

**SUMMARY OF THE PERFORMANCE EVALUATION MODEL OF THE GOVERNANCE BODIES ADOPTED  
BY CIELO S.A. AND ANNUAL REPORT ON THE RESULTS OF THE PERFORMANCE EVALUATION OF  
THE BOARD OF DIRECTORS AND ITS MEMBERS  
FISCAL YEAR 2020**

## **1. Introduction**

As of 2020, the performance evaluation of the Board of Directors ("Board of Directors") of Cielo S.A. ("Company" or "Cielo"), its Advisory Committees ("Committees"), as collegiate bodies, and the Governance department is led by an independent external consultancy, guided by the Corporate Governance Committee.

Considering the Company's maturity in corporate governance, its evolution, and previous experience with performance evaluation processes, every four years, a thorough and detailed evaluation ("Comprehensive Performance Evaluation") will be carried out and, annually, intermediate evaluations (pulse checks) ("Intermediate Performance Evaluation") will be carried out to monitor the evolution of shortcomings and, eventually, identify new ones and improvement opportunities.

## **2. Evaluation Process**

### **2.1. Evaluation Scope**

The performance evaluation applied to the Company's governance bodies, in 2020, had the following purpose:

- evaluating the effectiveness of the Board of Directors, its Committees, and the Governance department;
- evaluating the results regarding the practices adopted by national and international companies;
- evaluating the evolution of the results compared to previous evaluations;
- establishing the maturity of the Board of Directors;
- defining action plans to improve the performance of the Board of Directors and its Committees.

### **2.2. Evaluation Methodology and Procedures**

The methodology and procedures adopted in the performance evaluation of the Company's governance bodies by the independent external consultancy, Korn Ferry (BR) Ltda. ("Korn Ferry"), in 2020, are as follows:

- ✓ individual interviews with members of the Board of Directors, Committees, Executive Board and the Governance Officer;
- ✓ online questionnaire answered by internal stakeholders, including the heads of the departments that interact with the governance bodies and/or agents evaluated;
- ✓ evaluation by the external consultancy, through individual interviews with the members of the Board of Directors, Committees, Executive Board, the Governance Officer and heads of the departments that interact with the governance bodies and/or agents evaluated
- ✓ calibration of results brokered by external consultants;



- ✓ preparation of final recommendations with individual feedback for each body, indicating adjustments and/or improvements needed, based on the evaluation results, complemented with international and national references.

### 2.3. Evaluation Dimensions

The evaluation of the Board of Directors' effectiveness included the following dimensions:

- Operations: If the Board of Directors clearly understands its purpose, role and responsibilities, operates under its assignments and observes the limits of their responsibility with shareholders, managers and its Committees;
- Members and Structure: If the Board of Directors has the right skills and behaviors to operate, has a satisfactory diversity and if the structure of its Committees is suitable and effective to support the Board of Directors' demands;
- Contribution: If the Board of Directors has made effective contributions to improve governance and business success
- Group Dynamics: If the board members interact with each other and with managers productively and are focused on making better decisions;
- Processes and Supporting Structure: If the processes allow an effective operation of the Board of Directors and enough support for a good operation.

## 3. Evaluation Results

### 3.1. Main Strengths

**3.1.1. Overall Favorable Evaluation of the Board of Directors:** The self-evaluations carried out by the board members and the evaluations of the other evaluators show that the Board of Directors meets the expectations in all dimensions evaluated, highlighting that:

- no dimension was evaluated as below expectations;
- non-member evaluators have a more positive view of the Board of Directors than the board members themselves;
- low dispersion between scores given to the different items in each dimension, indicating a consistency in the average evaluation;
- strong alignment between evaluators in the scores for each item.

**3.1.2. Operating Committees:** All Committees were evaluated by their members as meeting or above expectations, generally highlighting the dynamics of the Committees, with many evaluating that they exceed expectations in this dimension. The Committees are active, and the Board of Directors trusts their recommendations. They typically have been able to make contributions valued by the board members.

**3.1.3. No Conflicts of Interest:** There is no evidence of any potential conflict of interest on the Board of Directors, with a clear perception that the board members work towards the Company's best interests, that independent board members pay attention to this matter and that the Corporate Governance Committee has procedures to ensure that the guidelines on transactions with related parties preserve the Company's interest.

**3.1.4. Productive Relationship between the Board of Directors and Executives:** There is a relationship of trust between the Board and the Company's executives, largely delegating to managers the responsibility to define guidelines and structure initiatives on relevant matters of the Company's business submitted to the Board's



assessment. Executives value this trust and recognize that the Board of Directors makes many important contributions, which they value.

**3.1.5. Active and Respected Independent Board Members:** Independent board members are recognized for their seniority, experience, engagement and contributions, especially on governance. They are members of many Committees, can state their opinions and are heard in their positions.

**3.1.6. Climate of Trust and Respect in the Board of Directors:** The Board of Directors' dynamics create an environment open to debate and different points of view, minimize conflicts and allow everyone to state their opinions.

**3.1.7. Efficient Governance Department:** The governance department's team is committed and provides ample support to board members, implementing and improving many processes linked to the Board of Directors' good operation and connection with the Company.

## 3.2. Main Points of Attention

**3.2.1. More Engagement Needed in Strategic Guidance:** Given the market context's transformation and the impacts on the Company's results, there is a perception by many board members that the Board of Directors should have a more prominent role on this matter and even lead this discussion, not only due to how critical this is but also as it involves a complex agenda, requiring different contributions with multiple perspectives and further assessment based on assumptions and scenarios.

**3.2.2. Limited Diversity:** The Board of Directors could benefit from having more points of view, external references, experiences, mainly focused on more diversity regarding gender and executive experience (e.g., types of companies, nature of the work and responsibilities, countries, economic segments, business situations, etc.).

**3.2.3. Modest Innovation Agenda:** Despite the Company operating in a segment transformed by technology and having innovation initiatives with high potential strategic impact and substantial investments, the Board of Directors has not been significantly involved in this issue.

**Evaluation Process of the Board of Directors Remains a Work in Progress:** Although the Board of Directors' evaluation has evolved in many aspects (e.g., engagement of executives and Committee members, external consultancy, interview with all evaluators), this process' benefits could have more impact if the action plans drawn up were regularly monitored, if there was a pre-defined annual calendar for the evaluation, among other improvement points identified in the process.

**3.2.4. Not Enough Time during Meetings to Cover the Agenda:** The meetings' agenda usually demands more time than planned, leading to resolutions being postponed or decisions made without covering all perspectives to take into consideration

## 4. Recommendations Prioritized by the Board of Directors and Action Plans

**4.1. More active role in guiding and monitoring the Company's strategy, including specific sessions in the annual calendar to discuss and provide guidance on the strategy and, in the regular agenda of Board of Directors' meetings, include periodically monitoring the implementation and strategic indicators established.**

✓ Action Plan: Addressing this recommendation, the Board of Directors approved, in 2021, the annual agenda to be discussed during the 2021 meetings, prioritizing the strategic work of the Board of Directors and periodically monitoring strategic indicators.

**4.2. Increased diversity in the Board of Directors concerning executive experiences and gender.**



✓ Action Plan: Assessing the profile of each board member and the suitable profile to meet the Company's strategic guidelines, opportunities and challenges, some knowledge gaps were identified. Focused on furthering the dimension and depth of the knowledge and experience required under the responsibilities and purposes of the Company's Board of Directors, those responsible for nominating members to the Board of Directors were advised on the need to nominate members who have the skills mapped, primarily on practical experience in the Information Technology segment and gender diversity.

**4.3. Dedicating more time at Board of Directors' meetings to more relevant topics, reducing minor items that compete with the Board of Directors' attention.**

✓ Action Plan: Addressing this recommendation, the Board of Directors approved, in 2021, the annual agenda to be discussed during the 2021 meetings, prioritizing relevant matters and optimizing the time for discussions.

**4.4. Innovation agenda:**

✓ Action Plan: Addressing this recommendation, the Board of Directors approved, in 2021, the annual agenda to be discussed during the 2021 meetings, prioritizing relevant matters, including innovation, to engage the Board of Directors on the matter.

**4.5. Evolution of the Board of Directors' evaluation process, establishing a pre-defined timetable, regularly monitoring the action plan from the evaluation, among other improvement points identified in the process.**

✓ Action Plan: Addressing this recommendation, the Board of Directors approved, in 2021, the annual agenda to be discussed during the 2021 meetings, including in that agenda the deadline to implement the Board of Directors' annual evaluation and monitor action plans, among other improvement points identified in the process.

**4.6. Presentations to the Board of Directors must be short, objective and focused only on key matters, with details disclosed in advance so that board members can get ready for the meeting.**

Action Plan: Addressing this recommendation, the acculturation of those responsible for preparing the supporting materials used during the Board of Directors' meetings was carried out for the content to have clear and concise information and ensure compliance with the deadline to send the above details to the board members.

Barueri, May 17, 2021.

**Korn Ferry (BR) Consultores Ltda.**