



Liquidity Risk Management Structure Report

Risks, Compliance, Prevention and Security
Vice-Presidency:

2022

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1 Introduction

The purpose of this report is to explain the liquidity risk management structure for Cielo S.A. – Instituição de Pagamento ("Cielo"), as determined in Circular Letter No. 3,681/2013 and Central Bank of Brazil Resolution No. 198/2022, as amended.

2 Liquidity Risk Management Structure

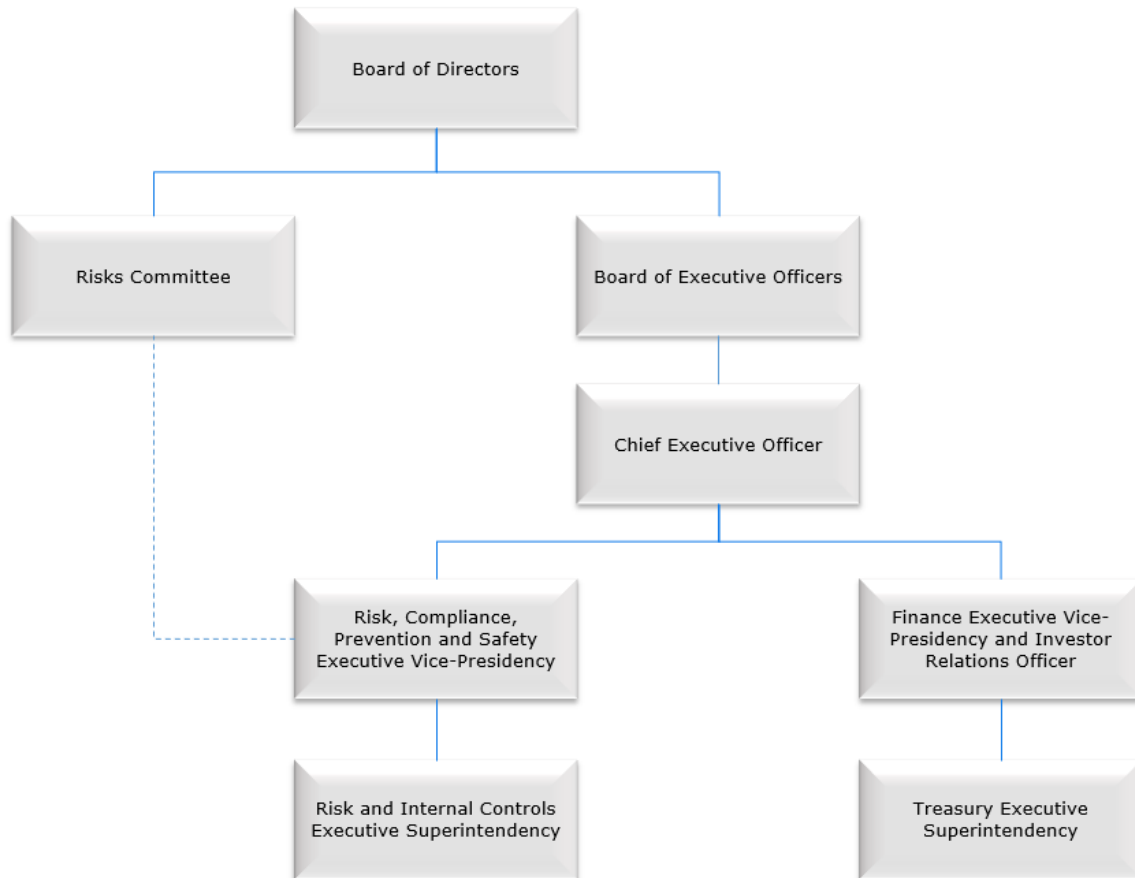
By definition, under Circular Letter No. 3,681/2013 and Central Bank of Brazil Resolution No. 198/2022, Liquidity Risk means the possibility that the payment institution may not be able to efficiently honor its expected and unexpected, current and future obligations without affecting its daily operations and without incurring significant losses or not be able to convert electronic currency into physical or scriptural currency at the time of the user's request.

Cielo's liquidity risk management structure is based on the concept of three (3) lines of responsibility to operationalize its Corporate Risk Management and Internal Controls structure, in order to ensure compliance with the defined guidelines.

- **1st line of responsibility:** It is represented by all managers of the business and support areas, who must ensure effective risk management within the scope of their direct organizational responsibilities, including improving or implementing new controls to mitigate identified risks and timely communication to the appropriate governance of: (i) problems in the operation, (ii) situations of non-compliance with defined standards of conduct, and (iii) violations of the institution's policies or legal and regulatory provisions.
- **2nd line of responsibility:** represented by the Risks, Compliance, Prevention and Security Vice-President, which acts in an advisory and independent manner along with the business and support areas, evaluating and reporting to the President and to the Board of Directors, through Cielo's Risk Committee, on risk management, compliance, business continuity management, crisis management, information security, prevention of money laundering, fraud and the financing of terrorism, as well as the quality of the control environment. The performance of the 2nd line of responsibility is segregated and independent from the activities and management of the business and support areas and Internal Audit.

- 3rd line of responsibility:** represented by Internal Audit and its purpose is to provide independent opinions to the Board of Directors, through the Audit Committee, about the risk management process, the effectiveness of internal controls, and corporate governance.

The Liquidity Risk Management structure consists of the components described in the following organization chart:



Liquidity Risk Management Structure Figure

In March 2021, the Risk Management and Internal Controls department became a superintendency and, now referred to as Risk and Internal Controls Executive Superintendency.

In November 2021, the Risks, Compliance, Prevention and Safety Executive Office became a vice-presidency, renamed Risk, Compliance, Prevention and Safety Executive Vice-Presidency.

3 Duties and Responsibilities

- **Board of Directors:**

- Ensure the segregation and definition of functions, attribution of responsibilities, and delegation of authorities that support the effective administration of liquidity risks;
- Approve liquidity risk management guidelines, strategies and policies;
- Approve the liquidity risk limits and levels established in the Risk Appetite Statement;
- Authorize, when necessary, exceptions to the strategies, guidelines, policies, and liquidity risk levels set forth in the Risk Appetite Statement;
- Deliberate on high impact liquidity risks in the situations defined in the risk resolution governance;
- To promote the dissemination of the risk management culture and the commitment to ethics and integrity at Cielo.

- **Executive Board:**

- Ensure Cielo's adherence to liquidity risk management strategies, guidelines and policies, as well as to the liquidity risk limits and levels established in the Risk Appetite Statement, approved by the Board of Directors;
- Deliberate on liquidity risks with high impact in the situations defined in the risk resolution governance; ensure proper and sufficient resources for the performance of liquidity risk management activities;
- Disseminate and endorse the liquidity risk management culture at Cielo.

- **Risk Committee:**

- Review and issue recommendations on policies related to liquidity risk management applicable to payment institutions, as well as supervise their compliance and advise the Company on identified exceptions;

- Review and issue recommendations, if applicable, of proposals for the declaration of liquidity risk appetite and tolerance and occasional adjustments, as well as strategies for their management, considering the liquidity risk in an individual and integrated manner;
- Monitor the liquidity risk appetite levels set forth in the liquidity risk appetite and tolerance statement and the strategies for their management, considering the risks individually and in an integrated manner, as well as the Executive Board's compliance with such guidelines, if applicable;
- Supervise the performance of the Vice-President to whom the responsibility for Risk Management has been assigned;
- Take cognizance and possible appropriate action, if deemed necessary, of the work performed by the internal and external audits pertinent to liquidity risk management applicable to payment institutions, with the respective results, issuing possible recommendations to the Board of Directors;
- Review and issue recommendations, at least annually, about the stress test program, when applicable, as well as the liquidity contingency plan to the Board of Directors;
- Support the Board of Directors in promoting and improving the risk culture;
- Position and report, every six months – or less frequently whenever deemed convenient – to the Board of Directors the assessment of the results related to the liquidity risk management process, as well as the degree of adherence of the liquidity risk management structure to the applicable regulatory instruments in effect, providing the collegiate body with a comprehensive and integrated view of the risks and their impacts;
- Review and issue a recommendation to the Board of Directors about the assumption of very high and high risks, as well as monitor and communicate to the Board of Directors the compliance with the action plans and/or compensatory controls defined to reduce exposure to liquidity risks;
- Monitor and supervise the liquidity risks classified as low or medium and their respective action plans, issuing possible recommendations, if deemed necessary, and reporting them to the Board of Directors;
- Review and issue a recommendation on the Company's liquidity risk exposure, and forwarding to the Audit Committee its position on the matter;

- **Executive Treasury Superintendency:**

- Manage the Company's cash flow, respecting liquidity levels and limits, in different time horizons, ensuring the existence of sufficient funds to cover its financial obligations and the continuity of business operations;
 - Review, at least annually, or whenever necessary, the Liquidity Contingency Plan, together with the Risk, Compliance, Prevention and Safety Vice-Presidency;
 - Timely communicate the Risks, Compliance, Prevention and Safety Vice-Presidency whenever potential liquidity risks are identified in the development of its activities;
 - Communicate to the Vice-President of Finance and IR, the Vice-President of Risk, Compliance, Prevention and Safety, and the Crisis Management team, situations of Liquidity Alert or Liquidity Crisis;
 - Provide the Risks, Compliance, Prevention and Safety Vice-Presidency with the data and other information necessary for the proper monitoring of the defined indicators;
 - Report, on a daily basis, the status of Cielo's day-to-day cash positions, Cielo's cash projections and indebtedness indicators to the VP Finance and IR;
 - Support the assessment of increasing exposure to liquidity risks arising from the creation, change or discontinuation of products, services and processes;
 - Participate in Liquidity Risk Management meetings to define Minimum Cash and monitor Cielo's Liquidity;
 - Contract financing and funding operations to support the need for working capital, investments, and refinancing existing debt, while respecting the defined responsibility limits.
- **Risk, Compliance, Prevention and Security Vice-Presidency:**
 - Keep this standard updated and in compliance with Circular Letter No. 3,681/2013, Central Bank of Brazil Resolution No. 198/2022 and its amendments, the guidelines of policy 019 Corporate Risk Management and Internal Controls;
 - Keep risk inventory up to date;

- Coordinate Risk Management activities, including liquidity risk, together with the Business and Support areas, independently performing its duties, providing technical support in the definition of criteria, assumptions and methodologies, according to regulatory requirements and good market practices;
- Report, on a daily basis, status of sufficiency of the amount in Minimum Cash, sufficiency of the amount in the Liquidity Reserve, and sufficiency of the amount in Highly Liquid Assets against total net outflows for the next 30 days to the Vice-President of Finance and IR and the Vice-President of Risk, Compliance, Prevention and Safety;
- Review, at least annually, or whenever necessary, the Liquidity Contingency Plan, together with the Treasury Superintendency;
- Test the Liquidity Contingency Procedures every six months, reviewing their feasibility, reasonability of funding potential, relevance and sufficiency in view of the current context and proposed stress scenarios;
- Participate in Liquidity Risk Management meetings to define Minimum Cash and monitor Cielo's Liquidity;
- Monitor and update the indicators defined for liquidity risk and provide them to the Executive Board and the 1st line of responsibility;
- Report any deviations from the limits established in the Liquidity Contingency Plan to the risk management governance bodies.

4 Liquidity Contingency Plan

The Liquidity Contingency Plan is a document jointly prepared by the Treasury Executive Superintendency and the Risks, Compliance, Prevention and Safety Vice-Presidency, approved by the Risk Committee and the Board of Directors and reviewed at least annually or whenever necessary, which presents a set of procedures with the following primary purposes: (i) ensure the non-interruption of Cielo's cash flow and mitigate losses arising from liquidity risks; (ii) define Liquidity Contingency procedures, prioritizing fund sources and use that foster financial efficiency; (iii) restore the level of liquidity desired by Cielo; (iv) establish a clear definition of roles and responsibilities to attain the purposes described in the document; (v) define the financial composition of the Liquidity Reserve, monitoring the minimum level of liquidity reserve on a daily basis to identify trends of deterioration of the Company's liquidity.