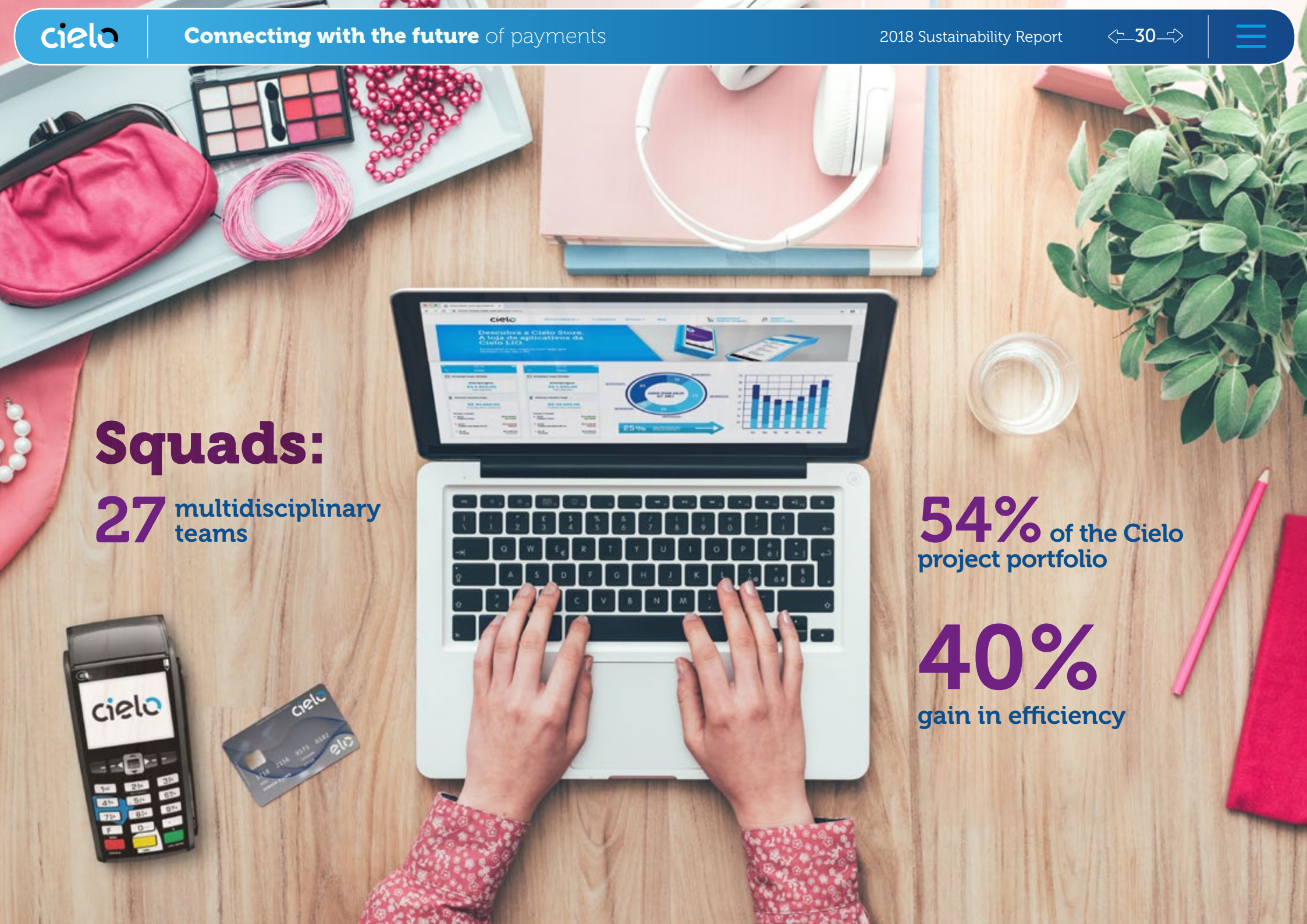


# Squads:

**27** multidisciplinary teams

**54%** of the Cielo project portfolio

**40%** gain in efficiency



### Digital account with prepaid card

The product allows non-bankerized clients to accept payments via Cielo and to receive the proceeds of their sales directly in a digital account linked with a prepaid card. This account permits clients to use their receivables in diverse ways: to settle payment orders and make transfers to bank accounts directly from the website or the Cielo application; to make purchases via the internet or in physical stores; and to withdraw cash from ATMs with the prepaid card associated with the digital account, among other options under development.

This Cielo solution facilitates the inclusion of non-bankarized clients in the electronic payments environment, driving their economic development and boosting their sales and income. It also provides facilities for clients, including those who already have a bank account, who gain access to a series of service in a simple, non-bureaucratic manner. The digital account does not cost Cielo clients anything.

Launched in September, around 50 thousand clients have already opened this type of account, in a clear demonstration of its strong acceptance by society and suitability for this type of user.

# 50,000

clients using digital accounts with prepaid card



For 2019, the challenge is to expand this working model, with a focus on measures aimed at people, supported by a more horizontal structure and greater autonomy in decision making. In addition to increasing the squads, the focus is on the client experience, adopting a broader vision of the Company's products in line with this factor. As a result, it is expected that the proportion of the portfolio run by these groups will increase to 80%.

Furthermore, to incorporate innovation as a competency for the entire team, a project was initiated to develop competencies in the areas of data, analytics and artificial intelligence as part of the Company's strategic planning. Investments were undertaken in systems, data integration and training to ensure all the Company's analysts have access to and the capacity to transform data into information. For 2019, the goal is to promote greater integration of Cielo data, driving further innovation and sophistication in artificial intelligence-based solutions.

**Internal and external innovation**

Since 2016, the Company has had the Cielo Garage, an area that uses tools to encourage innovation internally and externally. Measures are based on three major fronts: Innovation with clients, Insertion in the innovation ecosystem and Fostering internal innovation.

Within this context, worthy of note in 2018 were the specific internal innovation and technology encounters aimed at promoting the Company's digital evolution. Similarly, co-creations events were organized with clients, such as the project with Ânima Educação, structured as follows:

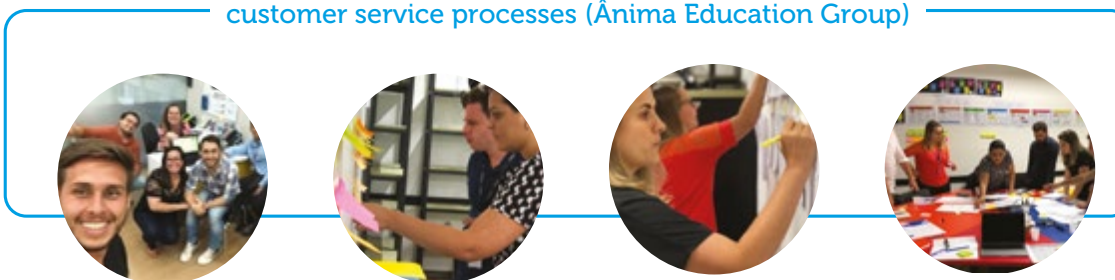
**Challenge:** generate competitive differentials in means of payment to attract students and their families in order to regularize payments.

**Activities:**

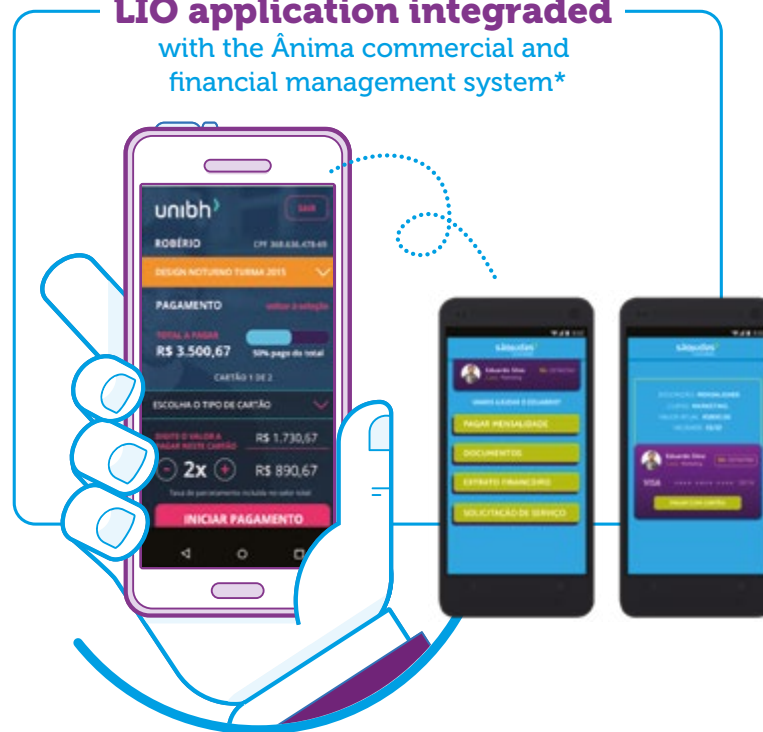
- Briefing with Ânima directors
- Interview with students
- Co-creation carried out with Ânima commercial, marketing, financial and customer service teams

**Solution created:** Cielo application integrated with the Ânima commercial and financial management system (SIAF), enabling self-service and payment of enrollment and monthly fees using up to six different cards.

**Mapping** of Universidade São Judas customer service processes (Ânima Education Group)



**Prototype of LIO application integrated with the Ânima commercial and financial management system\***



**Testing** with students



\* Commercial and financial management system.



## Products and solutions

102-2 | 102-6

Through the Cielo, Braspag, Cateno, M4U and Stelo brands, Cielo activities include accreditation, transmission, processing, financial settlement and capture of the main domestic and international credit and debit card brands.

During the course of 2018, access to financial services was expanded by means of tailor made offerings for different business profiles, taking into account the needs of each client.

Offerings include terminal sales – Cielo Livre (package without rental that includes the terminal and services), Cielo Control and Rate negotiation (merchant discount rate) and Rental. An example of this customization is the Cielo Control plan adjustment grid, which enables the client to choose an option best suited to its turnover, paying a fixed monthly fee without additional charges. The strategy helps to boost loyalty by means of a range of options for each client.

The Company also launched the option of payment via QR code for all the terminals. Moreover, any partner may become a digital wallet.

6<sup>th</sup>

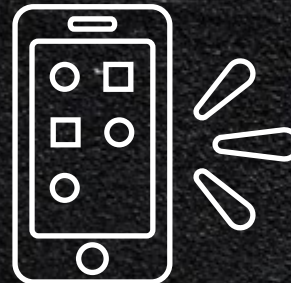
**Topic:** Expansion of client base (new topic)

**Target:** expand the Cielo product and solution sales channels (retail and entrepreneurs)

### Donations via QR Code™ Pay

Looking for new ways to receive donations for disabled people, the Telethon, promoted by the charity AACD employed a Cielo solution: donation via QR code.

For this occasion, three QR codes were generated for fixed donation amounts of R\$10, R\$20 and R\$40 reais, giving donors two access possibilities:



Bradesco account and card holder applications (Android), Banco Original, Agibank, PicPay and Cielo ID, in which the user scanned in the QR code, chose the card and confirmed the payment by means of the application chosen.



By means of the smartphone camera or QR code reader, which directed the user to the Cielo Check Out to fill out the user and card data.



**LIO+**

Card terminal with smartphone

Launched in 2018, without parallel worldwide, this is a two-in-one solution combining a smartphone and a card terminal. In addition to competitive conventional smartphone features and a Cielo terminal, the product is enabled for more than 130 business management applications available from the Cielo Store.



The solution may be adapted to the client's business. There are three plan options:

- Cielo Controle**
- Cielo Livre**
- Cielo Do Seu Jeito**

These plans can be combined with the following terminals:

- Cielo LIO**
- POS wireless terminal**
- Cielo Flash**
- Cielo Mobile with card reader**

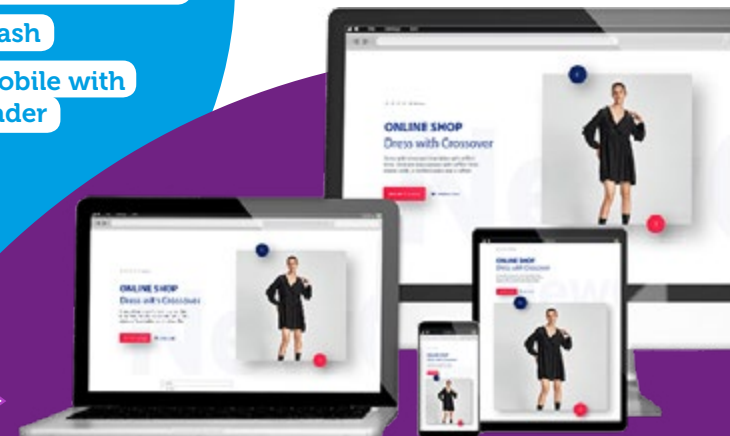
**Main products and services**

**Terminal rentals with plan**

**Terminal sales**

**E-commerce**

**Services**



**Cielo LIO**

Complete business management solution, that is digital and simple

**Cielo ZIP**

Fits in a pocket and does not require a cellular phone

**Cielo Flash**

Ultrafast

**Sell more**

- 1- Cielo Promo:** permits the creation of promotions and fidelity programs directly in the terminal.
- 2- Cielo Currency Converter:** enables payments in foreign currency with receipt in reais, at reduced rates.
- 3- Cellular Telephone Top Up:** which permits the sale of cellular phone top ups to increase revenues.

**Manage your business**

- 1- Cielo App:** this enables clients to manage their sales by means of the application.
- 2- Cielo Farol:** a tool that provides clients with market information to keep them updated.
- 3- Cielo Store:** this is an application store for Cielo LIO (sales system and integrated management, foodservice and retail applications, among others).
- 4- Business pro:** free app for business management in the Cielo Store.

**Cielo Broad Retail Index (ICVA):**

Retail studies that offer a broad vision of the sector's performance.

**Cielo Virtual Store**

The client may create his/her virtual store in five steps for round the clock sales.

In 2018, Cielo launched the solution during the E-commerce Brasil Forum. In only five steps, this enables any entrepreneur to set up their virtual store, with check out, as well as anti-fraud systems, marketing campaign management and sales management.

**Cielo Payment via link**

This permits online sales without an e-commerce business.

**Cielo Checkout**

This integrates the client's online store with the Cielo ready payment solution.

**Cielo API e-commerce**

The most complete solution, with availability, anti-fraud protection, analysis of transitions for conversion and market data for support in decision making.



### End-to-end experience

Cielo LIO connects the Brazilian retail sector with the present, where all retailers are seeking to be simpler, more digital and innovative, offering the best end-to-end solution and ensuring optimized management. The solution was developed based on an all-in-one concept, meaning that the client has all the tools necessary to ensure structured business growth in one single place.

One success story involving the integrated use of LIO is the Cacau Show chain of stores. With growing demand, especially on commemorative dates, the Company needed to ensure rapid customer service. The integrated mobile LIO enabled greater speed and optimized service, since it permits from 10 to 15 transactions per minute, and was considered the ideal settlement solution for the franchise network.

In 2018, Cielo launched a portal with content to promote adoption of the solution by the market. On the hotspot <http://lio.cielo.com.br>, a project developed in partnership with New Content, users have at their disposal more than 40 contents, including video, tutorials and infographs that present the product, as well as the real experiences of clients who have adopted the solution.

# Client focus

103-2 | 103-3: Product portfolio | 203-2 | FS1



Cielo is present in almost 100% of Brazilian municipalities, not only by means of electronic transaction and capture equipment, but also through the offer of a series of advantages for clients, that range from services to help them manage their businesses more effectively to robust infrastructure and 24-hour support.

Transaction volume is equivalent to around 10% of Brazil's Gross Domestic Product (GDP), and the Company's service infrastructure stimulates local trade and businesses, as well as driving social development and the economy. This helps to create markets and to reduce theft and robbery, as well as default, thanks to the substitution of payment by cash and check with electronic means.

The value added generated includes opening up access to electronic payments.

According to the industry association Abecs, spending via card accounts for 40% of the consumption of Brazilian families. The increased share of cards is the result of the substitution of the means of payment, given that Brazilians are increasingly adopting cards in detriment of cash and checks.

Cielo's structure enables it to keep businesses working with cutting edge technology, efficient logistics and the most rigorous security standards in the market. The Company was responsible for paving the way to the acceptance of payment via NFC (Near Field Communication) in Brazil, conducting the first tests as early as 2008. Today it has one of the largest parks employing this technology worldwide, deploying operational equipment prepared for this type of transaction.

## Quality and service availability

The Cielo management model places the client at the center of Company strategy. Understanding the needs of clients and new market demands, in 2018 the Company increased its portfolio in order to include small businesses and non-bankarized individuals, helping to increase business at the base of the social pyramid. Cielo provided services for these new clients by means of the following products and services:

- **Cielo Control:** greater control over business costs by means of a single, predefined charge.
- **Cielo Livre:** a minimum monthly turnover exempts the client from rental fees.
- **Cielo do Seu Jeito:** this modality permits the client to set up a special plan tailored in accordance with their specific needs.
- **New forms of receipt:** settlement via pay-as-you-go card enables acceptance of electronic means of payment for non-bankarized clients, and settlement in savings accounts enables acceptance of electronic means of payment for clients who only have this kind of account.

Another differential is that Cielo offers products and services that go beyond the means of payment and include a series of advantages. During the year, receipt via digital account was initiated, enabling clients to make withdrawals, pay bills or make transfers to other banks. Another service introduced was Split, which enables clients to divide their receipts.

7<sup>th</sup>

**Topic:** Capacity and operational availability

**Target:** boost services and transaction capture by ensuring operational availability

### Split payments

With a nationwide operation encompassing 80 distributors and 30,000 resellers, the company Baterias Moura needed to develop a model that would permit automation of control over sales at its distributors (for example, auto parts stores). This would enable it to avoid losses through default and to boost its revenues.

The solution encountered by Cielo to meet the client's need was a combination of two products: Split Payments, a tool in wide use in online retail that permits a market place, for example, to split and distribute an amount from the same sale to different suppliers, and Multi-EC. With the solution, part of the proceeds from the sale of the battery remains with the reseller and part is sent to the supplier at the moment of the transaction. Additionally, since an auto parts store, for example, distributes products for diverse suppliers, Multi-EC was the solution used to perform the split only for battery sales.

In practice, Multi-EC enables the registration of a specific establishment for Baterias Moura in the distributors' terminals. When the reseller is selling a battery, it is only necessary to select this establishment and the system automatically applies the Split, which immediately divides the proceeds from the sale.

This was the first Split Payment project conducted by Cielo in the physical world. There was no implantation cost because, based on the building block concept, it was possible to combine tools already available at Cielo and provide a specific solution that permitted the best service possible for the client.

In addition to ensuring the renewal of the contract with the company, Cielo was able to apply the solution at other clients with similar needs. Since the beginning of the operation in 2018, sales have exceeded R\$2 million and continue to grow from month to month.

With this range of solutions, at the end of 2018 Cielo had active clients – both commercial establishments and private individuals – in 98% of the 5,570 Brazilian municipalities (IBGE 2018). This penetration promotes the emergence and growth of new businesses and fosters entrepreneurship.

103-2 | 103-3: Local communities | FS13

**Sustainability applied to products and services** 103-2 | 103-3: Product portfolio | FS1

In 2018, the Sustainability Management area started to participate in the Product Forum, in which the socioenvironmental risks associated with Cielo products and services are assessed. By means of its Sustainability Policy, the Company reaffirms its commitment to sustainable development with guidelines governing the incorporation of social, environmental and governance aspects into its businesses.

The Company also has a Products and Services Policy, applied to all the areas responsible for developing, managing and delivering products and services. The goal is to contribute to the sustainable development of Cielo, its partners and its clients, as well as to generate positive impacts for society. Furthermore, the Company is compliant with federal, state and municipal legislations. It also has internal standards that are constantly enhanced, approved by the competent levels of authority and disseminated to all employees.

Both the Sustainability and Products and Services policies are approved by the Board of Executive Officers and the Board of Directors and are applicable to all Cielo managers and employees.

Other documents and commitments also support business management and influence decision making on existing and future products and/or services and stakeholder engagement, such as the Corporate Risk Management and Internal Controls, Information Security, Data Privacy and Client Relationship policies. The complete policies may be consulted on the Investor Relations website at <https://ri.cielo.com.br/> and Cielo commitments are set forth in the chapter Participation in External Initiatives.



## Client relationship

Client relationship is the cornerstone of Cielo’s businesses. In this respect, in 2018 the highlights were the expansion of the sales force, with the hiring of 1,100 people and the specialization of relationship areas with retail clients by means of the segmentation of the strategy and offerings, accreditation, physical channel and price assessment teams. This enabled mapping of all the points of contacts with clients from their entry, the reassessment of prices and the guarantee of the best offerings by group.

Regarding channels, the Company provides customer service on a physical basis, via telephone and via virtual channels, such as the social networks Facebook and Twitter, in addition to the provision of technical support at its physical stores. At the end of 2018, there were 30 customer service channels, compared with 16 at the end of the previous year. Specifically in the digital channels, the company invested

in the structure of its website, providing clear commercial information aimed at supporting new offerings and meeting the needs of other users.

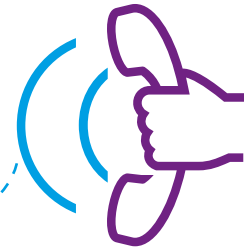
The Cielo call center provides specialized telephone service (4002-5472 in state capitals and metropolitan regions and 0800 570 8472 in other locations), from monday to saturday between 08:00 and 22:00, in addition to 24-hour technical support (4002-9111 in state capitals and metropolitan regions and 0800 570 0111

in other locations). The Company has an Ombudsman service to receive suggestions, complaints, reports and praise, open from monday to friday, from 08:00 to 18:00, except on holidays, via the telephone 0800 570 2288 or via the website. With the support from the back office team, the focus in 2018 was to handle major complaints proactively. This enabled the company to end the year with lowest call rate in the last two years.

For large accounts, the Cielo has a physical channel, a commercial consulting service and a virtual channel. To ensure personalized and exclusive understanding, the company also has a Franchise and Subacquiring center.

30

customer service channels



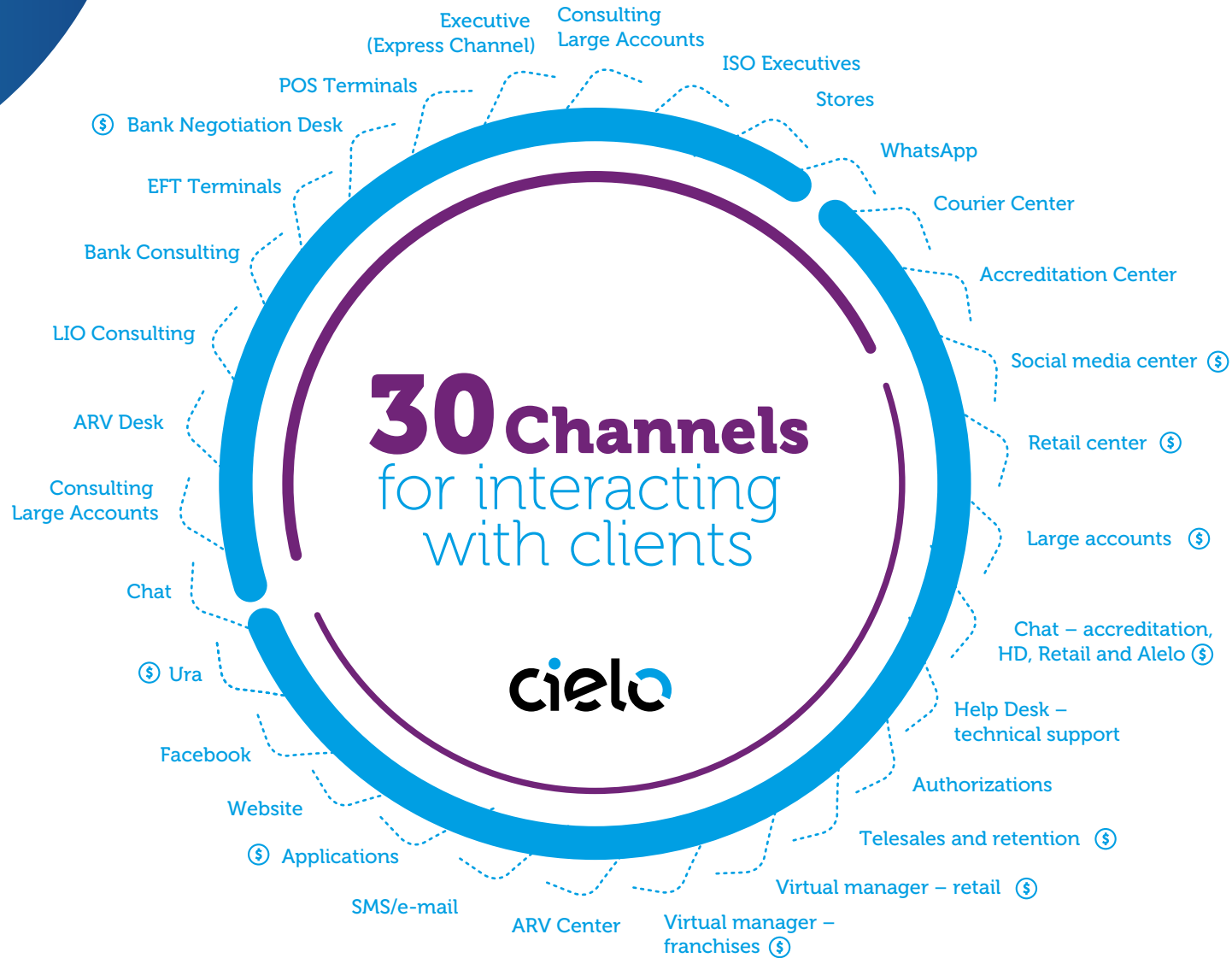
1<sup>st</sup>

**Topic:** Focus on client service and satisfaction, tailoring products and services to their needs

**Target:** reduce the number of calls and the response time in addressing client complaints to the Call Center and the Help Desk



# Customer service channels





## Blue Wave

Aligned with its strategy of placing the client at the center of its decisions, Cielo once again organized the Blue Wave. This involved visits by more than 500 employees to over 4,500 points of sale in the Greater São Paulo region, with a view to meeting clients' needs and understanding any doubts or problems they encounter in their daily routines.

The action was supported by the Ambassadors application, which is connected to the Contact Center, with employees on duty to resolve problems. It served to provide inputs for an improvement action plan. The purpose was to help employees to understand client needs in a practical manner and to forge closer relations with them.

### Cielo on the Road

Aware of the potential in its market, Cielo also carries out actions in partnership with banks and card brands to promote the democratization of electronic means of payment. This is the case of the Cielo on the Road project, an itinerant show room on a truck, in which clients have access to Cielo products and services, facilitated by personal contact, enabling them to clarify any doubts and to contract the Company's solutions in a simplified manner. Launched in the second half of 2018, the truck covered 12,500 kilometers, visiting 24 cities in 15 states in the country.

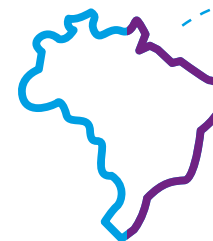
In addition to the mobile store, Cielo formed a partnership with Facebook to offer digital marketing training courses for clients and non-clients, aimed at contributing to the development of local businesses. For 2019, the goal is to run the project for a longer period in a number of cities in the country, adopting new formats.



**12,500**  
km covered



**24**  
cities



**15**  
states  
in Brazil

## Investment in communication

103-2 | 103-3: Product and service labeling

The Communication and Marketing area received investments aimed at promoting new product offerings and expanding the client base. The investments resulted in the expansion of the team, with the introduction of a specific media and digital acquiring channel sector, as well as campaign management and segment marketing areas.

During the year, the Cielo Control with Zero Charge campaign was launched, with Fábio Porchat starring in a new film to promote the product, a new way of commercializing services in the means of payment segment by simplifying the acceptance of cards and enabling financial control of the business for store owners. The solution was created to suit diverse client profiles; it has a fixed price, with zero charges, and the package includes the terminal and services.

With the most complete product and service portfolio in the market, Cielo was the first player to communicate its plans in this segment, aimed at facilitating the choice for clients.

In addition to the campaign focused on plans, the communication strategy was aimed at reinforcing Cielo's positioning by means of Cielo LIO, based on the theme

"Revolution", underscoring the attributes of differentiation and innovation. Similarly, the LIO+ campaign was launched in October with the TV presenter Luciano Huck, showing how practical the product is and the benefits it offers to entrepreneurs.

Also worthy of note was the provision of services by means of contents aimed at small businesses, with a focus on fostering entrepreneurship. The Company intensified its efforts to make the [blog da Cielo](#) a benchmark in the segment, in addition to programming content for the social networks.

The Company has a web page dedicated to entrepreneurship, with contents aimed at supporting clients' businesses and building closer relations between them and the Company. [FS16](#)

By means of its Cielo Movimenta platform, the Company organizes actions to support culture and drive local trade. During the year, the Company was the master sponsor of two of the largest São João festivals in Brazil: Caruaru in Pernambuco, and Campina Grande in Paraíba. Cielo also participated in the Campos do Jordão Winter Festival and the Abundance Festival – Brazilian Foods, among other actions. ([Access the projects in the Attachments.](#))

In 2018, the Business Analytics area provided support in preventing the loss of clients, as well as making data available for the collection and digital marketing areas. The use of data for decision making was intensified to ensure the improved allocation of Company investments.

For 2019, one of the focuses will be to position Cielo as a well-known, traditional brand prepared for the future.



## Innovation and service quality

Cielo monitors the quality of the services it provides, which involves the constant tracking of service, collection and logistics indicators from the standpoint of the client. The Company also monitors system availability, transaction errors and satisfaction surveys conducted with clients online.

It runs a series of initiatives that use artificial intelligence. An example is the Machine Learning area, which uses statistical tools to support predictive measures and optimize the analysis of indicators, complementing human analysis. This enables identification of the client engagement rate and stage of life in the Company, which helps monitor the relationship with each client and the adoption of measures to prevent client attrition.

In 2018, the Call Center started to use artificial intelligence to transcribe calls, with analysis of caller behavior and the feeling transmitted during the call, which will support measures to improve the service provided for clients.

## Satisfaction survey 102-43 | 102-44

To measure its clients' satisfaction, Cielo conducts a survey which is also used to evaluate their needs and preferences. The survey is organized twice a year and covers around 3,000 participating establishments in waves. The respondents are interviewed by telephone by a specialized independent research institute. The sampling takes into account diverse geographical regions and different sized retail establishments to ensure greater representativeness per macro-region.

The most recent Satisfaction Survey results from November 2018 show that around 75% of the clients who evaluated the services and customer service provided by the Company gave scores of above 7. The dimensions researched included quality of relationship, customer service, equipment, products and services, as well as commercial terms, among other factors perceived by the clients. In addition to being used to measure satisfaction, the survey score is an element employed in the calculation of employees' variable remuneration.

A score of  
over 7 from  
**75%**  
of clients





## Cybernetic security

103-2 | 103-3: Customer privacy | 418-1 |  
 103-2 | 103-3: Product portfolio | FS3 |  
 103-2 | 103-3: Anti-corruption | 205-1

To guarantee the confidentiality, privacy and security of its clients' information, Cielo has an Information Security Policy, which takes into account the Information Classification Norm, Data Privacy Policy and the Code of Ethics.

The Company has fraud prevention tools for all its market segments. Clients have access to a set of products that provide support in face-to-face and online transactions ensuring sales security, reduction of losses through fraud and disputes; in addition to which they promote increased adherence to international best information security practices.

With this robust technology system, the Company is able to monitor 100% of transactions and identify possible changes in behavior and attempts at fraud, emitting

an automatic alert to the issuing bank, which contacts the card holder and implements the necessary measures. In each transaction, the card data and password are encrypted using an exclusive key, which impedes any unwarranted attempts at access.

These benefits and objectives are reached by means of a basket of security services consisting of items such as physical and logical security tests and certifications of the client's environment; monitoring of transactions by an integrated behavioral analysis platform; preventive fraud alerts; and chargeback defense tools. This is all supported by personalized consultancy, used to shape actions and prepare diagnostics of trends, as well as market comparisons on fraud and disputes in electronic transactions.

2<sup>nd</sup>

**Topic:** Confidentiality in use of client data (new topic)

**Target:** adapt systems to receive and provide information on the base derivation keys (BDK) used to encrypt card data

3<sup>rd</sup>

**Topic:** Fraud prevention and control and cybernetic security

**Target:** adapt systems and processes to ensure compliance with Brazil's personal data protection law (Law No. 13,709/2018)

Additionally, all Cielo terminals accept cards with chips, which significantly reduces the risk of fraud. Both for terminals and for e-commerce, the Company has a fraud control platform that is capable of identifying fraud and applies rules (there are over two thousand of them) which activate alerts according to the transaction behavior of each consumer being monitored. This system, backed by the technical knowledge of the company's teams, ensures that Cielo has the lowest incidence of fraud in the card market in Brazil. [FS3](#)

Furthermore, terminals like the LIO are equipped with sensors that monitor indicators such as battery, geolocation and the detection of possible anomalies. When cases of fraud are detected, the Prevention area acts immediately, issuing a notification and blocking the card if necessary. The Company also guarantees anonymity and information confidentiality.

In 2018, the Audit area carried out work related to the protection of Cielo and client data, covering Access Management, Vulnerability Monitoring, Vulnerability Scans

# Pioneer

in offering 3DS 2.0 protocol solutions



and Pentest, Managing Security Events and Data Protection in the Cielo subsidiaries M4U and Braspag.

Complaints about the violation of privacy and loss of client data may be made through the Ethics Channel. During the year, there were no founded complaints in this area. [418-1](#)

## World class online transaction authentication

In 2018, Cielo pioneered the offer of a solution based on the 3DS 2.0 protocols, the latest generation authentication standard providing additional security for e-commerce transactions. It is the only solution capable of authenticating a transaction without the intervention of the client, creating a fluid purchase experience, reducing abandonment of shopping carts and boosting conversion rates.

For transactions that require authentication, the process is intuitive and can employ the two factor approach, with validation by biometrics, SMS code and voice or face recognition. The new standard can be implemented in mobile devices, an unprecedented feature on the market.



# Valued relationships

103-2 | 103-3: Employment | 103-2 | 103-3: Training and education |  
103-2 | 103-3: Diversity and equal opportunity

## Employees

At the end of 2018, Cielo had 3,108 employees, 59% men and 41% women – all of whom are covered by collective union agreements –, in addition to seven statutory directors elected by the Board of Directors with differentiated contracts. During the year, the turnover rate was 26.7%, the result of 1,665 new hires (1,021 men and 644 women) and 617 terminations. [\(See the complete table in Attachments\).](#) 102-8 | 102-41 | 401-1

Aware that its employees are essential for the success of the business, the Company has an Integrated People Model based on merit and investment in training, benefits and employee well-being.

5<sup>th</sup>

**Topic:** Attract, develop and value employees, fairness and respect for diversity at all hierarchical levels and in all relationships

**Target:** strengthen the attraction and selection area to ensure high quality candidates and to meet the organization's different profile requirements



**Attraction and selection** 103-2 | 103-3: Employment

In 2018, the Cielo Expertise Center focused on attracting and selecting employs aligned with its culture through participation in recruitment fairs, the promotion of events, visits to universities and via LinkedIn.

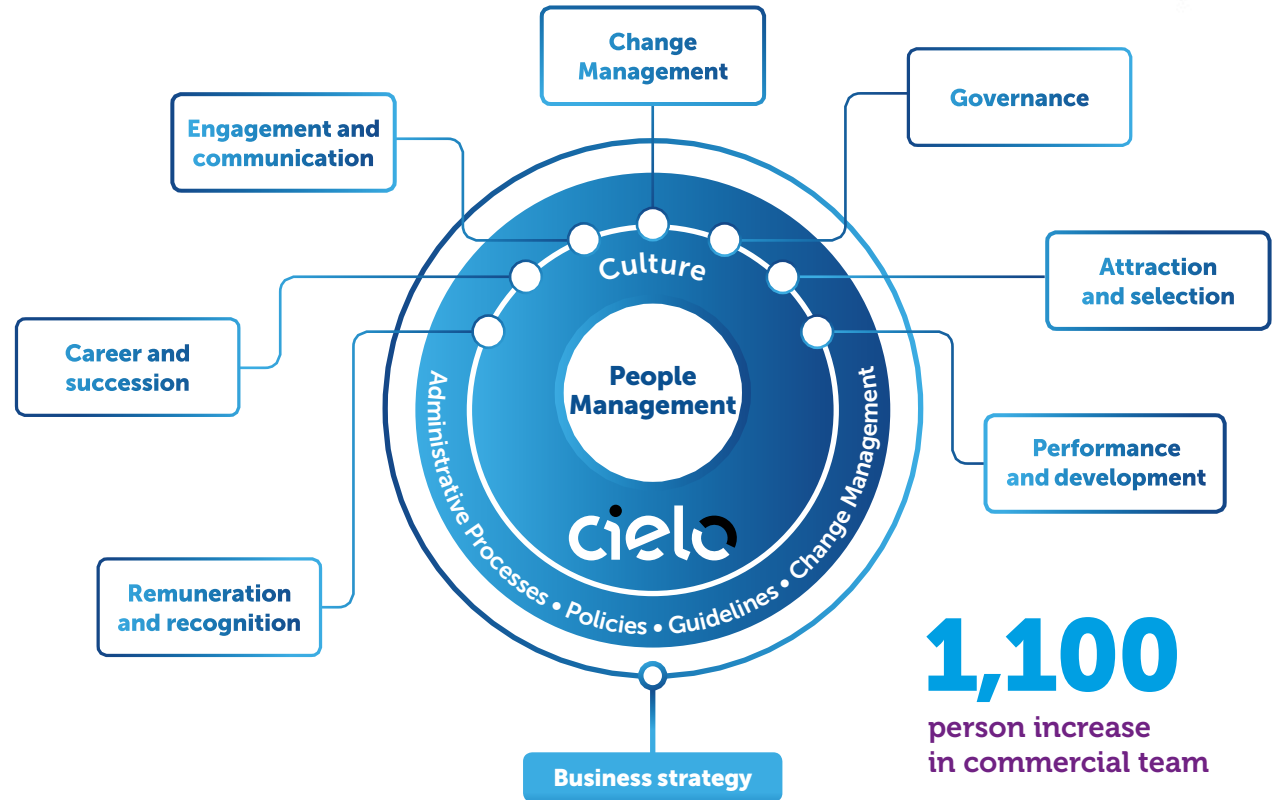
In addition to maintaining the Trainee Program, worthy of note was the restructuring of the Intern Program, the frequency of which was increased to twice a year since it is considered to be an efficient gateway for the entry of talent. Participants received specific training courses, with mentoring from leaders, which helps shorten their learning curve. These employees are also developed by means of the execution of projects and rotations in function in their daily routines.

Cielo also maintains its Commercial Youth Program, focused on interns in their last year of university who, after an intense learning and development module, may be contracted as sales executives.

One of the highlights during the year, aligned with Company business strategy, was the 1,100 people increase in the commercial team by means of the Nitro Project.

Cielo also stimulates job placement for internal candidates, the reason for which vacancies are first posted internally. During the year, 27.3% of the vacancies in the Company were filled by Cielo employees. Along these lines, in 2018 the acceleration of potential talents was initiated, involving a mapping exercise to prioritize target-oriented high performers. This process is aimed at stimulating the rotation of

# Integrated People Model



talents within the Company and driving employee career development. A Succession Program was also begun aimed at mapping internal talents.

Furthermore, the Company launched its Referral Program, whereby employees recommend candidates for the Commercial area and for the Trainee and Intern programs.

Based on the slogan #genteboaeuindico (#irecommendgoodpeople), if the candidate is hired, the employee receives a bonus.

The Company developed its On Boarding program to receive new employees by means of a digital experience. A culture area was created to support Cielo's evolution and leap into the world of digital work.

## Development and training

103-2 | 103-3: Training and education | 404-1 | 404-2

Career development at Cielo is based on merit, with a focus on results, attitude, skill and knowledge. The approach in training, development and corporate education is based on inputs both from a macro vision and individual factors. One of the sources is the Individual Development Program, constructed with support from managers and tracked by means of an online tool. In 2018, the main development programs were:



**I am Cielo Comercial** – a 30-day induction course focused on the Commercial area with a series of face-to-face and distance actions, distributed throughout branches in Brazil. The actions involve e-learning programs and the accompaniment of beginners by sales executives.

**How To** – this is a program aimed at the initial leadership levels. The objective is to develop specific competencies for the position and to prepare participants to use internal business management tools. In 2018, 170 leaders were trained, corresponding to 42% of the eligible audience.

**Next** – focused on senior management, managers and directors, the program is aimed at developing constructive critical thinking, inspiring the team to pursue innovative solutions, forming high performance teams, strengthening the Cielo culture and reflecting the importance of management and the exchange of best practices. Conducted by a partnering consultancy with the participation of members of the Company's Board, the 80-hour program is divided into five modules: Exponential Context, Organizational Dynamics, Transformation Journey, Managing Execution and Innovation and Extraordinary Leadership.

**Everything ours, nothing their! #TNND** – a program dedicated to the Commercial Retail

area focused on training in Cielo products, refresher courses on sales arguments and forming internal multipliers.

**Sniper** – aimed at providing complete training aimed at unleashing the potential of large accounts, with an emphasis on commercial negotiation that adds value for the client.

**Cielo Channel Certification** – this presents methods, tools and practices that help drive results in customer service channels, as well as developing strategies to support the sales force in the distribution channels.

Additionally, Cielo organizes 11 mandatory courses for all employees and some specific ones for determined levels, such as management. These address subjects such as anticorruption practices, the Code of Conduct, trading Cielo shares, business management and business continuity, risk management, regulatory aspects, standards, prevention of money laundering, information security and the shift control system.

In 2018, the Company also developed a mentoring program, training leaders to act as mentors for young employees. A total of 25 people took the course during the year, with each one of them providing mentoring for four employees.





### Cielo University

With the mission of contributing to the sustainability of the business and that of its clients, the Company has maintained the Cielo University, its main tool for managing intellectual capital, since 2011. Focused on developing employees, and extensive to the external audience, the university has 12 classrooms and an online teaching platform, as well as an application for employees. Activities are based on four fronts:

**Client and Business School** – aimed at providing employees with a broad-based integrated vision of business and client relations with training in subjects such as products and services, strategic planning, brand and market, with a view towards boosting the organization’s results.

**School of Excellence** – focused on leveraging technical knowledge and technology dedicated to ongoing process improvement and professional development by means of training in projects and processes, as well as technical, functional and technological training.

**School of Leadership** – the purpose is to develop the qualities essential for leadership roles, such as the capacity to maintain emotional balance, support employees’ development, create a climate of trust and transmit an inspiring vision to establish mutually beneficial forms of cooperation.

**School of Sustainability** – this aims to promote understanding of the relationship between business

objectives and the sustainable development of the Company and society, aligned with corporate responsibility, ethics and social, environmental and governance aspects of the business.

A total of R\$4.9 million was invested in the Cielo University in 2018, providing 98,891 hours of training, an average of 29 hours per employee – 27.55 for men and 31.33 for women. The Company also provided educational subsidies (degree, postgraduate and language courses) for employees’ formal education, benefiting 9% of the employee body – 38% of the beneficiaries were women. [103-2](#) | [103-3: Product and service labeling](#) | [FS16](#)



#### 2017 Target:

Remodel the Cielo University Sustainability front activities to offer the Company’s stakeholders contents and initiatives in this area.

#### Results in 2018:

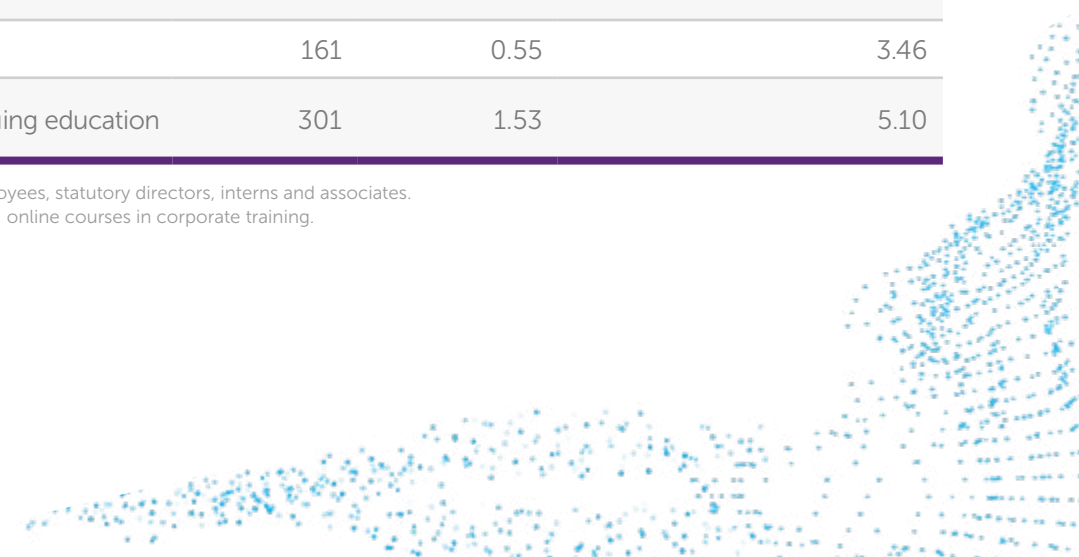
Not achieved, because there was a change in the Corporate University’s strategy.

### Cielo University in 2018<sup>1</sup>

Training courses	Participants	Investment (R\$ million)	Average investment per participant (R\$ thousands)
Corporate training <sup>2</sup>	3,586	2.81	0.784
Specific courses	161	0.55	3.46
Formal and continuing education	301	1.53	5.10

1. Covers training for employees, statutory directors, interns and associates.

2. Covers face-to-face and online courses in corporate training.





Average number of hours training<sup>1</sup> per year per functional category and per gender [404-1](#)

Functional category	Average number of hours		
	2017	2018 <sup>2</sup>	
		Men	Women
Board of Executive Directors <sup>3</sup>	5.84	5.47	0.25
Managers/directors	18.96	27.16	31.48
Coordinators	36.05	36.14	44.17
Specialists/consultants	30.86	18.29	21.92
Commercial team	50.06	30.85	36.57
Team	35.85	22.12	21.56
Interns	40.94	45.68	46.08

1. Covers corporate and specific training courses.  
 2. In 2018, Cielo presented data per gender in each functional category, enhancing reporting of this information.  
 3. The Board of Executive Directors includes vice presidents and the CEO.

**Performance appraisal**

[103-2](#) | [103-3: Training and education](#) | [404-3](#)

At Cielo, personnel management is based on merit, ensuring that senior management commitment to the ongoing development of employees is reinforced. By means of the Talent Management Forum, the Company assesses 100% of its eligible employees (except for interns and apprentices, who receive regular feedback). The direct supervisor, the

supervisor’s peers and senior managers participate in this process.

The results of the forum are used to define merit and promotions, as well as the choice of Key People – high performing employees who are awarded Company shares – as well as to map potential successors and generate development measures to be incorporated by the Cielo University.

Since 2016, the competencies have been classified by level of complexity to ensure that the process is transparent and that the behaviors expected by the Company are clear. Face-to-face actions were conducted, such as the competencies workshop, with the purpose of instilling the new behaviors expected to deliver on the Company’s strategic planning, with groups from the commercial areas as well as the head office.

On the Cielo University portal, the Odyssey trail provides employees with complete information about the merit cycle in a single location. To enable employees to manage their development and their career, during the year a competencies development guide was published containing Talent Management Forum guidelines. Similarly, a new competencies evaluation platform was implanted with a form for planning that provides employees with a guide that enables them to reflect on their career development.

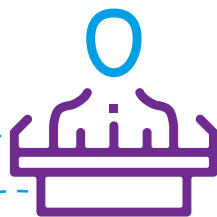
The performance appraisal process is linked with the Company Profit Share Program, for which all employees admitted up to September 30 of the year of the appraisal are eligible. For employees admitted in the last quarter, a standard score is defined for the Profit Share Program by means of a union agreement. Only apprentices, interns, temporary workers and service providers do not participate in the process.



**Recognizing and valuing people**

To recognize and value the employees who work alongside Cielo, the Company organizes Merit Week, when outstanding employees are recognized with merit awards or promotions, based on their performance in competencies and against targets, assessed in a talent forum by supervisors and colleagues.

In this initiative, in 2018 60 employees, denominated Key People, were recognized. In addition to an award of Cielo shares, the employees receive a tribute before the entire Company, to which their families are invited.



**60** employees denominated Key People

**Remuneration and benefits**

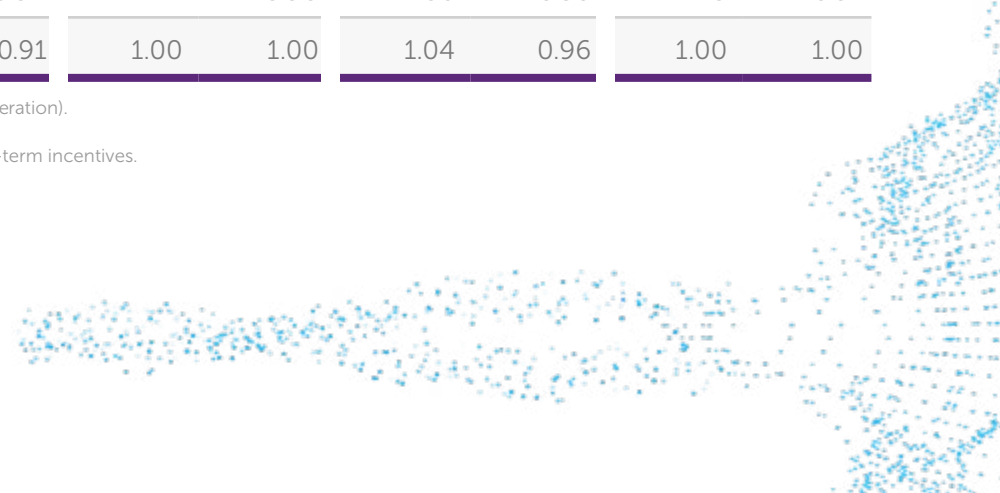
103-2 | 103-3: Diversity and equal opportunity | 405-2

The Company pays salaries compatible with the sector median. After a pilot project conducted the previous year, in 2018 variable remuneration was adopted for the commercial team, with a focus on driving new business. In 2019, to boost client satisfaction even further, the weight of this indicator should be increased in the targets for 100% of the Company's employees.

**Ratio of women's basic salary to men's<sup>1</sup>** 405-2

Functional category	Base salary <sup>2</sup>		Total remuneration <sup>3</sup>					
	2017	2018	2017	2018				
	Men	Women	Men	Women	Men	Women	Men	Women
Leaders	1.10	0.91	1.03	0.97	1.15	0.87	1.06	0.94
Commercial team	1.03	0.97	0.94	1.06	1.03	0.97	0.93	1.07
Coordinators	1.05	0.95	1.05	0.95	1.08	0.92	1.09	0.92
Specialists/consultants	1.07	0.94	1.11	0.90	1.06	0.95	1.10	0.91
Team	1.03	0.91	1.00	1.00	1.04	0.96	1.00	1.00

1. Data for Cielo operations in Brazil (location of significant operation).  
 2. Base salary = fixed salary.  
 3. Total remuneration = salary + short-term incentives + long-term incentives.



Moreover, with the creation of the Process Management area in 2018, the Company initiated a review of the corporate target management model, as well as its ramifications and incentives. These were disseminated and monitored among all employees.

The amount invested in employees include the contributions to the private pension plan, which is voluntary. Employees may contribute between 0% and 7.8% of their salary, and the Cielo matching contribution varies between 100% and 200% of this amount, based on the age of the employee. In 2018, contributions totaled R\$12,238,742, complemented by the employees' contribution of R\$10,128,253 – around 70% of the work force opted to participate in the plan. [\(Further information in the Attachments\) 103-2 | 103-3: Diversity and equal opportunity | 201-3](#)

**100%  
to 200%** **matching  
contribution from  
Cielo in the Private  
Pension Plan for  
of the employees**

### Outplacement [404-2](#)

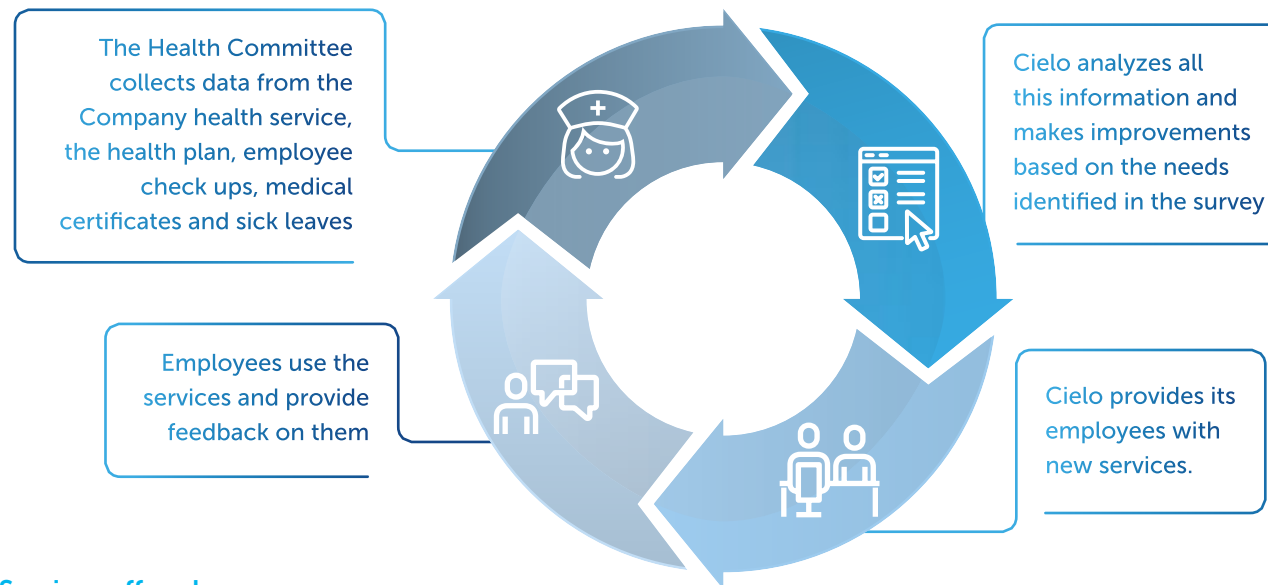
Cielo provides an outplacement program for employees who are terminated. This is applicable from management level on and is conditional on validation by the Human Resources area. Three specialized consultancies provide support in the outplacement process. The duration of this support varies from six months to a year (according to the level), and 100% of the cost is born by the Company. One differential is that the employee may choose which consultancy to use. The Company chosen must submit an activity report every two months so that Cielo may monitor the evolution of the process until it is finalized.

Retirees who are terminated without due cause are granted early redemption of restricted shares with a future transfer date. [201-3](#)



## De Bem com a Vida

Concerned about the well-being of its employees, Cielo has its De Bem com a Vida program, which incorporates Integrated Management of Health and Well-Being:



### Services offered:

#### Health and safety coaching

Pilot project to counteract a sedentary lifestyle and to promote weight maintenance and the adoption of healthy habits.

#### Gympass

An incentive program to encourage physical activity, with discounts in a number of partnering gyms and establishments.

#### In company examination collection

In addition to guaranteeing service quality, this initiative provides added convenience for employees.

#### Little seed

Pregnancy tracking program, in which a multidisciplinary team monitors the pregnancy of all the mothers-to-be at Cielo remotely.

Moreover, in 2018 the Quality of Life Committee was established with a view to mobilizing people engaged in the Feeling Good about Life program from all areas to foster an environment that values even greater quality of life. The Committee has members from the branches, and was formed based on an enrollment process open to the entire Company. Its activities will begin in 2019.

There will be four meetings during the year, with the possibility of extraordinary meetings to promote collaborative discussions, clarify doubts, listen to suggestions and assess proposals. Based on their knowledge of the outcomes, the members will be the focal point for sharing information about the program with their areas/floors and teams.



#### 2017 target:

Establish an internal Quality of Life committee aimed at creating a collaborative space for discussions and ideas related to the different initiatives in the Feeling Good about Life program.

#### Results in 2018:

Creation of the Quality of Life Committee, with the participation of employee influencers from Feeling Good about Life to discuss and disseminate the Company's initiatives.

#### 2017 target:

Implement specialized in-company medical treatment – in areas such as dermatology, endocrinology and cardiology – aimed at integrated healthcare management for employees.

#### Results in 2018:

In partnership with Novamed, the Company will provide clinical, endocrinology and cardiology attendance in the health service installations. The project is scheduled to go live in March 2019.

#### 2017 target:

Participate in the National Quality of Life Award run by the Brazilian Quality of Life Association (ABQV).

#### Results in 2018:

Rated Silver in the Company's first participation. Presentation of evidence on management of Feeling Good about Life.

**Welcoming, collaborative environment**

Cielo pursues well-being for its employees. This is why it promotes an easy going, colorful and collaborative environment, in addition to having a home office policy. Furthermore, in line with the changes already underway in the dress code, in 2018 employees were permitted to wear shorts every day.

The Company is also focused on promoting a welcoming environment for employees who are mothers. In addition to monitoring and providing guidance and a course for mothers-to-be, Cielo launched a Breast Feeding Support Room. Registered mothers who have returned from maternity leave and are still breast feeding will receive an exclusive personalized kit for storing their milk. The Company doctor and nurse will receive training with certification to ensure this procedure is conducted correctly .



**2017 target:**

Create a breast feeding support room for Head Office employees, providing a suitable location for the withdrawal and storage of mothers' milk.

**Results in 2018:**

Breast feeding support room set up in the health service, in addition to extension of healthy pregnancy program (Little Seed).

**2017 target:**

Establish the Diversity Program.

**Results in 2018:**

Initiatives structured on three activity fronts: governance, collaborative awareness and institutional positioning.

**2019 target:**

Implement the priority initiatives on each activity front.

**Climate survey** 102-43 | 102-44

Maintaining a high performance culture is fundamental for Cielo's success and for strengthening ties with its employees. Since 2000, the Company has conducted its Fale o que Pensa! (Speak Your Mind!), climate survey on an annual basis. This is aimed at identifying opportunities for improving the organization's norms and practices and enhancing the work environment. Organized by a specialized external consultancy, the survey is executed directly on the partner's website, ensuring the confidentiality of the responses.

The survey results enable measurement of the effectiveness of the value proposition for employees, which is based on four pillars: Values, Culture and Climate; Recognition and Reward; Career and Development; and Institutional Brand. All employees are invited to participate, including interns. In 2018, the Climate Survey Favorability Index among employees was 78%, with a rate of 77% for women and 78% for men.

The general conclusions are presented to the entire Company transparently in the Kick Around, a quarterly encounter, which is attended by the CEO, and discussed by the Board of Executive Directors, the Personnel Committee and the Board of Directors. Based on this analysis, a Corporate Climate

**Employee Climate Survey Favorability Index**

Overall

**78%**



Women



Men

**77% — 78%**

and Culture Action Plan is drafted, aimed at neutralizing any negative points identified and reinforcing the positive ones.

Additionally, each manager discusses the specific results for their area with their respective teams, which generates a Climate and Culture Action Plan for the area, broken down into specific actions for the team.

Employee engagement





## Community

102-43 | 103-2 | 103-3: Indirect economic impacts

In line with its Sustainability Policy, the Company supports social projects that are aligned with the United Nations Organization (UNO) Sustainable Development Goals (SDGs) and are linked in some way with its business. Investments are made by means of tax incentive laws, such as the Rouanet Law, the Federal Sports Incentive Law, the Children's and Adolescents' Fund (FIA), the Elderly Law, the National Oncology Support Law (Pronon) and the National Disabled Persons' Healthcare Program (Pronas/PCD).

In 2018, the Sustainability and Corporate Responsibility area reformulated its strategy with the aim of adopting specific causes in order to use the tax incentives for social projects having a greater connection with the Cielo businesses, taking into account the focus approved in the Sustainability Strategic Plan in 2017 and named Private Social Investment. The review involved studies in the area, understanding the national context, understanding the current situation of the incentive laws and the Company's businesses.

### The main premises adopted for developing the new strategy were:

- Alignment with the business
- Potential to transform society
- Strengthening of local economy
- Contribution to public agendas
- Stakeholder engagement – clients, suppliers, employees and society



#### 2017 target:

Review the areas of activity in social investment, adopting specific causes that permit use of funds from incentive laws.

#### Results in 2018:

The areas were reviewed and a focus on education and entrepreneurship was adopted.

As a result, in 2018 Cielo engaged in projects receiving legal incentives. This is part of a broad program that is expected to continue, in which the results will be measured and the evolution of the beneficiaries will be tracked. The actions were aligned with the following priority focuses:

## Education



Promote initiatives to drive improved education – basic and/or vocational

## Entrepreneurship

Support and promote initiatives that enable income generation and contribute towards the development of entrepreneurial businesses





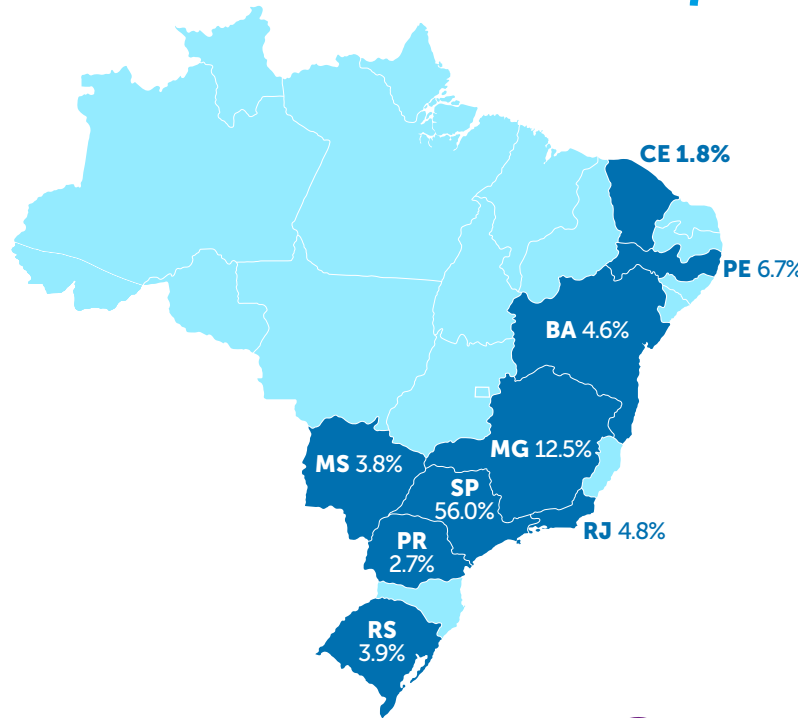
The preferential regions for activities were determined by cross referencing data on the Human Development Index (HDI), presence of clients, suppliers, employees and business strategy. As a result, the regions selected were Barueri and surrounding areas (Carapicuíba, Itapevi, Jandira, Osasco, Pirapora do Bom Jesus, Santana de Parnaíba, Cajamar, Vargem Grande, Cotia, Embu, Taboão da Serra, São Roque, Cabreúva and Jundiaí), as well as others, including São Paulo, Rio de Janeiro, Brasília, Belo Horizonte, Curitiba, Salvador, Campinas, Fortaleza, Porto Alegre, Goiânia and Recife.

Also during the year the process for receiving and analyzing social projects was improved by use of a management tool contracted specifically for this purpose. The tool, called Prosas (<https://prosas.com.br>) resulted in greater autonomy in the process and facilitated assessment of and communication with the participating civil society organizations.

By means of the Sustainability and Corporate Responsibility area, more than one million people were impacted and over R\$15 million was invested in 34 social projects throughout Brazil, 33 of which were via incentive laws and one via private investment. (See the projects supported in the Attachments.)

### Investments in social projects

Percentage investment in social projects by state



State	Amount (R\$)
National	498,000.00
Bahia	730,537.84
Ceará	280,000.00
Minas Gerais	1,971,604.21
Mato Grosso do Sul	600,000.00
Pernambuco	1,061,462.57
Paraná	420,000.00
Rio de Janeiro	757,783.51
Rio Grande do Sul	619,000.00
São Paulo	8,822,192.67
<b>Total</b>	<b>15,760,580.80</b>

**12%** of the investments were undertaken in the communities surrounding the head office: social projects totaled around **R\$2 million**



**88%** of the investments were dedicated to philanthropy: social projects totaled almost **R\$14 million**

### Commercial initiatives <sup>203-1</sup>

Cielo also undertakes commercial initiatives aimed at contributing to the financial sustainability of non-profit civil society organizations. It does this via differentiated charges, exemption from membership, connectivity and terminal rental fees, in addition to special prices, charging lower rates on these organizations' financial transactions. By forgoing terminal rental fees and offering special prices, in 2018 the Company benefited 4,103 clients, with a total discount of around R\$12.1 million on terminal rentals. This represents a 34.4% increase compared with 2017. The number of institutions benefiting also increased by 415 against the previous year.

### Other donations <sup>203-1</sup>

As a means of contributing to social development, when Cielo remodels or changes its offices, it donates the materials that will no longer be used to social organizations, charities and non-profit associations and institutions. In 2018, the Company donated materials (sofas, pouffes, a shredder, among other items) amounting to R\$20,641.11.

### Movimento do Bem (Movement for Good) <sup>203-1</sup>

To engage its employees in social actions and programs that benefit communities and support personal and professional development, Cielo has its Movement for Good volunteer program. In 2018 the movement promoted ten initiatives, with the engagement of **501 employee volunteers**, totaling **277 hours donated** by the Company.

During the year, diverse civil society organizations received support from the program. In particular, Cielo sought to maintain its partnerships with organizations that already benefit from the Company's Private Social Investment. This strategy strengthens the partnerships, promoting closer monitoring of the social projects and creating affinity on the part of Company employees.

Worthy of note are the following initiatives:

#### Mentoring program for young people

More than **200 employees** inspired young people assisted by the Instituto Ser+ by talking about their professional careers and their experience in the labor market. The mentoring was undertaken via an exclusive online platform, which also made contents available to the beneficiaries via a partnership with the Cielo University.



#### 2017 target:

Boost employee engagement in the Movimento do Bem, the corporate volunteer program.

#### Results in 2018:

The number of Cielo volunteers engaged in the Movement for Good program increased by 12%.

#### 2019 target:

Foster actions that drive the engagement of between 12.1% and 14% of head office employees during 2019.

#### Youth of the Future

The program brings young people in the social projects supported by Cielo for a visit to the Company where they attend talks on careers, ethics, and financial guidance. In 2018, there were **eight meetings benefiting 617 young people**.



eight meetings benefited  
**617 young people**

### Talks on Careers and Interchanges

Conducted in partnership with the children's and adolescents' protection association Cepac, and the PROJOV rotary program for young people, located in the Barueri region, the action was **supported by 14 Cielo trainees**, who **impacted 260 young people** with their experiences.

### 2018 Winter Campaign

A contest was organized between Company areas to engage employees in the campaign, resulting in: **85 interns engaged;** **61 volunteers** involved in the assembly of kits and delivery of donations; **19 tons of food collected;** 2,601 blankets donated; benefiting some 2,000 families attended by the Barueri social support organization Fundo Social de Soliedariedade de Barueri.

### Intensive workshops at Cepac

**15 volunteers** dedicated **57 hours, giving talks** to youngsters from Cepac on oral and written communication, financial education, conscious consumption, interpersonal relations and the labor market, among others. [FS16](#)

### Welfare Fair

The Sustainability area also promoted the **Welfare Fair**, in which employees had the opportunity to buy products manufactured in accordance with sustainable development principles (The Body Shop, Instituto Auá, Empresa Gaia). The fair raised **R\$7,496** in a six-hour period.

### Volunteer Month

- Diverse volunteer actions were organized in August, including:
- Graffiti workshop at the Centro Educacional Santo Antônio (CESA) in Simões Filho (Bahia), with the participation of **16 volunteers;**
  - Painting the Cepac facility with support from the Unesp students' academic institution "Ao Vivo e em Cores". The institution proposes to boost actions by the university students in the local community with a focus on awareness and the proper use and preservation of public areas to drive the city's development;
  - Blood donation campaign, in which **31 volunteers** donated **24 bags of blood** to the Fundação Pró-Sangue;
  - Welfare store, in which the children's and youth with cancer support organization (GRAAC), Artesol Artesanato Solidário and the NGO Orientavida sold their products to employees;
  - McHappy Day, with the sale of **233 tickets**, the proceeds of which went to TUCCA.

### Cielo Challenge

Students at the vocational education center CEAP were challenged to develop projects in response to the question "What is the future of the means of payment?". Training was provided on the Cielo businesses and design thinking involving the Cielo University and Garage, with the presentation of the InovaBra Habitat start-ups (co-innovation environment), resulting in: **34 student participants;** **17 volunteers**, including project mentors and speakers; 21 hours of activities; and eight projects developed. The results of the work were presented at the institution's Innovation and Sciences Fair (FECEAP).

### 2018 Christmas Campaign

In this campaign **45 interns** were engaged in raising donations for the institution for the elderly Associação Casa Madre Teodora dos Idosos, resulting in **745 transactions** that **raised over R\$30,000**. The amount was converted into hygiene products; **400 liters of milk;** and around **400 pieces of underwear for 70 elderly people.**



## Suppliers and partners 102-9

In 2018, the Cielo supplier chain comprised 892 diverse types of partners, located throughout the country. Of these, twenty-three are considered to be extremely important in terms of customer service and service offering for clients.

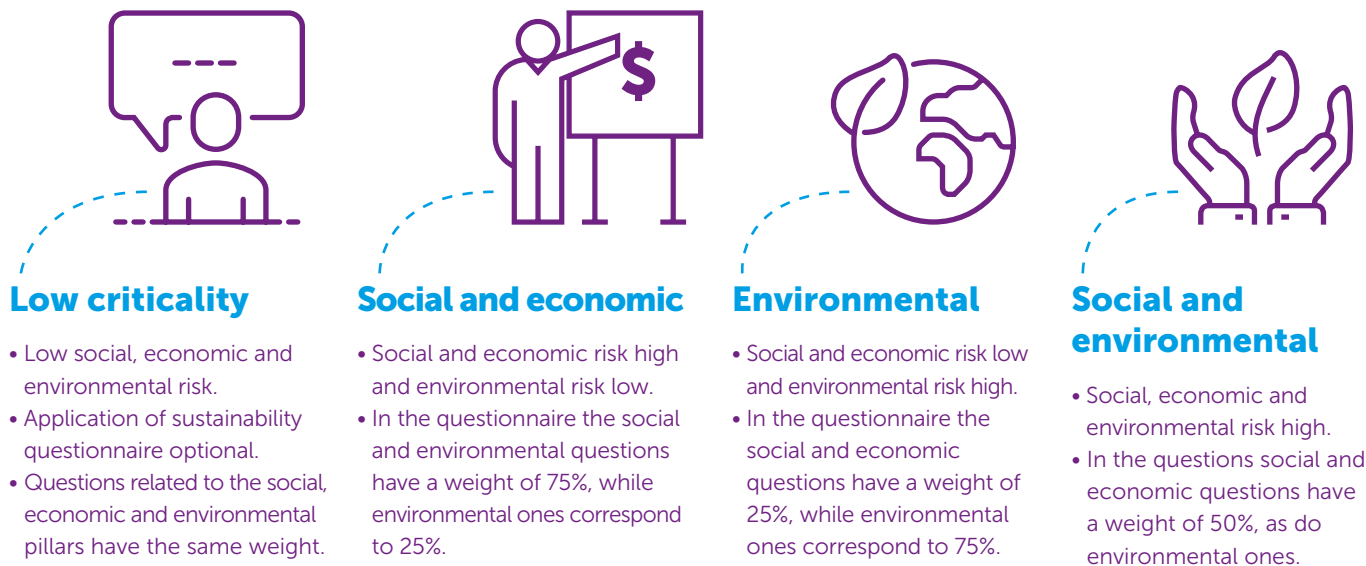
During the year, expenditures with suppliers totaled R\$2.2 billion, 80% of which was concentrated on 48 suppliers. This expenditure was reduced by R\$106 million due to the implantation of competitive auctions. To drive greater efficiency, the Company also redesigned the Procurement area, simplifying the structure and accelerating fulfillment times.

### Sustainable supply chain

[103-2](#) | [103-3: Supplier environmental assessment](#) | [308-1](#) | [308-2](#) | [414-1](#) | [414-2](#)

Cielo has a Sustainable Procurement Matrix which takes into account social and environmental factors, which include the risk of corruption and/or money laundering, labor risk, applicability of sustainable practices, impact on social, economic and environmental development, development of technological innovation and Cielo's degree of influence on social practices. In 2018, the matrix was applied in 53 purchase categories.

### Sustainable Purchases Matrix



Additionally, the procurement standard and internal procedures were reviewed, with the inclusion of risk classification guidelines and relationship opportunities with suppliers, based on a tiered classification process, where tier 1 is critical for the business' sustainability, tier 2 is relevant for the business' sustainability and tier 3 is not relevant.

The internal procurement standard establishes that only suppliers duly approved on an administrative and technical level should be contracted, with a significant weight attributed to the socioenvironmental assessment in the selection process. Suppliers who do not present information about sustainable procurement in the supplier questionnaire are not approved in the selection process.



Consequently, among the suppliers approved in 2018, 92.98% were selected based on the application of socioenvironmental criteria:

- Tier 1 and tier 2 suppliers: A total of 57 suppliers, from whom 53 were selected based on environmental criteria and four were approved exceptionally.
- Tier 1 suppliers considered critical from a Sustainability standpoint: Total of 23 suppliers (100% of the suppliers in the tier), all selected based on environmental criteria. [308-1](#) | [414-1](#)

Similarly, the guidelines of the standard ISO 20400, which establishes the incorporation of sustainability into the Company's purchasing policy, strategy and processes, were also mapped and applied. These are centered on organizational governance, human rights, labor practices, the environment, fair operational practices, consumer-related questions and community involvement and development. These are also aligned with the ISO NRB 26000:2010 standard on Social Responsibility.

Furthermore, a workshop on sustainable procurement was organized in partnership with the Fundação Espaço Eco, involving all the employees in the Procurement area, with an interactive game for the practical application of sustainability in purchase requisitions.

### Monitoring and assessment of suppliers

[103-2](#) | [103-3](#): [Supplier environmental assessment](#) | [308-1](#) | [308-2](#) | [103-2](#) | [103-3](#): [Supplier social assessment](#) | [414-1](#) | [414-2](#)

Using Balanced Scorecard (BSC) methodology, the supplier performance assessment program monitors the Company's suppliers in relation to quality, competitive mindset, speed, sustainability and innovation – the latter criteria incorporated in 2018. Currently, seventy-three suppliers are assessed by 51 managers in 21 areas. The average favorability in 2018 was 65%, compared with 50% in 2017.

In the annual meeting with suppliers, held since 2010, Cielo underscores its main ethical principles in core areas such as the prohibition of forced/child labor, combating discrimination, harassment and unfair competition, as well as valuing diversity, among others. In 2018, the Code of Conduct for suppliers was updated, with the inclusion of aspects related to money laundering, competitive practices, conflicts of interest, anticorruption and fraud.



The suppliers considered to be critical in relation to sustainability are large companies operating in the logistics, call center and technology areas. All are monitored on a quarterly basis using the tool Heat Map, which maps risks and opportunities related to finance, dependence on revenue, labor, taxes, performance, sustainability, reputation and news coverage. In 2018, no significant environmental impacts were identified in the supplier assessments.

These suppliers also undergo a physical audit conducted by a third-party to verify the sustainability practices reported in a socioenvironmental questionnaire, which was revised in 2018. The 20-item questionnaire covers socio-economic and environmental management and is applied online in the administrative approval process.

Less representative suppliers also respond to the questionnaire on an annual basis during the approval period. The information is catalogued and made available to the suppliers' managers so that they may ensure alignment with sustainable purchasing practices. During the year, the Company rescinded its contract with one supplier considered critical.

In 2018, with a view to promoting an exchange with suppliers and identifying opportunities to improve relations with this group, Cielo organized an assessment of the Procurement area with its partners, which also constituted a feedback channel for the Company's procurement, approval and performance appraisal processes. [102-44](#)



The Heat Map tool monitors critical Cielo suppliers on a **quarterly** basis

During the year, the Valued Collaboration Program was implanted. This consists of the creation of groups of suppliers to identify improvements in the Company's production process with a view to encouraging collaborative work and shared gains. Along these lines, the Company holds the event Face to Face, in which information is shared with suppliers to generate opportunities to improve customer service, the Valued Collaboration Program and the Cielo portfolio. [102-43](#)

**Efficiency and operational improvements**

Aimed at seeking opportunities throughout the supply chain of the new version of the Cielo LIO intelligent terminal, value analysis and value engineering were used to identify opportunities of improvement to drive lower total costs. As a result, in 2018 a project was organized together with manufacturers of the LIO. This included a review of the costs related to the product, such as features, demand planning, logistics costs, laboratory costs, spare parts and maintenance throughout the product life cycle.

By the end of the project a cost reduction of 10.4% had been achieved for this version of the terminal. This gain was complemented by operational improvements, such as the distribution of products in transportation cartons, freight, the reuse of inputs and other modifications, including the size and color of the power cable, the number of stickers used in production, replacement of the charger cable and an increase in the roll dispenser. This led to a decrease in laboratory maintenance costs for the terminal of around 50%, generating a total reduction of R\$22.7 million.

**Supplier development**

In 2018, Cielo joined Integrare, whose member companies are committed to sustainability and to developing small and micro-companies, as well as promoting diversity. During the year, in addition to holding a workshop in partnership with the Business Integration Center, the Company initiated talks with potential suppliers in the gift and print material categories, who were successful in the administrative approval process.

**Advocacy of interests** 102-43

Cielo defends its interests in the Legislative Sphere through the Brazilian Card and Services Companies Association (Abecs), in accordance with the regulations of the legislative houses. Cielo does not have a fixed agenda with members of the Executive Sphere; however, when necessary the Institutional Relations Manager takes part in meetings, always accompanied by at least one other employee.

Additionally, the Company maintains routine contacts with the state Finance Departments, be it through bi-monthly meetings with the Finance Council (Confaz), in which it participates with Abecs and the other accreditation institutions, or in function of inspections undertaken at clients. In this case, Cielo sends reports on the credit and debit card transactions executed in compliance with its obligations to this body.

Terminal maintenance costs reduced by

**R\$22.7 million**



# Operational and environmental efficiency



## Business performance

102-7 | 103-2 | 103-3: Economic performance

For Cielo and the other companies operating in the means of payment market, 2018 was characterized by an intensely competitive environment, the result of the opening up of the market and the successful regulatory measures applied by the Brazilian Central Bank (Bacen) over recent years. [102-6](#)

In this conjuncture, the Company adopted a more audacious position in order to resume growth. The first results of these initiatives are already perceptible, with the sale of 483,000 Stelo terminals in the Company's first year operating as a fully-owned subsidiary of Cielo. In this context, total spending (costs and expenditures) represented R\$7,992.3 million in 2018, an increase of 9.8%, due to investments in marketing campaigns and the reinforcement of the commercial team.



In 2018, Cielo's net revenue totaled R\$11,685.8 million, an increase of 0.7% over 2017, the result of greater penetration of the Receba Rápido (Receive Rapidly) service, an increase in the capture and processing of other brands, offset partially by lower revenue from rentals and price adjustments necessary due to the competitive environment. Adjusted net income was R\$3,286.4 million for the year, 19.0% down compared with the previous period.

The financial volume captured (excluding the product Agro – a card dedicated to agribusiness) totaled R\$616.7 billion, a 0.5% reduction compared with 2017, reflecting the impact of the Multivan effect (part of the process of eliminating the exclusivity agreements between accrediting institutions and card brands) and the intensification of the competitive environment.

In spite of this situation, in 2018 Cielo approved its largest ever nominal return for investors, with fixed proceeds amounting to R\$3.5 billion. The final installment of R\$875.0 million, corresponding to the last quarter of 2018, will be paid out in the first quarter of 2019.

### Key business, financial and fiscal information on regions or countries in which Cielo operates (R\$ million) <sup>102-7</sup>

Operation by country	Brazil	Overseas <sup>1</sup>	Total
Net revenue	9,832,731	1,853,108	<b>11,685,839</b>
Gross income (loss)	5,130,908	311,827	<b>5,442,735</b>
Operating income (loss) before financial earnings	3,729,539	(26,788)	<b>3,702,751</b>
Income (loss) before income tax (IRPJ) and social contribution (CSLL)	5,029,741	(80,235)	<b>4,949,506</b>
Income (loss) for the period	3,535,312	24,123	<b>3,559,435</b>
Taxes paid	2,613,252	5,350	<b>2,618,602</b>
Service taxes	1,220,398	1,238	<b>1,221,636</b>
Taxes on current earnings	1,392,855	4,111	<b>1,396,966</b>

1. Corresponds to operations carried out in the US by the companies Cielo Inc. and Merchant e-Solutions Inc. ("Me-S"). Cielo USA Inc. activities include stakes in other companies as a partner, stakeholder or shareholder, and includes 100% of Me-S, which in turn provides services related to the execution of electronic payments with credit and debit cards in the United States of America. Cielo also has a stake in the company Cielo Cayman Island ("Cielo Cayman"), which has been inactive since its foundation (it has not executed any operational, non-operational, asset-related or financial activities).

Ebitda totaled R\$4,634.8 million, a decrease of 12.2% compared with 2017. Ebitda margin was 39.7% (45.5% the previous year), while financial income, at R\$1,246.8 million, fell by 29.0% in the comparison with the previous year. Further information available at: <https://ri.cielo.com.br/en/financial-information/results-center/>.

**Ebitda (R\$ million)** <sup>102-7</sup>

	2016	2017	2018
Net income	4,005.50	4,056.10	3,341.90
Non-controlling interest	178	208.6	217.5
Financial income	(1,451.30)	(1,755.0)	(1,246.8)
Income tax and social contribution	1,837.30	1,821.20	1,390.10
Depreciation and amortization	965.70	947.6	932.1
Ebitda	5,535.10	5,277.90	4,634.80
Ebitda margin (%)	45.0	45.5	39.7

**Value Added Statement (VAS)** <sup>201-1</sup>

	Consolidated			Brazil			Overseas		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Shareholders (remuneration of own equity)	4,183	4,265	3,610	4,183	4,265	3,610	0	0	0
Employees (remuneration, benefits and employee charges)	669	673	725	568	587	623	101	86	101
Government (taxes, fees and contributions)	3,313	3,234	2,801	3,333	3,271	2,903	(20)	(37)	(103)
Remuneration of third-party capital (interest and rents)	1,363	960	542	1,302	906	408	61	54	63

Cielo adopts a fiscal strategy based on its own tax management policy, reviewed and validated in 2018 by the Board of Directors, with a view to ensuring transparency and driving the constant evolution of the business, in line with best market practice. This is available to the public on the Company's Investor Relations and Sustainability website. This process demonstrates Cielo's commitment to sustainable development and to the adoption of best practices with regard to investors, regulatory agencies and other external stakeholders.

The fiscal strategy is managed by the Tax area (under the Corporate Controller) and related areas responsible for the tax processes at Cielo and its direct and indirect subsidiaries. The strategy is overseen by senior management and is discussed opportunistically in the corporate governance committees.



## Eco-efficiency and management

103-2 | 103-3: Energy | 103-2 | 103-3: Water | 103-2 | 103-3: Emissions | 103-2 | 103-3: Effluents and waste | 103-2 | 103-3: Environmental compliance | 102-11 | 103-2 | 103-3: Products portfolio | FS2

Cielo adopts its own particular methodology for supporting the executive areas in identifying, assessing, responding to, monitoring and reporting risks with a view to maintaining them at acceptable levels. [\(Full information about risks is available in Risk Management.\)](#)

Socioenvironmental risk is incorporated into the methodology as a category that covers the potential damage an economic activity may cause, either directly or indirectly, to society and to the environment, with the potential to provoke financial losses or a loss in confidence.

Among other attributions, the Sustainability and Corporate Responsibility area is responsible, jointly with the Administrative and Facilities area, for assessing the environmental aspects and impacts of the operations. Based on this assessment, which uses a matrix that incorporates incidence, probability, severity and scale, these aspects are monitored under the Environmental Management System, in line with ISO 14001 specifications, generating measures that are adopted to reduce the impacts and raise employee awareness.



## ISO 14001 certification

103-2 | 103-3: Energy | 103-2 | 103-3: Water | 103-2 | 103-3: Emissions | 103-2 | 103-3: Effluents and waste | 103-2 | 103-3: Environmental compliance

The implantation of the Environmental Management System, in line with the requirements of the ISO 14001 standard, fulfils the guidelines established in the Sustainability Policy, which was elaborated and approved by the Company's senior management and disseminated to all the employees and partners by means of diverse communication channels.

With the certification of the Environmental Management System, the Company aims to increase its visibility in the domestic and international markets and consolidate its credibility in the eyes of clients, suppliers and employees. Worthy of note is Cielo's commitment to sustainable practices that promote:

- Improved waste management, contributing to a reduction in waste volume.
- Improved energy efficiency, which reduces costs for the companies.
- Compliance with legal obligations, which drives greater stakeholder participation and client confidence, enhancing the Company's business opportunities.
- Preparation for change in the business conjuncture, with greater security, among other benefits.

Within this context, in 2018 the Company undertook the identification and classification of environmental aspects and impacts, reviewed and structured its Sustainability Policy and identified the legal requirements necessary for ISO 14001 certification, which contributes to managing waste, using raw materials and reducing costs. The next steps will be an audit of the legal requirements, training and dissemination, internal audit, critical analysis and external audit.

For purposes of control, water and electricity consumption, the disposal of lamps, the mileage covered by company buses, among other indicators, are measured on a monthly basis as inputs for the elaboration of the GHG inventory. The data are analyzed in meetings with the respective areas, which result in action plans to introduce mitigation measures.

Another tool used in management are reports to the sustainability indexes – the B3's Corporate Sustainability Index (ISE), and the Dow Jones Sustainability Index (DJSI) –, which assist in the assessment and improvement of internal practices.

The Sustainability area is also responsible for managing the Company's social investments. To ensure that the beneficiaries are upstanding, the documentation of the key persons responsible is verified, as are the social impacts of the project. The possible socioenvironmental impacts mapped include:

**Direct impacts** – improper disposal of waste, materials and equipment, effluent treatment, air pollution, occupational health and safety and outsourcing of hazardous processes or ones that generate pollution.

**Indirect impacts** – illegal games, corruption, child prostitution, money laundering, clients' environmental fines and liabilities, as well as forced and child labor.

**Strategic risk** – socioenvironmental questions related to business and market dynamics, the legislation in force and internal social investment policies.

**Image risk** – losses arising from contracting suppliers who do not comply with socioenvironmental aspects, which could lead to negative publicity for the Company and impact its image before the market, authorities and public and/or private bodies.

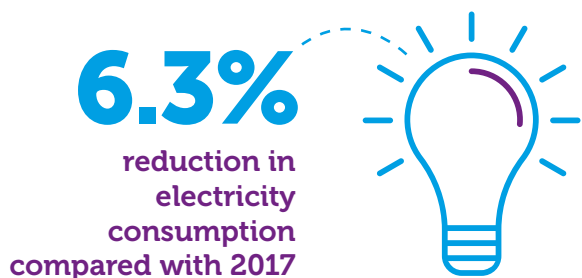
**Legal risk** – possibility of losses due to fines, penalties, indemnities caused by the non-compliance, violation or incorrect interpretation of laws and regulations applicable to socioenvironmental questions.

In 2018, the total spent on environmental protection was R\$19,465.68, which included certified furniture, the installation of LED lamps and reusable flame retardant carpet.

During the period, the Company received no significant fines or non-monetary sanctions related to economic and social aspects. The Company's criterion for significance is amounts in excess of 1% of revenues. In 2018, 9,461 civil lawsuits were finalized, discriminated as follows:

- R\$5,462,528.29 in labor lawsuits, corresponding to 161 proceedings
- R\$18,922,934.44 corresponding to 9,330 administrative (Procon) and civil proceedings [419-1](#)

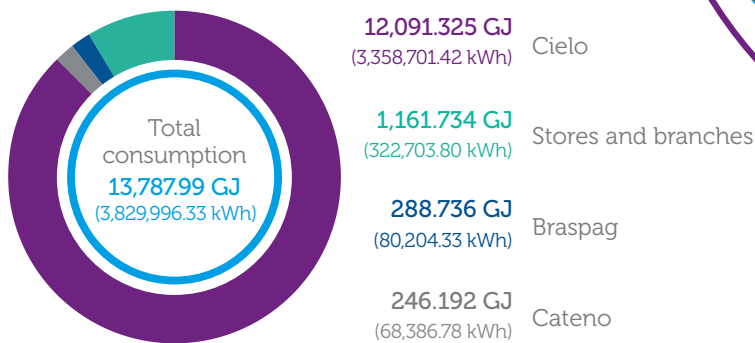
None of the cases were related to bribery, non-compliance with anticorruption legislation or anti-competitive practices. The cases are related to unwarranted charges on equipment rental, disagreements with clients (commercial establishments) regarding fraud or chargebacks in their transactions, among others.



**Energy** [103-2](#) | [103-3: Energy](#) | [302-1](#)

Cielo monitors electricity consumption in its head office (including Braspag and Cateno), which are located on Cielo's premises, branches and physical stores based on information provided by the power utilities. In 2018, the consolidated total energy consumed was 13,787.99 GJ (3,829,996.33 kWh), a 6.6% reduction compared with 2017. From this total, 12,091.32 GJ (3,358,701.42 kWh) was consumed in the Cielo head office, 7.5% down on the previous year's consumption of 13,001.71 GJ (3,611,588.52 kWh). This reduction is due to the decision taken to turn off lighting and air conditioning units daily at 8 p.m., as well as to awareness campaigns to turn off television sets and lights in meeting rooms when they are empty.

Energy consumption per unit (kWh)\*



\* The division is calculated based on occupation of space (Cielo: 92%; Cateno: 1.87%; Braspag: 2.20%) + Veloi (a company of the controlling group – Bradesco and Banco do Brasil – that sublets half of a floor), which occupies 3.87% of the space.



Gasoline consumption by cars in the commercial fleet and by staff receiving a fuel allowance (Alelo Auto) accounted for 12,491.45 GJ (1,287,265.10 liters) in the period; the increase was driven by the expansion of the Company's commercial team, which uses a fleet rented by Cielo.

Cielo does not have control over the use of diesel oil, given that the generators come into operation when there are interruptions in the power supply provided by the electrical energy utility in the municipality.

In 2018, Cielo also consumed 17.31 GJ of biodiesel and 7,420.43 GJ of hydrated ethyl alcohol (ethanol).

Energy consumption (GJ)<sup>1 302-1</sup>

	2016	2017	2018 <sup>2</sup>
<b>Direct energy consumed from non-renewable sources</b>			
Diesel oil (generator) <sup>2</sup>	100.35	142.00	173.19
Gasoline <sup>3</sup>	43,337.20	30,927.12	30,296.04
<b>Total direct energy consumed from non-renewable sources</b>	<b>43,437.55</b>	<b>31,069.12</b>	<b>30,469.23</b>
<b>Direct energy consumed from renewable sources</b>			
Biodiesel	N.A.	N.A.	17.31
Hydrated ethyl	N.A.	N.A.	7,420.44
<b>Total direct energy consumed from renewable sources<sup>4</sup></b>	<b>N.A.</b>	<b>N.A.</b>	<b>7,437.75</b>
<b>Indirect energy</b>			
Electricity <sup>5</sup>	14,127.58	14,724.93	13,787.99
<b>Total energy consumed (direct and indirect) from renewable and non-renewable sources</b>	<b>57,565.13</b>	<b>45,794.05</b>	<b>51,694.96</b>

1. Amounts include the head office, branches and subsidiaries located in the head office.  
 2. Since the electricity generated by diesel is sold to Cielo by kWh, this is classified as energy purchase in Scope 2 emissions. In 2018, 7.72 GJ of diesel was consumed by Veloi, a company belonging to the controllers – Bradesco and Banco do Brasil –, which currently rents part of a Cielo floor.  
 3. Cielo gasoline consumption refers to the use of cars in the Cielo commercial fleet and employees receiving a fuel allowance (Alelo Auto).  
 4. In 2016 and 2017, Cielo did not consume fuels from renewable sources.  
 5. All the electricity purchased by Cielo comes from power utilities.

Topic	Target	Status in 2018	2018 Justification	2019 Targets
Energy	Reduce energy consumption at Company headquarters by 1%		Air conditioning equipment was turned off at 8 p.m.	Reduce energy consumption by 1% compared with 2018, at the Cielo head office, stores (except those located in shopping malls) and branches (except those where the head office relocated)

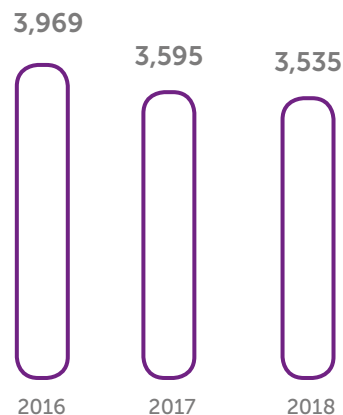


**Water** 103-2 | 103-3: Water | 303-1

In 2018, Cielo consumed 3,535.52 m<sup>3</sup> of potable water at its head office (3,595 m<sup>3</sup> in 2017), provided by a utility company. All the water used in the head office is treated and reused.

The wastewater treatment plant, located on the fourth underground floor of the head office building is equipped with a used water capture system. This water is then channeled for treatment via the building's piping in accordance with the rules established by the São Paulo environmental agency Companhia Ambiental do Estado de São Paulo (Cetesb).

**Water consumption (m<sup>3</sup>)** 303-1



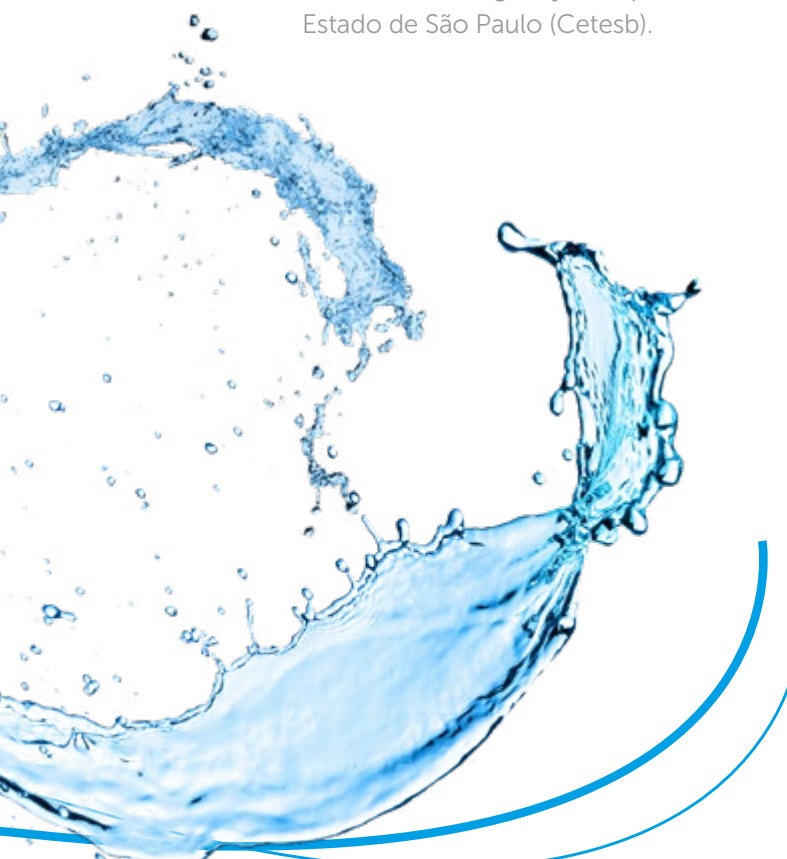
The minimum monthly treatment volume contracted by the plant during the year is 3,500 m<sup>3</sup>. At the end of 2018, the volumes were:

- 13,987 m<sup>3</sup> of water captured and treated
- 13,397 m<sup>3</sup> of reclaimed water consumed
- 600 m<sup>3</sup> of water consumed, but which could not be treated

From the total of 4,574 m<sup>3</sup> treated at the wastewater plant, 34.14% was used by Cielo. The cost of the consumption is charged in accordance with the division made by the building administration. The consumption and amounts are monitored monthly via spreadsheets and reported annually in the Sustainability Report.

The faucets in the Cielo offices are equipped with aerators and an automatic shut off system. In spite of having exhausted the possibilities for further reductions in consumption, the Company maintains the target of not exceeding 10 liters per person/day. To do this, an awareness campaign focused on conscious water use was conducted. For 2019, the target is to maintain consumption at up to 10 liters per person/day.

In addition to the wastewater treatment plant, the head office condominium has a rainwater harvesting system which is used to water the gardens and clean the external areas. This volume is not counted because it is not used to supply internal areas of the Company.



Topic	Target	Status in 2018	2018 Justification	2019 Targets
Water	Water consumption: maintain water consumption at 10 liters per person/day		Awareness campaigns were conducted	Maintain water consumption at same levels as 2018



### Effluents and waste

103-2 | 103-3: Effluents and waste | 306-2

At Cielo, the entire waste disposal process is conducted by environmentally correct companies, regulated by the competent authorities. Traceability is ensured by reports and certificates that may be accessed electronically and physically in the area responsible. Transportation is conducted by the disposal operators themselves.

During the year, the total weight of waste was 368,320 kg, of which 338,858 was sent for recycling, equivalent to 92% of the total waste generated by the Company.




**92%** of all waste was sent for **recycling**



### Total weight of waste, discriminated by type and disposal method (kg)<sup>1</sup> 306-2

Type of waste	2016 <sup>2</sup>	2017	2018	Destination method
Cielo terminals	253,220	75,880	0	Co-processing
Cielo terminals <sup>3</sup>	-	118,974	174,479	Recycling
Marketing material	62,870	25,170	2,690	Co-processing
Supplies (cables and power supplies)	276,962	171,027	136,631	Recycling
Organic waste	47,777	22,343	26,772	Sanitary landfill
Recyclable waste <sup>4</sup>	-	30,872	27,748	Recycling
<b>Total</b>	<b>640,829</b>	<b>444,266</b>	<b>368,320</b>	

1. Cielo does not generate hazardous waste, for which reason all the waste presented in the table is considered non-hazardous. The batteries are collected and disposed of by the supplier and/or manufacturer.
2. In 2016, the disposal process, previously conducted every two to three months, was reorganized on a monthly basis.
3. The process of recycling Cielo terminals was initiated in 2017. In 2018, the disposal of terminals by co-processing was eliminated, improving the disposal process and reinforcing recycling.
4. In 2016, selective collection of waste was not measured.

Topic	Target	Status in 2018	2018 Justification	2019 Targets 
 Waste	Reduce domestic waste generation by 5%		Awareness campaigns were conducted	Recycle more than 90% of all the waste generated by Cielo (POS, marketing material, organic waste at head office, cables and supplies)
	Ensure correct disposal of 100% of hazardous waste		Cielo is compliant with Brazil's National Solid Waste Policy and disposes of 100% of its hazardous waste correctly	

## Climate strategy

103-2 | 103-3: Emissions

### Emissions

The Company seeks to contribute to combating climate change on four action fronts: impact assessment, reduction in emissions, offsetting of greenhouse gas (GHG) emissions not avoided and articulation and commitment to transparency.

### Impact assessment

In addition to analyzing business risks arising from climate change, the Company prepares a GHG emissions inventory on an annual basis, encompassing its own activities and those of its subsidiaries. The document employs the Brazilian GHG Protocol Program methodology and is audited by a third-party. This enables Cielo to continually identify the main sources of emissions in the operation and assess opportunities to reduce this impact. The Company's emissions are published in the Brazilian GHG Protocol Program Public Registry and in the Carbon Disclosure Project (CDP).

### Emissions reduction

The emissions inventory enables the Company to perform a critical analysis and understand opportunities for reduction. In addition to seeking to map new sources of indirect emissions on an annual basis, in 2017 goods and services sold (electricity used by the terminals) and three new sources in the category goods and services purchased (call center, terminal recycling and new ISOs) were mapped. Cielo also included Stelo in its GHG inventory. This is published in the Public Emissions Registry in two formats: aggregate (with all the affiliates) and individual (Cielo).

### Emissions Brazil (Cielo, Servinet, Aliança, Braspag, Cateno, M4U, Stelo) [305-1](#) | [305-2](#) | [305-3](#)

	2016	2017	2018
<b>Scope 1</b>	<b>2,533.65</b>	<b>1,894.20</b>	<b>2,700.46</b>
Mobile combustion	2,533.45	1,893.98	2,646.00
Fugitive emissions	0.2	0.22	54.46
<b>Scope 2</b>	<b>398.52</b>	<b>477.16</b>	<b>333.56</b>
Acquisition of electrical energy	398.52	477.16	333.56
<b>Scope 3</b>	<b>13,850.67</b>	<b>16,593.00</b>	<b>22,000.58</b>
Goods and services purchased	20.73	727.85	492.24
Employee commuting (home-work)	2,257.86	2,129.88	3,246.14
Waste generated in the operations	106.8	15.98	89.24
Transportation and distribution (downstream)	-	7.00	0.77
Transportation and distribution (upstream)	10,297.72	12,103.59	16,431.45
Use of goods and services sold	-	463.52	244.72
Business travel	1,167.56	1,145.18	1,496.02
<b>Total</b>	<b>16,782.84</b>	<b>18,964.36</b>	<b>25,034.59</b>

Emissions in 2018 increased by 32.0% compared with 2017. The factors contributing to this increase were mobile combustion by the Company fleet and logistics services, which corresponded respectively to 10.57% and 65.63% of total emissions.

Scope 1 emissions increased 42.56% over 2017, resulting from recharging the air conditioning system with 410A gas, considered to be ecological because it does not contain CFCs. The main factor, responsible for 98.0% of scope 1 emissions, was mobile combustion. This was caused by the higher number of users resulting in greater use of the Alelo Auto fleet by the commercial team.

However, there was a 30.1% reduction in Scope 2 emissions in 2018 compared with the previous year. This decrease was due mainly to reduced electricity consumption as a result of the program to turn off air conditioning units and lighting at the Company's head office on a daily basis.

Scope 3 emissions also increased by some 32.6%. The increase in this scope was driven by higher emissions in logistics, in employee commuting and in the waste generated in the operation. In 2017, these emissions were not measured due to uncertainty. However, in 2018 the weight of waste was considered in the calculation in order to enable comparability. In 2019, scales will be acquired to ensure more accurate measurement data. Regarding employee commuting, the rise was due to the increase in the number of employees in 2018.



The growth in logistics emissions was mainly driven by the acquisition of new terminals. In delivery services, the mileage covered in terminal exchange and terminal paper roll delivery services was reduced by 12.5%, reaching the target established.

### Scope 3 Emissions – Transportation and distribution (upstream) – Cielo, Servinet e Aliança (tCO<sub>2</sub>e)\* 305-3

	2017	2018	Variation 2017 x 2018 (%)
Customer service in the field (courier)	4,337.22	3,962.25	(8.6)
Paper roll supplies	1,077.97	760.33	(29.5)
Disposal (terminal, supplies and marketing)	4.80	6.51	35.6
Manufacturer (new terminals)	15.63	2,599.88	16,533.9
Reverse and direct	6,639.32	9,054.79	36.4
Milk run	28.46	39.56	39.0
Material transportation	7.00	7.58	8.3
<b>Total</b>	<b>12,110.40</b>	<b>16,430.90</b>	<b>(35.7)</b>

\* The data in the table refers to Cielo, Servinet and Aliança operations.





### Emissions USA – Merchant e-Solutions (tCO<sub>2</sub>e) 305-1 | 305-2 | 305-3

	2016	2017	2018
<b>Scope 1</b>	<b>0.14</b>	<b>3.87</b>	<b>30.19</b>
Stationary combustion	0.14	3.87	3.73
Mobile combustion	-	-	26.45
<b>Scope 2</b>	<b>434.59</b>	<b>296.32</b>	<b>308.63</b>
Acquisition of electrical energy	390.64	283.30	297.64
Acquisition of thermal energy	43.95	13.02	10.99
<b>Scope 3</b>	<b>943.39</b>	<b>560.39</b>	<b>1,095.80</b>
Employee commuting (home-work)	458.82	515.88	565.64
Transportation and distribution (upstream)	17.86	12.99	13.85
Business travel	466.71	31.52	516.31
<b>Total</b>	<b>1,378.12</b>	<b>860.58</b>	<b>1,434.62</b>

Taking into account total emissions in the operations in the two countries, Brazil and the United States, emissions increased by 33.52% compared with 2017. In an analysis by category, the mobile combustion emissions (Scope 1) from the car fleet presented the largest absolute increase in 2018. In spite of the significant variation from 2017 to 2018, the volume of fugitive emissions in CO<sub>2</sub> ton equivalent is not in itself significant. The same is valid for the waste generated in the operations, which increased by 458.45%. It should also be noted that in 2018 there was a significant increase in emissions from employee transportation, be it from commuting or from business travel.

### Emissions offsetting

Cielo offset its Scope 1 and 2 in Brazil and the United States by means of the purchase of carbon credits from the Fazenda Manoa project. A total of 3,373 tCO<sub>2</sub>e of emissions was offset. The Fazenda Manoa, which is administered by the Grupo Triângulo and has Forest Stewardship Council (FSC) certification, is a global benchmark in sustainable timber production. The project area helps to protect the wealth of biodiversity that is threatened in the region and also acts as an ecological corridor between local conservation areas, forming a 480,000 hectare block of forest. Furthermore, the project includes training in sustainable stewardship techniques for smallholders, local associations, youth and farm employees in the region, aimed at disseminating best forestry usage and conservation practices.

Topic	2017 Target	Status	2018 Justification	2019 Targets
 Emissions	<b>Scope 1:</b> maintain direct emissions at less than 2,000 tons/year		Increase in commercial fleet and recharging of refrigerant gas	Reduce scope 1 emissions by 1% compared with 2018, as long as new staff are not hired for the commercial team
	<b>Scope 2:</b> reduce electricity consumption at the Company's head office by 1%		Air conditioning equipment was turned off at 8 p.m.	Reduce energy consumption by 1% compared with 2018, at the Cielo head office, stores (except those located in malls) and branches (except those where the head office has relocated)
	<b>Scope 3:</b> reduce mileage covered in terminal exchange and paper roll delivery services by 5%		Reduction in terminal exchange and paper roll delivery calls	Field service: given the projected increase in mileage in view of Cielo's expectation that the market will recover, mechanisms were created to mitigate this impact – self-service for clients in the stores, branches, partnering banks and commercial area executives who install terminals at clients' premises –, with the objective of avoiding 3% of the estimated emissions for the year



Emissions



A large decorative graphic on the left side of the page, featuring a blue circular shape with a white and purple outline. A purple line curves around the bottom of the circle. To the right, a trail of blue dots extends across the page, suggesting motion or a digital path.

# Attachments



Ownership breakdown [102-5](#)

Shareholding structure	2018	
	Ordinary shares	%
<b>Controlling Shareholders</b>	<b>1,594,957,990</b>	<b>58.71</b>
Banco Bradesco	816,637,938	30.06
Columbus Holdings S.A.	778,319,884	28.65
<b>Tempo Serviços Ltda..</b>	<b>38,318,054</b>	<b>1.41</b>
Banco do Brasil	778,320,052	28.65
Lazard Asset Management LLC	138,960,617	5.11
First Eagle	139,883,513	5.15
Treasury	2,581,435	0.10
Free float	840,431,506	30.93
<b>Total</b>	<b>2,716,815,061</b>	<b>100.00</b>

Number of employees [102-8](#)

By type of employment (permanent and temporary), by gender	2018	
	Men	Women
CLT/permanent – integral	1,836	1,272
Temporary – integral	807	253
<b>Total</b>	<b>2,643</b>	<b>1,525</b>

Percentage of employees by work contract, by gender [102-8](#)

	2018 (%)	
	Men	Women
CLT/permanent	59	41
Temporary*	76	24
<b>Overall total by gender</b>	<b>63</b>	<b>37</b>



Total number of employees by work contract, by gender [102-8](#)

By type of employment (permanent and temporary), by gender	2017		2018	
	Men	Women	Men	Women
CLT/permanent	1,235	926	1,836	1,272
Temporary	394	172	807	253
<b>Total</b>	<b>1,629</b>	<b>1,098</b>	<b>2,643</b>	<b>1,525</b>

Total number of employees by work contract (CLT/permanent), by region [102-8](#)

	2017		2018	
	Men	Women	Men	Women
Midwest	48	30	80	57
Northeast	46	50	128	86
North	17	12	44	27
Southeast	1,072	781	1,443	1,000
South	52	53	141	102
<b>Total</b>	<b>1,235</b>	<b>926</b>	<b>1,836</b>	<b>1,272</b>





Total number of employees (temporary), by region [102-8](#)

	2017		2018	
	Men	Women	Men	Women
Midwest	0	0	0	0
Northeast	1	1	0	0
North	0	0	0	0
Southeast	393	171	807	253
South	0	0	0	0
<b>Total by gender</b>	<b>394</b>	<b>172</b>	<b>807</b>	<b>253</b>
<b>Total</b>	<b>566</b>		<b>1,060</b>	

Total number of employees (CLT/permanent), by race\* [102-8 | 405-1](#)

	2017		2018	
	Men	Women	Men	Women
Oriental	52	19	57	26
White	902	695	1,263	902
Indigenous	1	1	3	1
Black	54	32	97	50
Mixed race	226	179	397	278
Not informed	N.D.	N.D.	19	15
<b>Total by gender</b>	<b>1,235</b>	<b>926</b>	<b>1,836</b>	<b>1,272</b>
<b>Total</b>	<b>2,161</b>		<b>3,108</b>	

Total number of employees (CLT/permanent), by age group\* [102-8 | 405-1](#)

	2017		2018	
	Men	Women	Men	Women
Under 30 years	285	218	411	283
Between 30 and 50 years	869	666	1,329	947
Over 50 years	81	42	96	42
<b>Total by gender</b>	<b>1,235</b>	<b>926</b>	<b>1,836</b>	<b>1,272</b>
<b>Total</b>	<b>2,161</b>		<b>3,108</b>	

\* Cielo does not consolidate information about race for temporary employees.

\* Cielo does not consolidate information about race for temporary employees.



102-12 | 102-13 – Cielo subscribes to, endorses and contributes to initiatives and associations focused on social development, environmental protection and its sector of activity. In 2018, the amount invested in these areas totaled 1,348,098.35.

Contributions	Amount (R\$)
Associação Brasileira das Empresas de Cartões de Crédito e Serviços (Association of Credit Card and Services Companies – ABECS)	1,167,638.82
Associação Brasileira de Automação para o Comércio (Brazilian Commercial Automation Association – AFRAC)	101,939.53
Grupo de Institutos, Fundações e Empresas (Group of Institutes, Foundations and Companies – GIFE)	22,834.00
Instituto Brasileiro Governança Corporativa (Brazilian Institute of Corporate Governance – IBGC)	6,460.00
International Chamber of Commerce (ICC)	20,060.00
Iniciativas Empresariais do Centro de Estudos em Sustentabilidade da Fundação Getulio Vargas – GVces (Business Initiatives – GVces)	52,000.00
<b>Total</b>	<b>1,370,932.35</b>

201-4 – In 2018, Cielo used 48.0 million in tax incentives derived from the following laws and programs: Lei do Bem, Rouanet law, Sport law, Children’s Rights law, Fund for the Elderly and National Disabled Person’s Healthcare Program, National Oncology Care Program, Worker’s Food Program (PAT) and from the extension of maternity and paternity leave, in addition to 3.5 million in credit received from the Financiadora de Estudos e Projetos (Studies and Projects Financier – Finep), and the national development bank Banco Nacional de Desenvolvimento Econômico e Social (BNDES) at special interest rates. Regarding other government subsidies, Cielo brought forward the settlement of all its FINAME contracts in February 2018.

206-1 – On September 19, 2018, Cielo signed a Cease and Desist Agreement with the antitrust authority Conselho Administrativo de Defesa Econômica (CADE), related to the Administrative Inquiry No. 08700.001860/2016-51 (Inquiry) promoted by the authority. In function of this Cease and Desist Agreement, the company made a pecuniary contribution to the Fund for the Defense of Diffuse Rights (FDD) in the amount of 29,706,304.00. The Cease and Desist Agreement is an agreement (and not a condemnation) and does not constitute recognition of guilt or admission of any illicit act on the part of Cielo, its controllers, managers and representatives regarding conduct investigated in the electronic payments market.

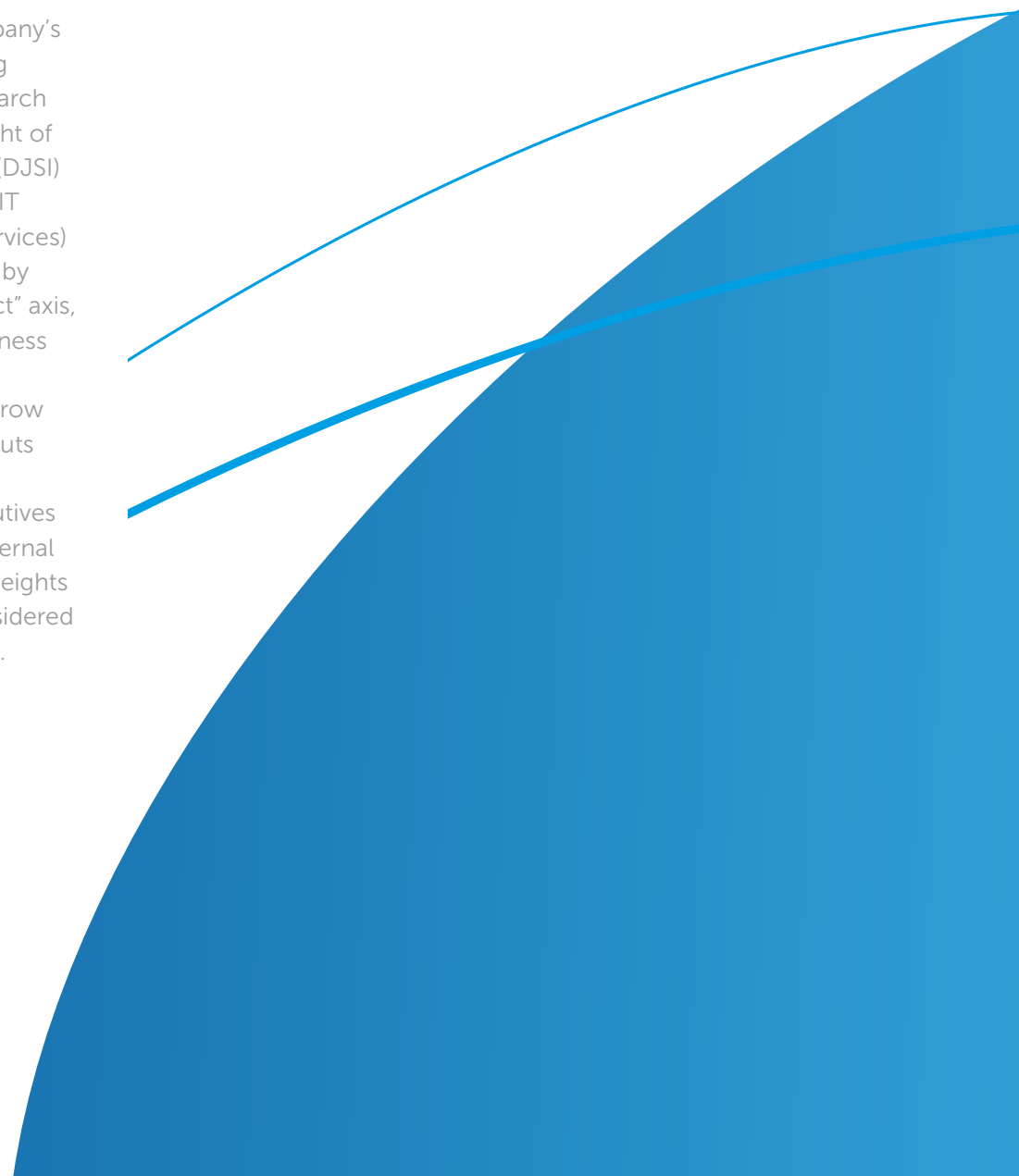
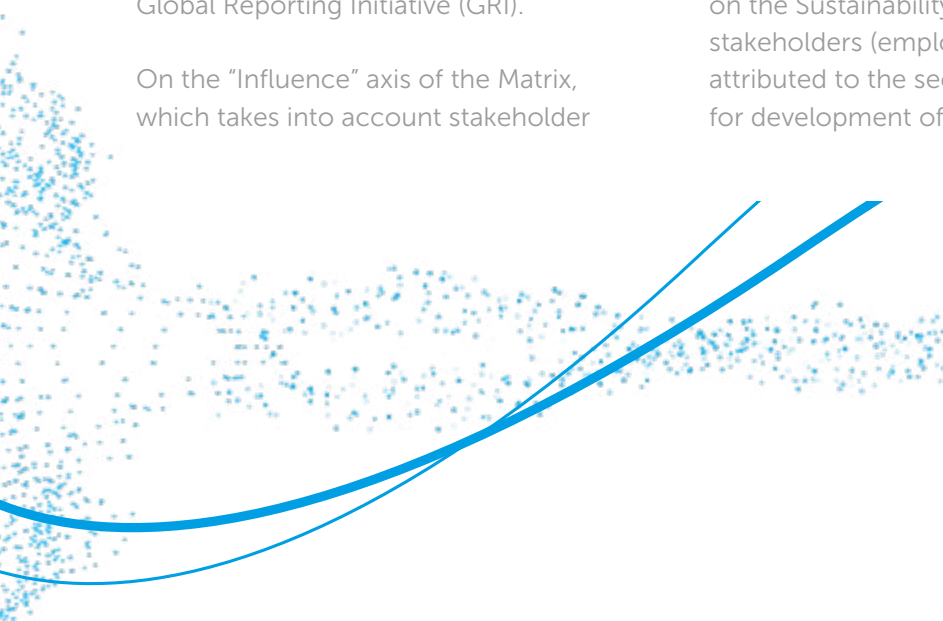
## Cielo's Relevance Matrix review [102-44](#) | [102-46](#)

The review of Cielo's Relevance Matrix was conducted by an external consultancy based on the studies referred to on page 4, which revealed 16 pertinent sector topics linked with Cielo's pillars.

An online consultation was conducted with internal and external stakeholders based on this list with the objective of gathering these groups' perceptions of the topics selected and prioritizing the most relevant ones. The results of this survey and the conclusions from the studies undertaken, plus the weight attributed to each of them, led to the elaboration of the Relevance Matrix based on the Standards option of the Global Reporting Initiative (GRI).

On the "Influence" axis of the Matrix, which takes into account stakeholder

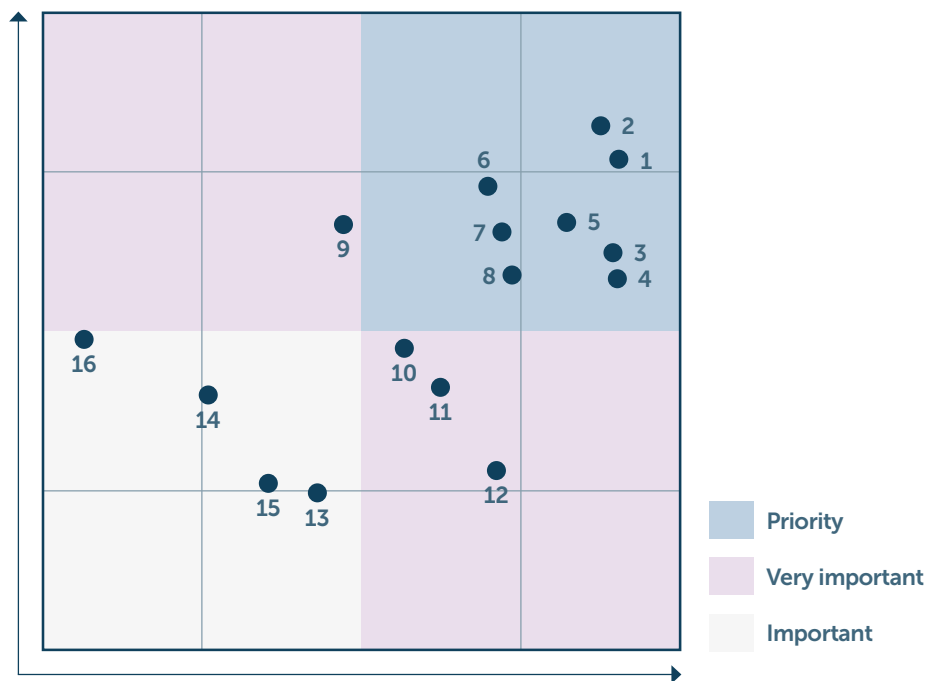
perceptions of Cielo's impact and expectations in relation to the company's actions and responses, the following inputs were considered: online research with external stakeholders, the weight of the Dow Jones Sustainability Index (DJSI) criteria applicable to Cielo's sector (IT Services & Internet Software and Services) and the media research undertaken by external consultancy. On the "Impact" axis, which considers probability, seriousness and criticality for Cielo's long-term performance and opportunities to grow or gain advantage, the following inputs were used: perception and priority attributed to the topics by the executives on the Sustainability Committee, internal stakeholders (employees) and the weights attributed to the sector studies considered for development of the list of topics.





Based on these inputs, the review of the Relevance Matrix led to the selection of the following topics, in order of relevance:

Based on this, the Cielo's Relevance Matrix sets forth priority, very important and important topics, in accordance with the following figures:



1	Focus on client service and satisfaction, tailoring products and services to their needs
2	Confidentiality in use of client data
3	Fraud prevention and control and cybernetic security
4	Ethics, integrity and anticorruption practices
5	Attract, develop and value employees, fairness and respect for diversity at all hierarchical levels and in all relationships
6	Expansion of client base
7	Capacity and operational availability
8	Connecting with the future of payments
9	Customized solutions that enable clients to leverage their businesses (Cielo Promo, Farol, Lio etc.)
10	Eco-efficiency and management of socioenvironmental impacts
11	Trends and disruptive technologies
12	Regulatory risks
13	Private social investment, with emphasis on financial education
14	Climate strategy
15	Financial inclusion and education
16	Socioenvironmental criteria for monitoring partners

Topics 1 to 8 were considered "priorities"; topics 9, 10, 11 and 12 were considered "very important"; and topics 13, 14, 15 and 16, "important".

In the validation exercise conducted by the Cielo Board of Executive Directors, the topics Trends and disruptive technologies (11) and Regulatory risks (12) were considered to be priorities, for which reason they are emphasized in this report.

Furthermore, to underscore the importance of Cielo's socioenvironmental measures, so relevant for the sustainability indexes in which the company participates and for the maintenance of records, the associated indicators, that is Eco-efficiency and management of socioenvironmental impacts (topic 10), Climate strategy (topic 14) and Socioenvironmental criteria for monitoring partners (topic 16) were also considered relevant and will be addressed in this report. [102-46](#)



Relevant topics in 2018 and correlation with GRI Standards [102-47](#) | [103-1](#)

Topic 1: Focus on client service and satisfaction, tailoring products and services to their needs	GRI 102: General disclosures	102-43: Approach to stakeholder engagement	Yes	Yes (clients; investors and shareholders; banks and suppliers; civil society organizations (OSC); communities and press; and general public)
		102-44: Key topics and concerns raised		
	Sectoral: Financial sector-system Aspect: Local communities	Former FS16: Initiatives to enhance financial literacy by type of beneficiary	Yes	Yes (government; investors and shareholders; general public; civil society organizations; and community and press)
	GRI 102: General disclosures	102-6: Markets served 102-7: Scale of organization	Yes	Yes (clients; investors and shareholders; banks and suppliers; press; and public in general)
Topic 2: Expansion of client base	GRI 203: Indirect economic impacts	203-2: Significant indirect economic impacts	Yes	Yes (government; investors and shareholders; general public; civil society organizations; community and press; clients; and banks and suppliers)
	Sectoral: Financial sector-system Aspect: Product portfolio	Former FS1: Policies with specific environmental and social components applied to business lines	Yes	Yes (clients; government and regulatory authorities; investors and shareholders; banks and suppliers; general public and community)
		FS13: Access points in low-populated or economically disadvantaged areas by type		
	Sectoral: Financial sector-system Aspect: Local communities	FS14: Initiatives to improve access to financial services for disadvantaged people	Yes	Yes (government; investors and shareholders; public in general; civil society organizations; and community and press)



Material topics	GRI Topic	GRI Standards	Importance within Cielo	Importance outside Cielo
Topic 3: Ethics, integrity and anticorruption practices	GRI 102: General disclosures	102-15: Key impacts, risks, and opportunities	Yes	Yes (clients; investors and shareholders; banks and suppliers; civil society organizations (OSC); communities and press; and public in general)
		102-16: Values, principles, standards, and norms of behavior		
Topic 11: Trends and disruptive technologies	GRI 102: General disclosures	102-18: Governance structure	Yes	Yes (clients; investors and shareholders; banks and suppliers; civil society organizations (OSC); communities and press; and public in general)
		102-29: Identifying and managing economic, environmental, and social impacts		
		201-1: Direct economic value generated and distributed		
Topic 3: Ethics, integrity and anti-corruption practices	GRI 201: Economic performance	201-3: Defined benefit plan obligations and other retirement plans	Yes	Yes (clients; investors and shareholders; banks and suppliers; civil society organizations (OSC); communities and press; and public in general)
		201-4: Financial assistance received from government		
		205-1: Operations assessed for risks related to corruption		
Topic 12: Regulatory risks	GRI 205: Anti-corruption	205-2: Communication and training in anti-corruption policies and procedures	Yes	Yes (clients; government; investors and shareholders; banks and suppliers; general public; civil society organizations; and community and press)
		205-3: Confirmed incidents of corruption and actions taken		
		206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		
	GRI 307: Environmental compliance	307-1: Non-compliance with environmental laws and regulations	Yes	
	GRI 419: Socio-economic compliance	419-1: Non-compliance with laws and regulations in the social and economic area		
GRI 415: Public policies	415-1: Political contributions	Yes		



Material topics	GRI Topic	GRI Standards	Importance within Cielo	Importance outside Cielo
Topic 4: Attract, develop and value employees, fairness and respect for diversity at all hierarchical levels and in all relationships	GRI 102: General disclosures	102-8: Information on employees and other workers 102-41: Collective bargaining agreements	Yes	Yes (government and regulatory authorities; investors and shareholders; general public; and community and press)
	GRI 201: Economic performance	201-3: Defined benefit plan obligations and other retirement plans	Yes	Yes (government and regulatory authorities; community; and general public)
	GRI 401: Employment	401-1: New employee hires and turnover	Yes	
	GRI 404: Training and education	404-1: New employee hires and employee turnover 404-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees 404-3: Percentage of employees receiving regular performance and career development reviews	Yes	Yes (government and regulatory authorities; community; and general public and press)
	GRI 405: Diversity and equality of opportunities	405-1: Diversity of governance bodies and employees 405-2: Ratio of basic salary and remuneration of women to men	Yes	Yes (general public; civil society organizations; and communities and press)
Topic 5: Confidentiality in use of client data (new topic) Topic 7: Fraud prevention and control and cybernetic security	GRI 418: Client privacy	418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	Yes	Yes (clients; government and regulatory authorities; investors and shareholders; banks and suppliers; public in general and community)



Material topics	GRI Topic	GRI Standards	Importance within Cielo	Importance outside Cielo
Topic 6: Capacity and operational availability	Sectoral: Financial sector-system Aspect: Local communities	FS13: Access points in low-populated or economically disadvantaged areas by type	Yes	Yes (clients; government and regulatory authorities; investors and shareholders; banks and suppliers; public in general and community)
		FS14: Initiatives to improve access to financial services for disadvantaged people	Yes	Yes (government; investors and shareholders; public in general; civil society organizations; and community and press)
Topic 7: Fraud prevention and control and cybernetic security	Sectoral: Financial sector-system Aspect: Product portfolio	Former FS3: Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Yes	Yes (clients; investors and shareholders; banks and suppliers; civil society organizations; communities and press; and general public)
Topic 8: Connecting with the future of payments (new topic)	GRI 102: General disclosures	102-2: Activities, brands, products, and services	Yes	Yes (clients; investors and shareholders; banks and suppliers; civil society organizations (OSC); press; and general public)
	Sectoral: Financial sector-system Aspect: Product portfolio	Former FS1: Policies with specific environmental and social components applied to business lines	Yes	Yes (clients; government and regulatory authorities; investors and shareholders; banks and suppliers; public in general and community)
Topic 11: Trends and disruptive technologies	GRI 102: General disclosures	102-29: Identifying and managing economic, environmental, and social impacts  102-31: Review of economic, environmental, and social topics	Yes	Yes (academia; clients; government and regulatory authorities; investors and shareholders; banks and suppliers; general public and community)





Private Pension Plan Contributions 201-3

Contribution salary – salary band	%
1 <sup>st</sup> band: portion of salary limited to 15 UR (reference units)	2
2 <sup>nd</sup> band: nominal salary minus the lowest amount of 15 UR	From 0 to 7.8

Private Pension Plan 201-3

Age of participant in complete years	Cielo matching contribution in multiples
Up to 40 years	1
From 41 to 50 years	1.5
From 51 years	2.0

Sport	Associação Desportiva para Deficientes (Sport for the Disabled Association)	Adapted sport initiation program – Year II	Provide orientation and training in activities to develop physical and sporting skills, primarily for children and young people with physical and intellectual disabilities.	100 children and young people	350,000.00
Sport	Instituto Tiago Camilo	Judo with Tiago Camilo	Foster the practice of judo using the methodology of Olympic medal winner Tiago Camilo, which transmits the philosophy, discipline and ethics of Judo.	600 children and adolescents	400,000.00
Sport	Instituto Reação	Reação Judo and Education School Year II	Offer judo lessons out of school hours to children and adolescents, and promote educational workshops aimed at developing social, personal, productive and cognitive skills, as well as expanding cultural repertoire.	1,300 children and adolescents	57,783.51
The elderly	Obras Sociais Irmã Dulce (Sister Dulce Social Works)	INFOIDOSO – Because the future is now!	Offer a basic computing course for the elderly to enable the group to appropriate the technologies of the virtual world.	168 elderly people per year	230,537.84



Private Social Investment 203-1

Law	Proponent	Name	Summary	Beneficiaries	Amount (R\$)
The elderly	Instituto Anima	Active Aging Support Network	Implantation of two work centers, in addition to the Maturity School, already in place in the University of BH: Communication and Educational Campaigns Center – with the development of a website, social network campaigns, production of booklets and thematic meetings; and Support Center for Elderly Victims of Violence.	1,080 legal and psychological consultations, 540 social consultations; Maturity School – 1,120 vacancies in 17 disciplines	926,000.00
The elderly	Abrigo Nossa Senhora de Lourdes (shelter for the elderly)	Cultural Center and Productive Inclusion for the Elderly in Olinda	Promote access to culture and productive inclusion for the elderly in the municipality through activities such as internal training seminars, music workshops, handicraft courses, fairs and cultural exhibitions.	Direct impact: 100 elderly people Indirect: 5,000 residents in the historical center of Olinda	426,412.00
The elderly	Sociedade Porto-Alegrense de Auxílio aos Necessitados (Porto Alegre Support Society – SPAAN)	Protected Maturity: Full Care for The Elderly Attended by SPAAN	Promote improved care for the elderly by means of professional training activities; digital inclusion course in partnership with SENAC and weekly courses in partnership with the universities PUCRS and UFRGS/ Nutrition IPA, transportation for elderly persons with reduced mobility, dental treatment, physiotherapy, speech therapy.	180 direct and 1,080 indirect beneficiaries	619,000.00
The elderly	Centro de Desenvolvimento e Cidadania (Development and Citizenship Center – CDC)	Qualification of Associations and Groups	Incentives for active aging, income generation and economic support for 20 associations and groups that provide care for the elderly in Olinda, through training programs and monitoring of the groups' activities, as well as the implementation of the Centro Cultural e de Inclusão Produtiva da Pessoa Idosa de Olinda (Cultural Center and Productive Inclusion for the Elderly in Olinda).	20 groups and associations and 1,400 elderly people benefiting indirectly	635,050.57
The elderly	Hospital do Câncer de Barretos (Barretos Cancer Hospital)	Support for the Elderly Project	Payment of cancer treatment for the elderly 100% via the national SUS healthcare system.	More than 120,000 elderly people	1,560,000.00



Private Social Investment 203-1

Law	Proponent	Name	Summary	Beneficiaries	Amount (R\$)
FIA	Rotary Program for Youth (Projov)	Vocational Training	Promote professional training in the administrative and basic information areas for disadvantaged young people to prepare them for the labor market.	160 young people	153,137.44
FIA	Grupo de Apoio ao Adolescente e a Criança com Câncer (Support Group for Child and Adolescent Cancer Patients – Graac)	Mobile School: Training Educators to Provide Schooling in the Graac Hospital	Train educators to provide basic schooling for young cancer patients unable to attend school.	16 specialized educators and 500 student patients during the year	610,660.43
FIA	Social, University and Cultural work – Centro Educacional Assistencial Profissionalizante (Vocational Education Center – CEAP)	Computing and Citizenship – Technical Professional Training in Computing	Reinforce a proactive spirit and a sense of independence for socially disadvantaged young people in the community of Pedreira (São Paulo) through the provision of technical courses.	150 adolescents and young people	202,430.76
	Social, University and Cultural work – CEAP	Inclusive technology – Professional Qualification in Computer Networks			194,248.94
	Social, University and Cultural work – CEAP	Managing the Future – Professional Qualification in Administration			168,382.28
FIA	Instituto Verdescola	Projeto Núcleo Socioeducativo e Gerando Amanhã (Socio-educational Center and Generating Tomorrow)	Promote education for children and adolescents with varied vocational courses, including kitchen assistant, administration, gastronomy technician, janitorial services, English and commercial technician.	770 children and adolescents	250,000.00



Private Social Investment 203-1

Law	Proponent	Name	Summary	Beneficiaries	Amount (R\$)
FIA	Grupo de Apoio ao Adolescente e a Criança com Câncer (Support Group for Child and Adolescent Cancer Patients – Graac)	Psychological treatment for child and adolescent cancer patients at the Graacc hospital	Provide care for children and adolescents with mental disorders/impairments and/or serious or chronic diseases.	300 new children and adolescents per year and family members	523,783.81
FIA	Projeto Âncora (Anchor Project)	Innovative Social Transformation Project	Drive significant interaction between the institution and the surrounding community with a view to preventing social risks and promoting opportunities for personal development and citizenship.	Direct: 200 children and young people Indirect: 4,000 people (visitors, educators and family members)	800,000.00
FIA	Centro de Proteção das Crianças e Adolescentes (Protection Center for Children and Adolescents – Cepac)	Vocational – Social Reinforcement Service	Provide adolescents and young people with socio-educational workshops on Administration, Logistics, Computing, Citizenship, English, Communication and Expression.	100 adolescents and young people aged from 15 to 18 years directly and 400 family members indirectly	617,323.33
FIA	Pequeno Príncipe Hospital	Integrated Healthcare	To help guarantee the fundamental rights of children and adolescents in treatment at the Pequeno Príncipe hospital by means of high quality, humanized healthcare, associated with medical, psycho-social and dental care, educational, play and cultural activities and support for the development of scientific research into children’s and adolescents’ health.	Care provided for 73,231 children and adolescents (approximately 50,000 family members benefited), and 23,000 children and adolescents hospitalized	300,000.00
FIA	Rotary Program for Youth (Projov)	Vocational Training	Provide protection for adolescents, as well as professional training and insertion in the labor market.	100 young people	280,000.00



Private Social Investment 203-1

Law	Proponent	Name	Summary	Beneficiaries	Amount (R\$)
FIA	Instituto Tecnológico e Vocacional Avançado (Advanced Technology and Vocational Institute – Iteva)	Midiacom Program	The project involves professional training courses in information and communication technologies; launch of software, educational platforms and apps; Multimedia course in state professional education schools; free internet connection by means of a social provider; Scientist of the Future Project; BemTeVi Project – Good TV; and Digital Schools Feasibility Study.	Direct: 22,555 indirect: 93,610	280,000.00
Rouanet	De Peito Aberto Incentive for Sport, Culture and Leisure	Projeto Ginga – De Peito Aberto (year 2)	Organization of capoeira, and Afro-Brazilian folk dances, such as samba de roda, maculelê and puxada de rede outside of school hours.	900 young people	500,000.00
Rouanet	Instituto Moinho Cultural Sul-Americano	2018 Instituto Moinho Cultural Annual Plan	Provision of dance, music, school support, environmental education, language and computing courses outside of regular school hours, with the inclusion of Brazilian sign language Libras in music/choir activities.	Direct: 320 children and adolescents from 6 to 18 years Indirect: more than 25,000 people who attended the presentations	600,000.00
Rouanet	Associação Israelita de Beneficência Beit Chabad do Brasil	2016 Happiness Project	To enable the continuity of the Happiness Project, in existence for 16 years. This is aimed at rebuilding self-esteem for Brazilian children with cancer and entertaining them by means of cultural activities.	2,400 visitors, 800 of whom were children aged up to 18 years and the people accompanying them	300,000.00
Rouanet	Casa de Cultura de Israel – Unibes Cultural	2018 Unibes Cultural Annual Plan	Promote the maintenance and execution of Unibes Cultural activities during the year. Varied artistic and cultural activities underpinned by a common approach based on entrepreneurial spirit.	10,000 people directly impacted	1,000,000.00



Private Social Investment 203-1

Law	Proponent	Name	Summary	Beneficiaries	Amount (R\$)
Rouanet	Associação Pinacoteca Arte e Cultura	2018 Pinacoteca de São Paulo Annual Plan	Temporary exhibitions; Educational Action activities; music and dance presentations, courses and seminars. In addition to the programming, the installation of air conditioning and surveillance camera systems is planned, among other improvements.	Audience impacted indirectly by the project: the 500,000 people who visit the museum per year	800,000.00
PRONON	ABRALE	Onco teaching: Training programs for healthcare professionals – Phase II	Update and train public healthcare (SUS) oncology professionals (medical and multidisciplinary teams) by means of distance learning to improve cancer prevention, early diagnosis and disseminate best practices and studies on treatment, palliative care and the rehabilitation of cancer patients.	9,000 healthcare professionals	400,000.00
PRONON	Hospital Samaritano	Acquisition of equipment and expansion of oncology diagnostics offerings	Investment in high performance whole-body magnetic resonance equipment.	10% increase in the number of magnetic resonance examinations performed – (4,500 per month)	300,000.00
PRONON	Hospital do Câncer de Muriaé – Fundação Cristiano Varella	Training for professional team focused on the quality of oncology care	Training and development for professionals in the assistance network and for healthcare professionals working with oncology patients at the Muriaé Cancer Hospital, by means of simulations aimed at improving oncology care for inpatients and outpatients.	1,726 professionals	300,000.00



Private Social Investment 203-1

Law	Proponent	Name	Summary	Beneficiaries	Amount (R\$)
PRONON	Instituto do Câncer de Londrina	Excellence in Oncology and Human Development	Promote optimization of care for patients, ensuring safety, quality and humanization by means of specific ongoing training for the institution's staff, especially the support team.	Approximately 900 hospital employees and the more than 40,000 patients treated annually, with support for their family members	120,000.00
PRONON	Instituto D'Or de Gestão de Saúde Pública (Instituto D'Or Public Health Management)	Platform for modeling and testing the effectiveness and toxicity of oncology medication	Creation of a tumor laboratory modeling platform to assess oncogenesis maintenance mechanisms and pharmacological interventions, identifying and testing in vitro the effectiveness of new combinations of drugs.	It is not possible to measure the number of beneficiaries	700,000.00
PRONAS	Fundação Dorina Nowill	Employability program for the visually impaired	Contribute to the personal and professional development of young people and adults with visual impairment and minimize their exclusion from the labor market.	270 visually impaired young people and adults	612,225.68
PRONAS	Centro Mineiro de Reabilitação Auditiva (Minas Gerais Hearing Rehabilitation Center – CEMEAR)	Qualify: Training for the Minas Gerais Disabled People Care Network	Conduct courses in hearing training in the healthcare macro-regions in the state of Minas Gerais to qualify healthcare professionals in the public healthcare network.	800 auditory healthcare professionals in public network	445,604.21
	Instituto Ayrton Senna	Integral Education	Drive innovation in schools in partnership with the public education networks, with a view to reinforcing the involvement of educators and students in basic and secondary education, preparing them for the challenges of the contemporary world.	More than 1.5 million children and young people impacted annually	98,000.00



Rouanet	Instituto Moinho Cultural Sul-Americano (Moinho Cultural South America Institute)	2018 Annual Plan – Moinho Cultural South America Institute	Objective: the Moinho Cultural South America Institute is a non-profit organization that conducts projects to promote culture, as well as human and social development in the Pantanal region. Its mission is to reduce the vulnerability of children and adolescents in the border region through access to culture and technological knowledge. Beneficiaries: 300 participants from 6 to 18 years. Location: Corumbá – Pantanal/MS.	600,000.00
Rouanet	Instituto Origami	Food with an Accent – Northeastern Brazilian Instrumental Music and Gastronomy Festival (São João Campina Grande)	Objective: festival that promoted a major encounter involving Northeastern Brazilian cuisine and instrumental music during the 30-day winter festival in Campina Grande/PB. The event celebrates the main aspects that determine the cultural and historical identity of the people from the northeast of Brazil in the region’s most symbolic period of the year, the São João celebrations. Beneficiaries: 2 million people. Location: Campina Grande/PB.	300,000.00
Rouanet	Clube das Máscaras O Galo da Madrugada	Galo da Madrugada 2018	Objective: the Galo da Madrugada is part of the Galo Alegria o Ano Inteiro program, aimed at preserving and building on popular culture and tourism in Recife and the state of Pernambuco, not only in the carnival period, but throughout the year. Beneficiaries: 2 million people. Location: Recife/PE.	875,000.00
Rouanet	Luni Áudio e Vídeo Ltda. – EPP	São João Cultural de Caruaru	Objective: the São João Cultural de Caruaru cultural event is an authentic, multicultural winter festival. The event occupied the railway station and other locations in the city of Caruaru, in the state of Pernambuco, with areas for diverse cultural performances, such as: repente, poetry, theater, dance, dance group, folk group presentations, as well as cooking, circus and children’s activities, arts and handicraft exhibitions, and the exhibition of films. Beneficiaries: 2 million people. Location: Caruaru/PE.	500,000.00
Rouanet	Arte Projeto Promoções Ltda. – ME	Fartura 2018 (Abundance 2018)	Objective: the 2018 Abundance Foods of Brazil project is aimed at promoting and developing Brazilian gastronomy, bringing together products, producers, chefs, industry, markets and connoisseurs of good food. Beneficiaries: 90,000 people. Location: Porto Alegre/RS; São Paulo/SP; Belo Horizonte/MG; Tiradentes/MG; Fortaleza/CE; Belém/PA.	4,330,000.00





Support for events, festivals and cultural activities in 2018

Law	Institution/ proponent	Name	Summary	Amount (R\$)
Rouanet	De Peito Aberto Incentive for Sport, Culture and Leisure	Projeto Ginga – De Peito Aberto (year 2)	Objective: preserving Brazilian immaterial cultural heritage by fostering the practice of capoeira among children and young people is the main focus of this project, which comprises workshops on capoeira and Afro-Brazilian folk dances, such as samba de roda, maculelê and puxada de rede. Beneficiaries: 450 young people. Location: Minas Gerais.	500,000.00
Rouanet	Mana Produções, Comunicação e Eventos Ltda. – EPP	Presentation of Bois Garantido and Caprichoso in Parintins 2018	Objective: the Festival de Parintins is a national annual three-day cultural event. It comprises different cultural manifestations, in particular group dances, presentations of Bois-Bumbás mirins, varied performances by guest groups, in addition to three presentations of Boi Garantido and three presentations of Boi Caprichoso. Beneficiaries: 100,000 people. Location: Parintins/AM	2,000,000.00
Rouanet	Guaimbe Bureau de Cultura Ltda. – EPP	Illuminated Christmas	Objective: the Illuminated Christmas project, in its seventh edition, is a free festival open to the general public. It consists of a choir and/or classical music presentation and 14 theater presentations, all free of charge. Beneficiaries: 17,000 people. Location: São Paulo/SP.	150,000.00
Rouanet	T4F Entretenimento S.A.	The Phantom of the Opera	Objective: the production of the classic Broadway musical <i>The Phantom of the Opera</i> , which returns to São Paulo 13 years after its debut in Brazil to enchant the public with the story of the mysterious phantom and the romance between Christine Daaé and Raoul. Beneficiaries: expected audience of 500,000 people. Location: São Paulo/SP.	3,113,766.91



Support for events, festivals and cultural activities in 2018

Law	Institution/ proponent	Name	Summary	Amount (R\$)
Rouanet	PARNAXX Ltda. – ME	Curitiba Theater Festival – 27 <sup>th</sup> edition	Objective: organization of the 27 <sup>th</sup> edition of the Curitiba Theater Festival, a major showcase for theater artists and companies from Brazil and abroad. The event, whose space in the country’s cultural agenda is assured, presents an annual overview of the scenic arts, with the participation of theater companies from diverse states and countries, promoting the encounter of artistic and human diversity in the city. Complementary actions aimed at the public involve varied activities, meetings, debates and workshops, which occupy diverse spaces in the city. Beneficiaries: 200,000 people. Location: Curitiba/PR.	1,800,000.00
Rouanet	Campo da Produção, Eventos e Promoções Ltda.	3D Magic Christmas Circulation	Objective: the Magic Christmas Circulation Project (3 <sup>rd</sup> edition) brings the enchantment and magic of this traditional commemoration to the stages of Brazilian theaters in the form of a show for all the family. Location: São Paulo/SP (corresponding to the investment quota).	64,197.16
Rouanet	Campo da Produção, Eventos e Promoções Ltda.	Disney On Ice 2018/2019	Objective: the 2018 Disney On Ice project involves the production of a musical show on ice for children and young people, with batches of tickets at accessible prices. Location: Porto Alegre/RS (corresponding to the investment quota).	400,000.00
Rouanet	Comissão Festa da Uva e Feiras Agroindustriais	Grape Festival – Viva Una Bela Giornata	Objective: the Grape Festival – Viva Una Bela Giornata cultural project is an event with presentations of typical bands, folk dancing, choirs and a theater play, with tickets at accessible prices and free admission for public school students and community associations. Location: Caxias do Sul/RS.	400,000.00
Rouanet	Fundação Promotora de Exposições de Blumenau	2018 Oktoberfest Parades	Objective: the action is aimed at promoting and reviving the expression of German culture. The event takes place along the city’s main thoroughfare and includes parades by folk groups, typical German instrumental bands, school bands, allegorical floats and traditional cultural societies that help revive elements of the German culture and ethnic origin typical of the Vale do Itajaí in Santa Catarina. Beneficiaries: 580,000 people. Location: Blumenau/SC.	500,000.00



Support for events, festivals and cultural activities in 2018

Law	Institution/ proponent	Name	Summary	Amount (R\$)
Sport	Brazilian Judo Confederation	Participation in Competitions Organized by the International Judo Confederation (IJF)	Objective: the purpose of the project is to enable the participation of athletes in the Brazilian National Judo Team in events scheduled for the second half of 2018 by the International Judo Federation (IJF). The athletes on the Brazilian National Judo team took part in international competitions aimed at achieving improved results in order to score points in the international IJF ranking in preparation for the 2020 Tokyo Olympic Games and to promote the development of judo in Brazil. Beneficiaries: 42 people. Location: Budapest (Hungary), Abu Dhabi (United Arab Emirates), Tokyo (Japan) and Zagreb (Croatia).	800,000.00
Sport	Brazilian Judo Confederation	Preparation of the National Judo teams (CBJ)	Objective: aimed at the formation and preparation of the Brazilian national judo teams in the following categories: under-18s (15,16 and 17 years of age), under-21s (from, 15 to 20 years of age) and under-23s (21 and 22 years of age) in 2018 and 2019, by participation in local, regional, national and international events, aimed at achieving improved results and elevating the technical level of the athletes in preparation for the 2020 Tokyo Olympic Games. Beneficiaries: 90 people. Location: São Paulo/SP, Belgrade, Marocco, Tokyo (Japan), St. Petersburg (Russia), Berlin (German), Bahia, Leibnitz (Austria) and Buenos Aires (Argentina).	500,000.00
Sport	Brazilian Judo Confederation	National Brazilian Judo Confederation (CBJ) events	Objective: to enable the organization of national events, ensuring the participation of athletes from all the states in the country in high-level competitions, promoting interchanges among athletes and delegations, in continuation of the project initiated in 2011. Beneficiaries: 1,917 people. Location: Paraíba, Amazonas, Bahia, São Paulo, Rio de Janeiro, Pernambuco and Tocantins.	387,063.00
Sport	Brazilian Judo Confederation	Brazilian Judo Confederation (CBJ) events	Objective: to enable the organization of national events, ensuring the participation of athletes from all the states in the country in high-level competitions, fostering the sport in Brazil and promoting interchanges among athletes and delegations, in continuation of the project initiated in 2011. Beneficiaries: 7,532. Location: São Paulo, Bahia, Paraná, Ceará, Rio Grande do Norte, Mato Grosso and Paris (France).	1,136,826.75



New employee hires in 2018 <sup>401-1</sup>

Region	Age group	Employees hired		New admissions rate (%)		
		Men	Women	Men	Women	Cielo
Midwest	Under 30 years	15	20	0.5	0.6	1.1
	Between 30 and 50 years	45	33	1.4	1.1	2.5
	Over 50 years	0	0	0.0	0.0	0.0
Northeast	Under 30 years	24	3	0.8	0.1	0.9
	Between 30 and 50 years	78	55	2.5	1.8	4.3
	Over 50 years	1	1	0.0	0.0	0.1
North	Under 30 years	6	5	0.2	0.2	0.4
	Between 30 and 50 years	31	18	1.0	0.6	1.6
	Over 50 years	1	0	0.0	0.0	0.0
Southeast	Under 30 years	215	121	6.9	3.9	10.8
	Between 30 and 50 years	485	312	15.6	10.0	25.6
	Over 50 years	11	6	0.4	0.2	0.5
South	Under 30 years	25	16	0.8	0.5	1.3
	Between 30 and 50 years	80	54	2.6	1.7	4.3
	Over 50 years	4	0	0.1	0.0	0.1
<b>Total</b>		<b>1,021</b>	<b>644</b>	<b>33</b>	<b>21</b>	<b>54</b>



Total number of employees terminated in 2018 <sup>401-1</sup>

Region	Age group	Employees terminated		Termination rate (%)		
		Men	Women	Men	Women	Cielo
Midwest	Under 30 years	4	3	0.1	0.1	0.2
	Between 30 and 50 years	16	13	0.5	0.4	0.9
	Over 50 years	0	1	0.0	0.0	0.0
Northeast	Under 30 years	1	0	0.0	0.0	0.0
	Between 30 and 50 years	18	20	0.6	0.6	1.2
	Over 50 years	0	1	0.0	0.0	0.0
North	Under 30 years	2	1	0.1	0.0	0.1
	Between 30 and 50 years	8	7	0.3	0.2	0.5
	Over 50 years	0	0	0.0	0.0	0.0
Southeast	Under 30 years	73	36	2.3	1.2	3.5
	Between 30 and 50 years	221	141	7.1	4.5	11.6
	Over 50 years	17	11	0.5	0.4	0.9
South	Under 30 years	0	1	0.0	0.0	0.0
	Between 30 and 50 years	8	13	0.3	0.4	0.7
	Over 50 years	1	0	0.0	0.0	0.0
<b>Total</b>		<b>369</b>	<b>248</b>	<b>12</b>	<b>8</b>	<b>20</b>



### Diversity of governance bodies and employees [405-1](#)

Functional category	Under 30 years (%)	Between 30 and 50 years (%)	Over 50 years (%)
Board of Executive Directors	0	71	29
Managers/Directors	0	83	18
Coordinators	6	87	7
Specialists/Consultants	14	79	7
Commercial team	21	77	2
Team	47	50	3

Functional category	Women (%)	Men (%)
Board of Executive Directors	14	86
Managers/Directors	30	70
Coordinators	42	58



**GRI content index** [102-55](#)

The GRI Materiality Disclosures Service affirmed that the summary of the GRI content is presented clearly and that the references for the Disclosures 102-40 to 102-49 are aligned with the appropriate sections in the body of the report.

**GRI 101: Foundation 2016**

**GRI 102:  
General  
disclosures  
2016**

Standard	Page	Omission	UNGC	SDG
<b>Organizational profile</b>				
102-1: Name of the organization	7			
102-2: Activities, brands, products, and services	7, 33 to 35			
102-3: Location of headquarters	7 and 119			
102-4: Location of operations	7			
102-5: Ownership and legal form	7 and 79			
102-6: Markets served	7, 17, 33 to 35 and 64			
102-7: Scale of the organization	7, 8, 64, 65 and 66			
102-8: Information on employees and other workers	8, 46, 79 to 81		6	8
102-9: Supply chain	60			
102-10: Significant changes to the organization and its supply chain	15 and 17			
102-11: Precautionary principle or approach	18 to 20, 68, 103 The Company does not adopt the precautionary principle, which is focused on environmental impacts in serious and irreversible risk scenarios.			
102-12: External initiatives	8, 9 and 82			
102-13: Membership of associations	8, 9 and 82			



GRI 102:  
General  
disclosures  
2016

Standard	Page	Omission	UNGC	SDG
<b>Strategy</b>				
102-14: Statement from senior decision-maker	5 and 6			
102-15: Key impacts, risks, and opportunities	5, 6, 18 to 21, 26			
<b>Ethics and integrity</b>				
102-16: Values, principles, standards, and norms of behavior	8 and 13		10	16
<b>Governance structure</b>				
102-18: Governance structure	14 to 16			
102-29: Identifying and managing economic, environmental, and social impacts	16			16
102-31: Review of economic, environmental, and social topics	16, 18 and 19			
<b>Stakeholder engagement</b>				
102-40: List of stakeholder groups	3 and 4			
102-41: Collective bargaining agreements	46		3	8
102-42: Identifying and selecting stakeholders	4			
102-43: Approach to stakeholder engagement	13, 43, 54, 56, 62			
102-44: Key topics and concerns raised	21, 43, 54, 62, 83			





GRI 102:  
General  
disclosures  
2016

Standard	Page	Omission	UNGC	SDG
<b>Reporting practice</b>				
102-45: Entities included in the consolidated financial statements	3			
102-46: Defining report content and topic boundaries	3, 4, 83, 84			
102-47: List of material topics	4, 85 to 88			
102-48: Restatements of information	3 and 15			
102-49: Changes in reporting	3 and 4			
102-50: Reporting period	3			
102-51: Date of most recent report	3			
102-52: Reporting cycle	105 Cielo publishes its Sustainability Report annually.			
102-53: Contact point for questions regarding the report	3 and 119			
102-54: Claims of reporting in accordance with the GRI Standards	3			
102-55: GRI content index	103			
102-56: External assurance	3, 116			



Material topics	Standard	Page	Omission	UNGC	SDG
<b>GRI 201: Economic performance 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	12, 13, 18 to 21, 52, 64 to 67		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	12, 13, 18 to 21, 52, 64 to 67			
	201-1: Direct economic value generated and distributed	66			2, 7, 8, 9
	201-3: Defined benefit plan obligations and other retirement plans	52, 89			
	201-4: Financial assistance received from government	82			
	<b>GRI 203: Indirect economic impacts 2016</b>				
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	56 to 59		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	56 to 59			
	203-1: Infrastructure investments and services supported	58, 59, 89, 90 to 95			2, 5, 7, 9, 11
	203-2: Significant indirect economic impacts	36 to 39			1, 2, 3, 8, 10, 17



Material topics	Standard	Page	Omission	UNGC	SDG
<b>GRI 205: Anti-corruption 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	16, 18 to 25, 44		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	16, 18 to 25, 44			
	205-1: Operations assessed for risks related to corruption	25, 44		10	16
	205-2: Communication and training about anti-corruption policies and procedures	24, 25		10	16
	205-3: Confirmed incidents of corruption and actions taken	23		10	16
	<b>GRI 206: Anti-competitive behavior 2016</b>				
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	16, 18, 23, 25		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	16, 18, 23, 25			
	206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	25, 82			16
<b>GRI 302: Energy 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	16, 68 to 71		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	16, 68 to 71			
	302-1: Energy consumption within the organization	70 and 71		7, 8	7, 8, 12, 13



Material topics	Standard	Page	Omission	UNGC	SDG
<b>GRI 303: Water 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	16, 68, 69, 72		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	16, 68, 69, 72			
	303-1: Water withdrawal by source	72		7, 8	6
<b>GRI 305: Emissions 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	16, 68, 69, 74 to 77		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	16, 68, 69, 74 to 77			
	305-1: Direct (Scope 1) GHG emissions	74 to 76		7, 8	3, 12, 13, 14, 15
	305-2: Energy indirect (Scope 2) GHG emissions	74 to 76		7, 8	3, 12, 13, 14, 15
	305-3: Other indirect (Scope 3) GHG emissions	74 to 76		7, 8	3, 12, 13, 14, 15



Material topics	Standard	Page	Omission	UNGC	SDG
<b>GRI 306: Effluents and waste 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	16, 68, 69 and 73		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	16, 68, 69 and 73			
	306-2: Waste by type and disposal method	73		8	3, 6, 12
	306-4: Transport of hazardous waste	109 Cielo's waste is not of environmental interest, according to an unfavorable report from the São Paulo environmental agency Cetesb.		8	3, 12
<b>GRI 307: Environmental compliance 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	16, 68, 69		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	16, 68, 69			
	307-1: Non-compliance with environmental laws and regulations	109 During the period, the Company did not receive significant fines or non-monetary sanctions due to non-compliance with environmental laws and/or regulations.		8	16



Material topics	Standard	Page	Omission	UNGC	SDG
<b>GRI 308: Supplier environmental assessment 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	16, 22, 23, 60 and 61		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	16, 22, 23, 60 and 61			
	308-1: New suppliers that were screened using environmental criteria	60 and 61		8	
	308-2: Negative environmental impacts in the supply chain and actions taken	60 and 61		8	
<b>GRI 401: Employment 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	16, 22, 23, 46 and 47		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	16, 22, 23, 46 and 47			
	401-1: New employee hires and employee turnover	46, 100 and 101		6	5, 8



Material topics	Standard	Page	Omission	UNGC	SDG
<b>GRI 404: Training and education 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	16, 46, 48 to 52		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	16, 46, 48 to 52			
	404-1: Average hours of training per year per employee	48 to 50		6	4, 5, 8
	404-2: Programs for upgrading employee skills and transition assistance programs	48, 52			8
	404-3: Percentage of employees receiving regular performance and career development reviews	50		6	5, 8
<b>GRI 405: Diversity and equal opportunity 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	22, 23, 46, 51 and 52		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	22, 23, 46, 51 and 52			
	405-1: Diversity of governance bodies and employees	81 and 102		6	5, 8
	405-2: Ratio of basic salary and remuneration of women to men	51		6	5, 8, 10



Material topics	Standard	Page	Omission	UNGC	SDG
<b>GRI 414: Supplier social assessment 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	16, 22, 23, 61 to 62		1, 8	1, 5, 8, 16
	103-3: Evaluation of the management approach	16, 22, 23, 61 to 62			
	414-1: New suppliers that were screened using social criteria	60 and 61		2	5, 8, 16
	414-2: Negative social impacts in the supply chain and actions taken	60 and 61 and 112 No significant social impacts were identified in the supplier assessments.		2	5, 8, 16
<b>GRI 415: Public policy 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	18 to 20, 22 and 23		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	18 to 20, 22 and 23			
	415-1: Political contributions	22, 112 Cielo does not make contributions to political parties as established in the Code of Ethics, under the item Contributions and affiliations to political parties.		10	16





Material topics	Standard	Page	Omission	UNGC	SDG
<b>GRI 418: Customer privacy 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	18 to 23, 44, 45		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	18 to 23, 44, 45			
	418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	44 and 45			16
<b>GRI 419: Socioeconomic compliance 2016</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	18 to 23		1, 8	1, 8, 16
	103-3: Evaluation of the management approach	18 to 23			
	419-1: Non-compliance with laws and regulations in the social and economic area	70			16



Material topics	Standard	Page	Omission	UNGC	SDG	
<b>Sector disclosure</b>						
<b>Sector supplement – financial sector 2016</b>						
<b>Product portfolio</b>						
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			10	
	103-2: The management approach and its components	20, 36, 38, 44, 68				
	103-3: Evaluation of the management approach	20, 36, 38, 44, 68				
	FS1: Policies with specific environmental and social components applied to business lines	36 to 38			10	
	FS2: Procedures for assessing and screening environmental and social risks in business lines	20, 68			10	
	FS3: Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	44 and 45				
<b>Local communities</b>						
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88				
	103-2: The management approach and its components	37				
	103-3: Evaluation of the management approach	37				
	FS13: Access points in low-populated or economically disadvantaged areas by type	37		7, 8	1, 8, 10	
	FS14: Initiatives to improve access to financial services for disadvantaged people		114			
			The implantation of film on non-accessible equipment to enable it to be used by people with visual impairment is underway in association with Abecs.		7, 8	1, 8, 10



Material topics	Standard	Page	Omission	UNGC	SDG
<b>Sector disclosure</b>					
<b>Sector supplement – financial sector 2016</b>					
<b>Product and service labeling</b>					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	85 to 88			
	103-2: The management approach and its components	42, 49			
	103-3: Evaluation of the management approach	42, 49			
	FS16: Initiatives to enhance financial literacy by type of beneficiary	42, 49, 59			1, 8, 10



KPMG Financial Risk & Actuarial Services Ltda..  
 Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A  
 04711-904 - São Paulo/SP - Brasil  
 Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil  
 Telefone +55 (11) 3940-1500  
 kpmg.com.br

## Limited assurance report issued by independent auditors 102-56

To the Board of Directors, Shareholders and Stakeholders  
 Cielo S.A.  
 Barueri - SP

### Introduction

We have been engaged by Cielo S.A. ("Cielo" or "Company") to apply limited assurance procedures on the sustainability information disclosed in 2018's Sustainability Report, related to the year ended December 31<sup>st</sup>, 2018.

### Responsibilities of Cielo's Management

The Management of Cielo is responsible for adequately preparing and presenting the sustainability information in the Sustainability Report 2018 in accordance with the *Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards)*, as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

### Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in the Sustainability Report 2018 based on a limited assurance engagement conducted in accordance with the *Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards)* and the methodology developed globally by KPMG for assurance of social and environmental information disclosed in sustainability reports - KPMG Sustainability Assurance Manual - KSAM, applicable to historical non-financial information.

ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the Cielos's Sustainability Report 2018, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the *Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards)* and the *KPMG Sustainability Assurance Manual - KSAM* consists mainly of questions and interviews with the Management of Cielo and other professionals of the Company involved in the preparation of the information disclosed in the Sustainability Report 2018 and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the Sustainability Report 2018 taken as a whole could present material misstatement.

*KPMG Financial Risk & Actuarial Services Ltda., uma sociedade simples brasileira, de responsabilidade limitada, e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.*  
 KPMG Financial Risk & Actuarial Services Ltda., a Brazilian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the Sustainability Report 2018, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) engagement planning: considering the material aspects for Cielo’s activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Cielo’s Sustainability Report 2018. This analysis defined the indicators to be checked in details;
- (b) understanding and analysis of disclosed information related to material aspects management;
- (c) analysis of preparation processes of the Sustainability Report 2018 and its structure and content, based on the Principles of Content and Quality of the Standards for Sustainability Report of *Global Reporting Initiative - GRI (GRI-Standards)*;
- (d) evaluation of non financial indicators selected:
  - understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;

- application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the Sustainability Report 2018;
- analysis of evidence supporting the disclosed information;
- visits to Cielos’s corporate office for application of these procedures, and items (b) and (c);

- (e) analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;
- (f) comparison of financial indicators with the financial statements and/or accounting records.

We believe that the information, evidence and results we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

**Scope and limitations**

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide reasonable assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in Sustainability Report 2018.

*KPMG Financial Risk & Actuarial Services Ltda., uma sociedade simples brasileira, de responsabilidade limitada, e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative (“KPMG International”), uma entidade suíça.*  
 KPMG Financial Risk & Actuarial Services Ltda., a Brazilian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.



Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data's materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, to evaluate the adequacy of policies, practices and sustainability performance, nor future projections.

### Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in the 2018 Sustainability Report of Cielo is not fairly stated in all material aspects in accordance with the *Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI-Standards)*, as well as its source records and files.

São Paulo, April 26<sup>th</sup>, 2019

KPMG Financial Risk & Actuarial Services Ltda.

Ricardo Algis Zibas  
Principal

## CREDITS

### Corporate information [102-3](#) | [102-53](#)

Cielo Head Office: Alameda Xingu, 512 – 21º ao 31º andar,  
Alphaville – Centro Industrial e Empresarial.

CEP: 06455-030 – Barueri (SP) – Brasil

Contact: [sustentabilidade@cielo.com.br](mailto:sustentabilidade@cielo.com.br)

### Coordination

Sustainability and Corporate Responsibility Area

### GRI consulting, materiality review, editorial coordination, design and proofreading

TheMediaGroup

### Photos

Cielo Image Bank and Shutterstock

### Audit

KPMG

### Publication date

04/29/2019