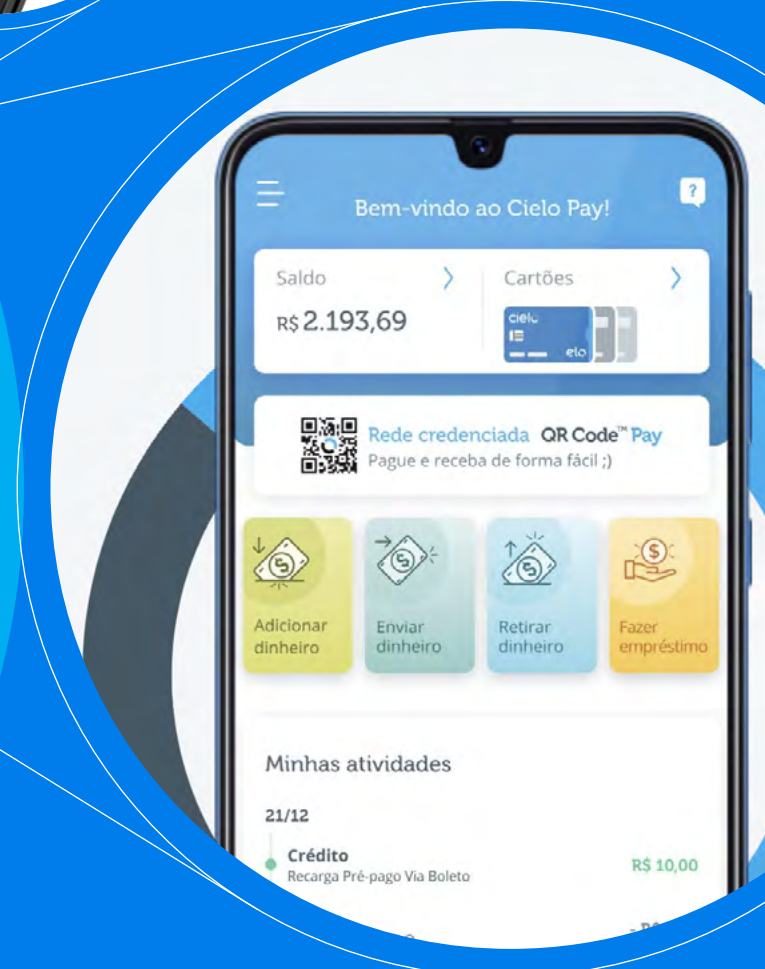


# SUSTAINABILITY REPORT

## 2019

### CUSTOMER INSERT



# Contents

## 03 About Cielo

## 05 About this report

- 06 Engagement and material topics;
- 06 Ethics and compliance.

## 07 Strategic planning

- 08 Technology trends;
- 10 Ecosystem: products and solutions;
- 12 Cielo Pay: newly launched in the year.

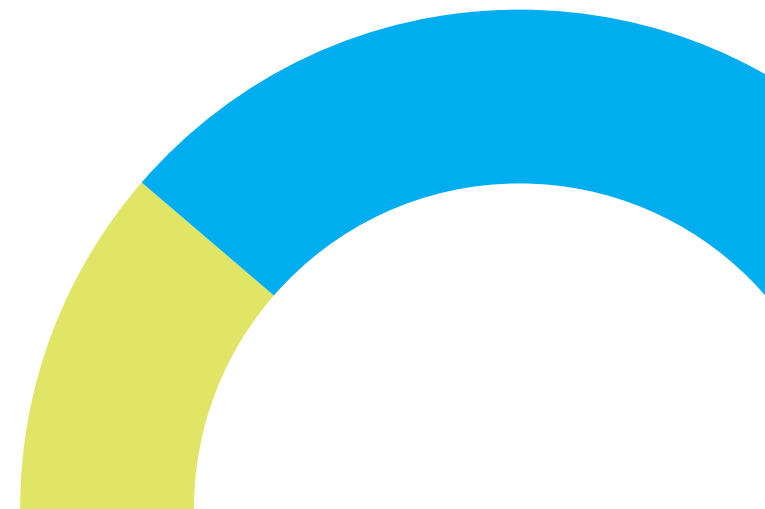
## 13 Customer experience

- 15 Service channels;
- 16 Quality and service availability;
- 17 Cyber security.

## 18 Corporate sustainability

- 19 Environmental management;
- 19 Community relations.

## 20 Credits



# About Cielo

More than a payment terminal company, Cielo S.A. is a provider of retail technology and services and the Latin American leader in the electronic payments segment. Our operations span accreditation, transmission, processing, settlement and capture across the leading domestic and international credit and debit card brands.

Cielo is a multi-brand acquirer organized as a publicly traded corporation. We have a workforce of 3,407 employees and a presence in the US since our acquisition of subsidiary Merchant e-Solutions in 2012.



- » 1.6 million active customers, up 18% from 2018
- » Intensified commercial efforts: 1,000 hunters (dedicated to capturing new business) and 500 farmers (specializing in customer relationship activities) on the ground
- » Customers at the center of the business: an improved Net Promoter Score (NPS)
- » 60% reduction in troubleshooting calls
- » 87% improvement in complaint resolution times
- » A 16% decline in customer service complaints
- » 1,200 Black Friday transactions per second
- » Launched Cielo Elô, Cielo's virtual assistant
- » 100+ business projects delivered
- » 1.3+ million card terminals sold since the Stelo acquisition in 2018
- » R\$ 683.1 billion in transaction volume—up 9% from 2018
- » Cielo + Stelo integration: the most comprehensive portfolio on the market
- » Store network expansion with two newly opened stores in 2019
- » 17 new commercial partners
- » Blue Wave: R\$ 176 million in recovered volume and R\$ 44 million in new volume
- » Technological capabilities to support more than 6,000 sales per second
- » 100% of sales continuously monitored—24 hours per day, seven days per week
- » 12,000 applicants for our trainee program, 50% more than in 2018
- » In-house Ombudsman
- » R\$ 17 billion in loans paid in two days
- » R\$ 11.34 billion in net revenue
- » R\$ 1.58 billion in net income

# About the report

The 2019 Cielo Sustainability Report reviews our performance across the economic, financial, social and environmental dimensions in the period from January 1 to December 31, 2019, covering 100% of our operations including Cielo, Servinet, Aliança and Stelo. In it we describe our goals, targets and challenges in the period, and our approach to managing sustainability and relations with our diverse stakeholder groups, including customers, commercial partners, suppliers, employees, representatives from global pacts and initiatives, communities, civil society and electronic payment processing users.



## Engagement and material topics

In the year we held internal interviews with executives and external interviews with banks, suppliers and ABECS. We also carried out an online survey of stakeholders including employees, suppliers, payment users, investors/shareholders, commercial partners, customers, civil society and industry associations. In addition to the internal and external stakeholder survey, members of the Sustainability Committee—which advises the Board of Directors—were involved in prioritizing our most material topics. This process identified 10 topics deemed most relevant in 2019:

- 1. A focus on customer service and customer satisfaction, delivering products and services that are responsive to their needs**
- 2. Customer data privacy**
- 3. Fraud prevention and control and cyber security**
- 4. Ethics, integrity and anti-corruption practices**
- 5. Attracting, developing and valuing employees, fairness and respect for diversity at all levels and in all relationships**
- 6. Customer base expansion**
- 7. Operational capacity and availability**
- 8. Connecting with the future of payments**
- 9. Technology trends and disruption**
- 10. Regulatory risks**

## Ethics and compliance

We have consistently upheld our ethics commitment to society and to our employees, customers, shareholders and suppliers. This commitment is embodied in our Code of Conduct, which is based on corporate principles and outlines the standards of conduct to be followed in dealings with all stakeholders.

Any misconduct can be reported (anonymously or by name) via our Ethics Hotline, either on a dedicated website (<https://canaldeetica.com.br/cielo/#home>) or by phone (0800-775-0808). Reports are handled by an independent firm and submitted for investigation by the Internal Audit Team. The channel is open to direct and third-party employees, suppliers and customers.

# Strategic planning

In an environment of fierce competition, Cielo—which had previously worked to preserve margins even at a loss of market share—took the decision to become more competitive by narrowing our margins to maintain leadership in the acquiring market.

In 2019 we adopted a new strategic positioning of increasing investment in Retail and Small Businesses, rather than only in Large Accounts. In addition, we further prioritized the customer experience and strengthened our brand positioning.

With the pricing adjustments and new commercial model, the Retail and Small Business segments outgrew the Large Accounts segment. We invested in digital transformation and maintained our focus on pricing, product quality, availability, marketing, channels, people, efficiency and operational.



## Technology trends

Cielo believes that the future of payments is now. Digital platforms, available technology, access to algorithms, artificial intelligence and blockchain are some of the areas in which we are investing in the present with a view to a promising future, in which innovation will provide increasing benefits to organizations, customers and society.

Convergence, startups and co-creation are topics that are top of mind for companies at the forefront of the digital transformation.

It is in this context that we have created Cielo Garage, an innovation hub that shares and leverages information and human potential to solve problems and develop solutions. The team facilitates internal processes to design more effective solutions for the electronic payments market, working across three pillars: **customers**—placing their needs at the center of attention; **culture**—setting strategies to develop a creative and connected work environment; and **ecosystem**—bringing innovation from outside the Company.

## Cielo Garage Highlights in 2019

- » 18 talks on subjects such as Cloud, UX, Entrepreneurship and Customer Science
- » Workshops: Digital Product Prototypes (Design Day), Programming for nonprogrammers and Google i/o Insights
- » More than 90 ideas received
- » 28 co-creations



## Cielo Big Data

Data intelligence is a core part of our business. Cielo has a database spanning 20 retail sectors in Brazil, providing key inputs for designing efficient business strategies and creating customer value.

### ICVA: data creating opportunities

Developed by our Intelligence department, the Cielo Broad Retail Index (ICVA) tracks the sales volumes of 1.4 million businesses in 20 segments in Brazil—ranging from small stores to large retailers.



7 billion transactions per year



R\$ 650 billion in transaction volume



20 retail sectors tracked



40% share of the acquiring market



## Ecosystem: products and solutions

As a technology company with a leading position in the payments segment, Cielo has the most comprehensive portfolio in the market, offering competitive rates, access to credit, and business support through an ecosystem that creates customer value.

### Product portfolio:

- » **Cielo ZIP:** a payment terminal with a long-life battery that does not require a smart phone;
- » **Cielo FLASH:** supports more than three sales per minute and offers additional payment options, such as via NFC or QR Code. Accepts payments from any mobile phone with its digital wallet;
- » **Cielo LIO:** this solution features digital inventory management, cash register close-out, quick invoice printing, and mobile POS supporting sales anywhere in the store;
- » **Cielo LIO+:** a combination of smart phone and card terminal. The solution also includes more than 130 business applications available from Cielo Store;
- » **Cielo MINI ZIP:** a mini card terminal that does not require a smart phone;
- » **Primeira MAQUININHA:** accepts more than 80 credit, debit and meal card brands.

### Agile and digital sales:

- » **Cielo Super Link:** generates a link that the customer uses to pay via their Cielo Digital Account or on a web browser;
- » **QR Code Cielo:** any smart phone with a camera can be used for payments with Cielo card terminals. In 2019, Cielo became the first accreditation institution in Brazil to support payments with cryptocurrencies. To enable transactions, applications (APIs) have been developed that convert cryptocurrencies into reais so payments can be made using Cielo card terminals, through our e-commerce gateway or on the Cielo Pay app;
- » **Cielo Virtual Store:** a solution that allows aspiring entrepreneurs to build their e-commerce stores, complete with check out, anti-fraud, marketing campaign management and sales management capabilities.



#### Sales boost:

- » **Cielo Promo:** allows users to create promotions and loyalty programs directly in the terminal;
- » **Cielo Currency Converter:** supports payments in foreign currency with receipt in reais, at reduced rates;
- » **Mobile Phone Top up:** allows stores to sell mobile top ups as an additional revenue stream.

#### Managing your business:

- » **Cielo App:** an app designed to assist customers in managing their sales;
- » **Cielo Farol:** a tool that helps to keep customers up-to-date on market developments;
- » **Cielo Store:** an app store for Cielo L10 (sales system, integrated management, food service and retail applications, among others);
- » **Business Pro:** a free app for business management in the Cielo Store

## Cielo Pay: newly launched in the year

As part of our continuous efforts to support customers' needs, in 2019 we launched Cielo Pay, an application developed by a squad using agile methodology, which combines the features of a digital wallet and account. Designed in a collaboration with Cateno, a Cielo-group company, this application supports businesses throughout their journey and not only when processing sales using Cielo terminals.

### Key features:

- » A free digital account especially designed for small businesses (individuals and sole proprietors) with the advantage of receiving payments for sales immediately;
- » Customers can process sales without requiring a card terminal, using QR Codes;
- » Sales balances and statements are available from Cielo

- » Transfers can be made to other Cielo Pay users free of charge
- » Payments can be made via wire transfer, pay slip or QR Code
- » Partner repair services (plumbers, electricians and help desk)
- » App support directly via WhatsApp
- » Payslips for cash-in payments;
- » Wire transfers to other contacts

Download  
Cielo Pay by clicking:



# Customer experience

At Cielo, 2019 was a year dedicated to customer satisfaction. With a presence in more than 5,500 municipalities in Brazil, and with a transaction capture rate of 6.9—or roughly 15% of household consumption—Cielo offers a range of services to customers that provide benefits such as improved business management, state-of-the-art infrastructure and 24/7 support.

In 2019:

- » We created new business units—Small Businesses, Retail and Large Accounts—to provide more profile-appropriate services to different customers;
- » More than 10,800 customers participated in satisfaction surveys: around 78% said they were satisfied with the quality of service, products, services and solutions, giving Cielo scores of between 7 and 10;
- » The percentage of variable compensation changed from 5% to 30% linked to customer service performance.



## Social media sales

We were the first brand in the acquiring industry to introduce sales on social media. Users browsing our Facebook page can purchase equipment without leaving the page up to the payment step, when they are directed to the Cielo website.

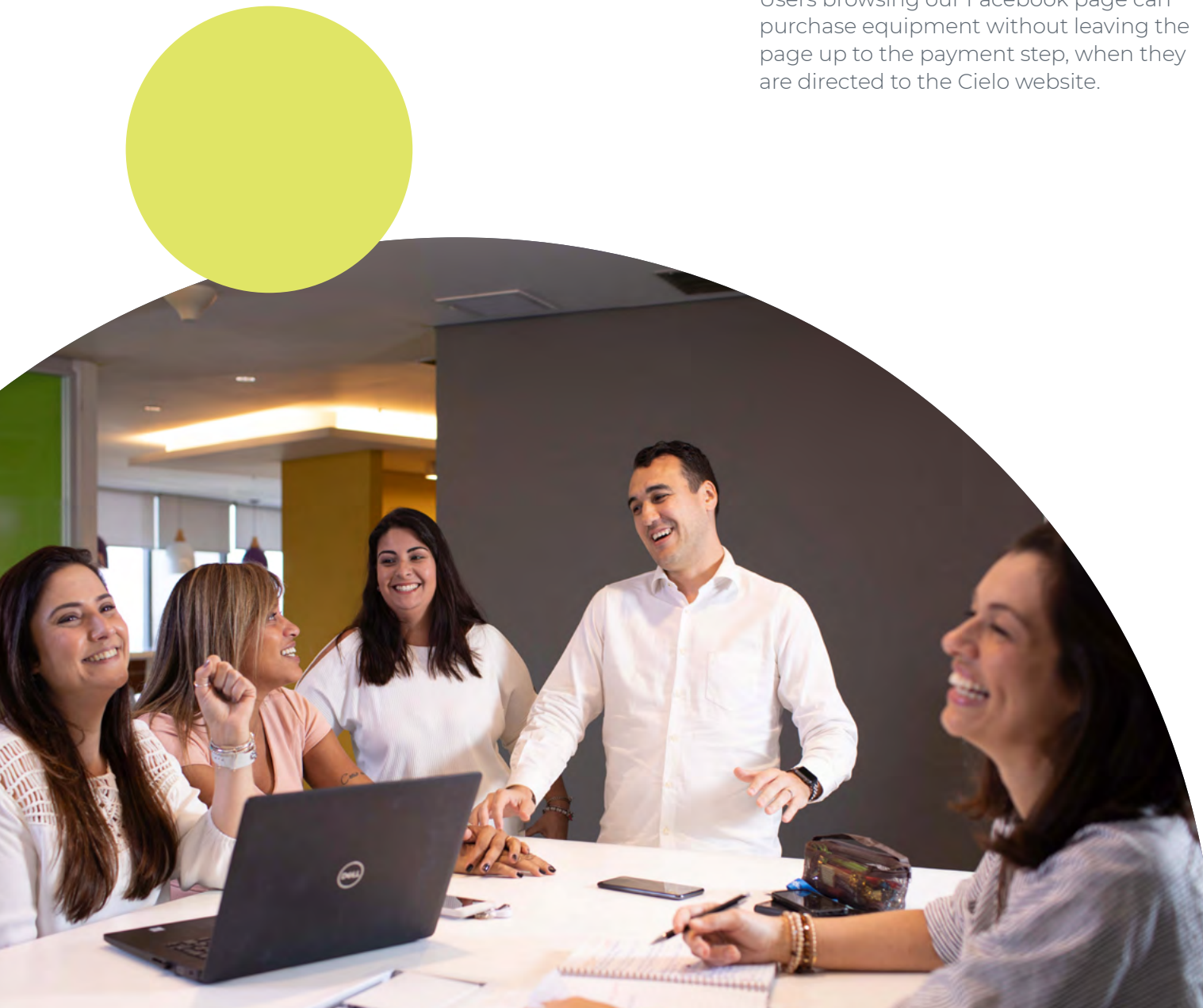
## Blue Wave

More than 500 employees visited 200 districts in São Paulo in the third edition of Blue Wave, a program created to address customers' needs and gain an understanding of issues they encounter in their day-to-day activities. Large Accounts were also visited for the first time. The 2019 edition generated a total of R\$ 176 million in recovered volume and R\$ 44 million in new volume.

## D90

D90 is a project developed by our Customer Forum, a group of more than 60 employees—including 5 vice presidents and 12 directors—that meets on a fortnightly basis to find ways to improve our customer service processes and channels. The project delivered significant results in 2019:

- » 35% reduction in refund cases
- » 16% decline in customer service complaints;
- » 87% reduction in complaint resolution times.



## Service channels

In 2019 we reorganized our service channels at Cielo. Operations were merged together and the number of channels was reduced to improve the customer experience and avoid high transfer rates. Transfers between operations declined by 50% and Net Satisfaction Scores improved by 14 points for our Call Center and 16 for our Help Desk.

### Elô

Cielo's ARU (Automated Response Unit) service has now become more humanized with the introduction of Elô, a virtual agent that automates customer service on social media and via our call centers.

Elô can handle the most common service cases accounting for the bulk of customer service demand, streamlining the customer experience. It has also increased self-service rates on digital channels and standardized the language/interface in virtual interactions.

In addition to providing gains of scale, the virtual agent helps to free up human agents to handle more complex cases. As of December 2019, 60% of service cases at Cielo were handled through electronic channels.

### Customer service channels:

- » Cielo App
- » Authorization Service
- » ARV Desk Consulting
- » Social Media Service
- » WhatsApp Service
- » Support Desk
- » Bank Service Desk
- » Customer Service
- » Franchisees
- » Accreditation Center
- » Call Center
- » Chat
- » faleconosco@cielo
- » Cielo Stores
- » Sales Platform
- » Website
- » ARU (self-service)



## Quality and service availability

Cielo monitors the quality of its services, which involves constant tracking of service, collection and logistics indicators from the standpoint of the client. Cielo has capabilities to support more than 12,000 sales per second, and we continuously monitor our system availability, transaction errors and satisfaction surveys online.

All sales are monitored continuously on a 24/7 basis. This integrated effort monitors each case in real-time, delivering better performance, with shorter response times for each type of demand.

**Black Friday: 100% uptime on this and other key retail dates.**

### Satisfaction surveys

In 2019 we conducted satisfaction surveys with more than 10,800 people who accept credit cards as payment methods. These surveys are conducted in different stages, called waves. In wave three in December, customers said they intended to continue doing business with us, and approximately 78% of our 3,600 customers gave Cielo ratings between 7 and 10 for the quality of the service relationship, our products, services and solutions.



## Cyber security

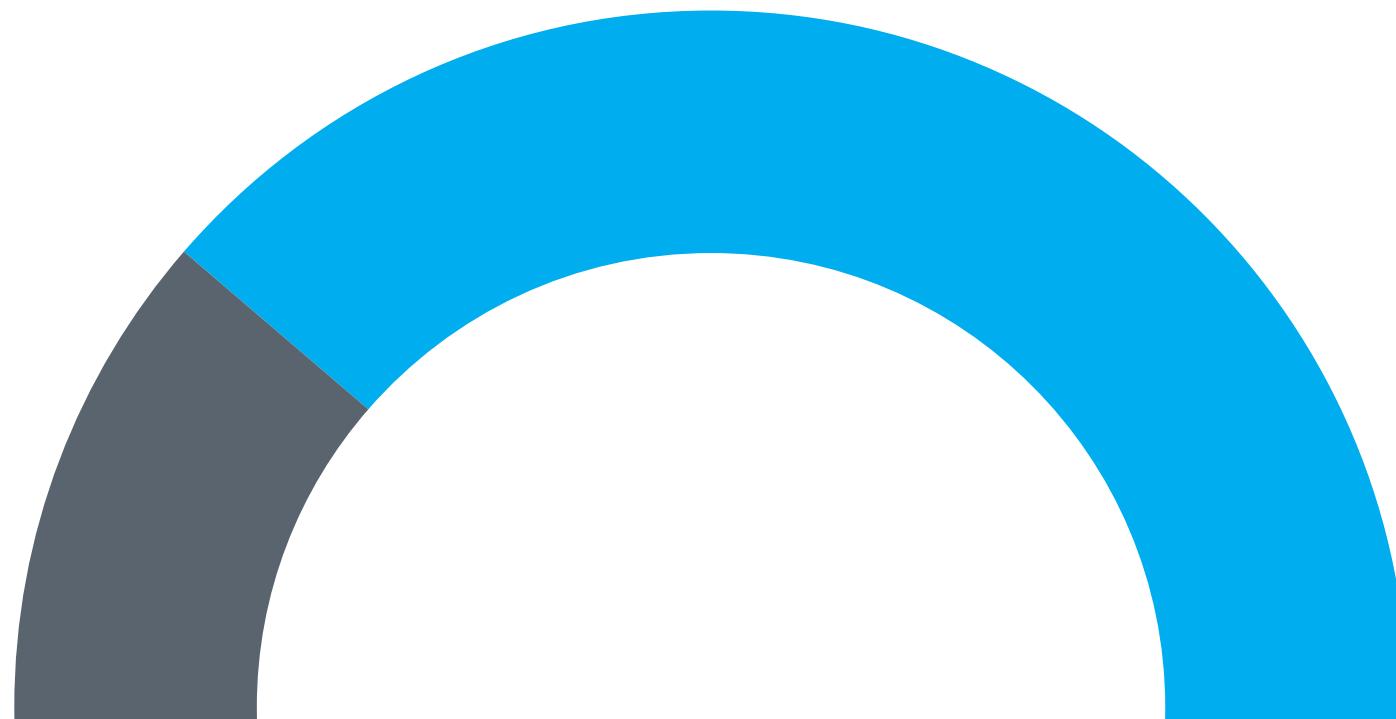
Cielo's Information Security Policy protects the confidentiality, privacy and security of client information. The Policy incorporates rules from our Information Classification Standard, Data Privacy Policy and Code of Ethics. We also have fraud prevention tools covering all of our market segments.

A set of security products provides support in processing face-to-face and online transactions, ensuring minimal losses due to fraud and disputes, enhancing compliance with international best security practices and detecting potential irregularities.

On top of protecting our clients, prevention tools allow us to detect irregular transactions and accounts, shielding Cielo from possible fraud and illegal use of its equipment, while helping combat money-laundering and terrorist financing.

Supplemented by the technical expertise of our teams, these tools ensure that Cielo has the lowest incidence of fraud in Brazil's card market.

Cielo carried out a series of initiatives in 2019 to comply with the General Data Protection Act (LGPD), Federal Act 13709/2018, sanctioned in August 2018.



# Corporate sustainability

By means of our Sustainability Policy, we reaffirm our commitment to sustainable development with guidelines governing social, environmental and governance matters. Applicable to all executives and employees, the Policy addresses ethics in relations, anti-corruption, social responsibility, respect for human rights, value-chain responsibility, fair competition, social investments, voluntary work, efficient management of natural resources and sustainability governance.

Our environmental impacts and issues are assessed periodically by a matrix that

incorporates incidence, probability, severity and scale. In line with ISO 14,001, measures are adopted based on the assessment to mitigate impacts and raise employee awareness.



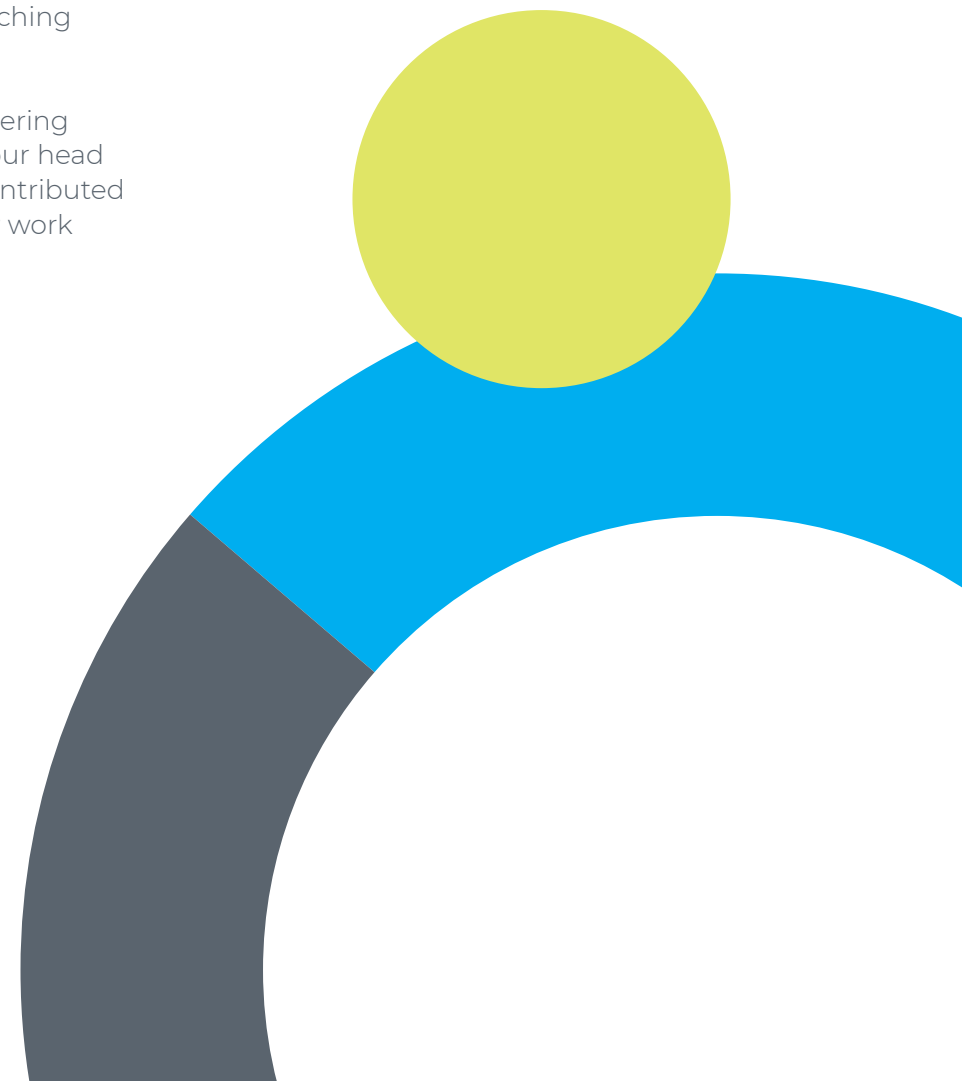
## Environmental management

- » ISO 14.001 Certification
- » “B” rating in our CDP assessment
- » 700% higher investment in environmental impact mitigation compared to 2018
- » Water consumption in 2019 on a level with the previous year
- » Waste materials measured more accurately by weight in the year
- » Target set to purchase 100% of our electricity from renewable sources in 2020
- » Cielo avoided 295.84 metric tons of CO<sub>2</sub> equivalent in 2019 by providing 142,447 services via self-service

## Community relations

- » Cielo supports social programs based on the UN Sustainable Development Goals (SDGs)
- » Over R\$ 3 million was invested in 15 social programs throughout Brazil, reaching more than 13,400 people
- » Our Movement for Good volunteering program engaged up to 14% of our head office employees in 2019, who contributed a total of 1,976 hours of volunteer work

For further information, visit our sustainability website at <https://cielosustentabilidade.com.br/en/>



## Credits

### **Corporate information**

Cielo Head Office: Alameda Xingu, 512 – 21º ao 31º andar, Alphaville – Centro Industrial e Empresarial. CEP: 06455-030 – Barueri (SP) – Brazil. Contact details: [sustentabilidade@cielo.com.br](mailto:sustentabilidade@cielo.com.br)

### **Coordination**

Sustainability & Corporate Responsibility Department

### **Editorial coordination, design, writing and revision**

rpt.sustentabilidade

### **Translation**

LatAm Translations