



# Liquidity Risk Management Report

Risk, Compliance, Prevention and  
Security Office

MAY 2021

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## 1 Introduction

The objective of this report is to demonstrate the liquidity risk management structure of Cielo S.A. ("Cielo"), as determined in Circular 3.681/2013 of the Central Bank of Brazil, as amended. This report refers to the period between May 2020 and May 2021.

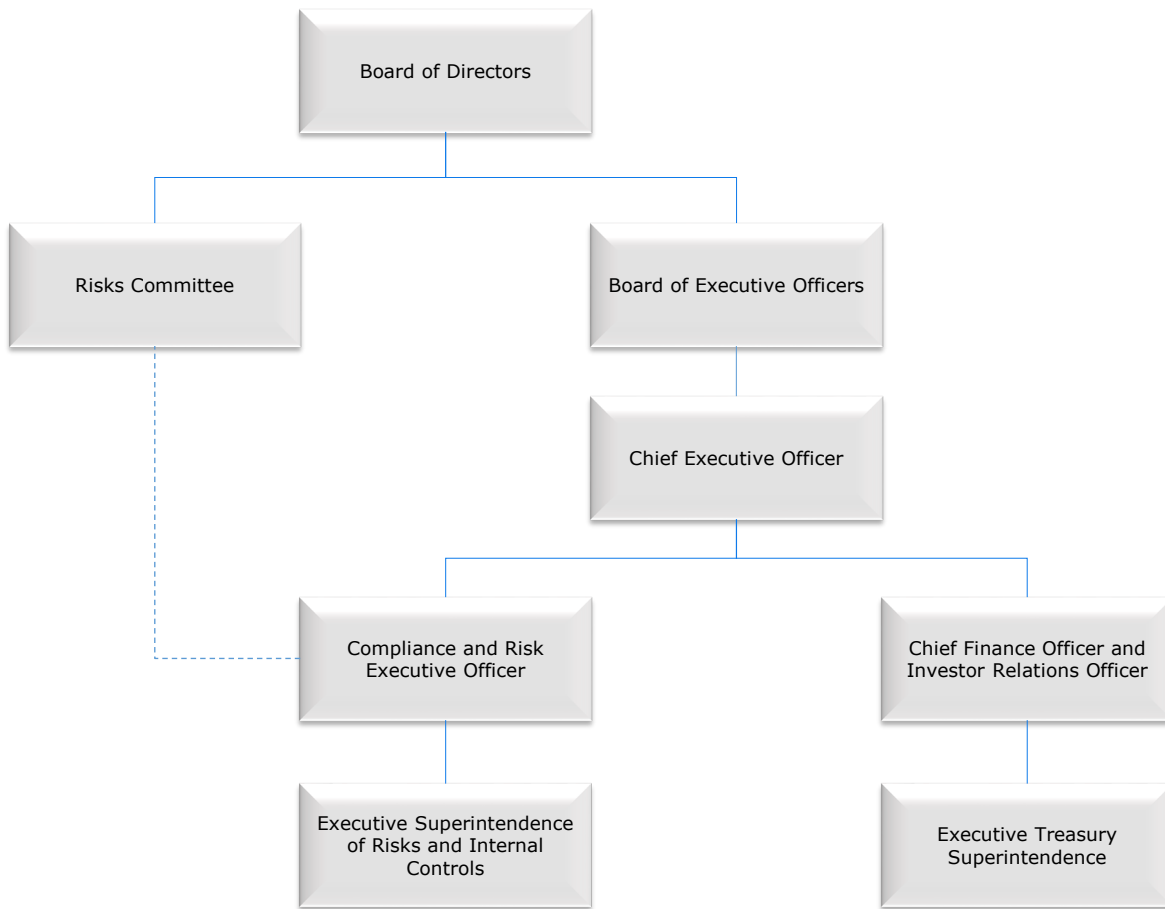
## 2 Liquidity Risk Management Structure

By definition, pursuant to Circular 3.681/2013 of the Central Bank of Brazil, Liquidity Risk refers to the possibility of a company not being able to efficiently comply with its expected and unexpected, current and future obligations without affecting its daily operations and without incurring significant losses, in addition to not being able to convert electronic currency into physical or book-entry currency upon request by the user.

Cielo adopts the three (3) lines of defense concept to operate its integrated corporate risk management structure, thus ensuring compliance with the defined guidelines.

- **1<sup>st</sup> Line of Defense:** Represented by all business areas and support managers, who must ensure the effective risk management within the scope of their direct organizational responsibilities, including the improvement or implementation of new controls to mitigate identified risks.
- **2<sup>nd</sup> Line of Defense:** Represented by the Risk, Compliance and Prevention Security Office, which works on a consulting and independent basis with business and support areas, assessing and reporting the management of risks, compliance, management of business continuity, crises management, information security, money laundering prevention, fraud prevention, and the quality of the control environment to Cielo's Executive Board and Board of Directors, through the Company's Risk Committee. The activities under the 2<sup>nd</sup> Line of Defense are separate and independent from the activities and management of the business and support areas and Internal Audit.
- **3<sup>rd</sup> Line of Defense:** Represented by the Internal Audit, which is responsible for providing independent opinions to the Board of Directors, through the Audit Committee, on the risk management process, the effectiveness of internal controls, and corporate governance.

The Liquidity Risk Management structure is comprised by the components described in the organizational chart below:



Organizational Chart for the Liquidity Risk Management Structure

### 3 Duties and Responsibilities

- **Board of Directors:**

- Ensure the segregation and definition of functions, attributions for responsibilities and delegation of authorities that support the effective liquidity risk management;
- Approve liquidity risk management guidelines, strategies and policies;
- Approve the liquidity risk limits and levels established in the Statement of Risk Appetite;
- Authorize, when necessary, exceptions to the strategies, guidelines, policies and liquidity risk levels defined in the Statement of Risk Appetite;
- Resolve on the assumption of liquidity risk with high or very high impact.

- **Executive Board:**

- Ensure Cielo's compliance with the liquidity risk management strategies, guidelines and policies, as well as the liquidity risk limits and levels established in the Statement of Risk Appetite, approved by the Board of Directors;
  - Resolve on the assumption of liquidity risk with high or very high impact.
  - Ensure that adequate and enough resources are available to carry out liquidity risk management activities.
- **Risks Committee:**
    - Analyze and issue recommendations on the policies relating to liquidity risk management applicable to payment institutions, as well as oversee compliance and guide the Company on the exceptions identified;
    - Analyze and make recommendations, as applicable, on proposals and adjustments for the statement of risk appetite and tolerance, as well as their management strategies, considering risk on an individual and integrated basis;
    - Monitor the liquidity risk appetite levels set out in the statement of risk appetite and tolerance and their management strategies, considering the risks on an individual and integrated basis, as well as the Executive Board's compliance with these guidelines, as applicable;
    - Oversee the work and performance of the Executive Officer(s) responsible for the Risk Management;
    - Gain awareness and take any appropriate action, if deemed necessary, on the works carried out by the internal and external audits regarding the liquidity risk management applicable to payment institutions with the respective results, issuing possible recommendations to the Board of Directors;
    - Analyze and issue recommendations, at least once a year, on the stress test program, as applicable, as well as the liquidity contingency plan to the Board of Directors;
    - Position and report to the Board of Directors, every six months - or sooner if deemed convenient - the evaluation of results related to the liquidity risk management process, as well as the level of compliance of the liquidity risk management structure with the applicable current regulations, providing to the collegiate body a broad and integrated overview of the risks and their impacts;

- Analyze and issue a recommendation to the Board of Directors on assuming high and very high liquidity risks, as well as monitor and notify the Board of Directors on the compliance with defined action plans and/or compensatory controls set to reduce exposure to liquidity risk;
  - Monitor and supervise risks classified as low or medium and their respective action plans, issuing recommendations, if necessary, and reporting them to the Board of Directors;
  - Analyze and issue a recommendation on the Company's exposure to liquidity risk, forwarding its position on the matter to the Audit Committee.
- **Treasury Superintendence:**
    - Manage the Company's cash flow, respecting liquidity levels and limits, in different periods, ensuring that enough resources are available to cover its financial obligations and for the continuity of its business operations;
    - Revise, at least once a year, or sooner if necessary, the Liquidity Contingency Plan, jointly with the Risks, Compliance, Prevention and Security Office;
    - Communicate, in a timely manner, to the Risk, Compliance, Prevention and Security Office whenever potential liquidity risks are identified within the course of its activities;
    - Communicate the Finance Vice President and Investor Relations Officer, the Risk, Compliance, Prevention and Security Office, and the Crisis Management team on situations that trigger Liquidity Alert or Liquidity Crisis;
    - Provide the Risk, Compliance, Prevention and Security Office data and other information required to carry out the proper monitoring of the defined indicators;
    - Report, on a daily basis, Cielo's cash positions, cash forecasts and debt indicators to the Finance Vice President and Investor Relations Officer;
    - Provide support on the assessment of increased exposure to liquidity risk arising from the creation, alteration or discontinuity of products, services and processes;
    - Participate in Liquidity Risk Management meetings to define the Minimum Liquidity Reserve and monitor Cielo's Liquidity;
    - Hire financing and fund raising operations with the objective of supporting working capital needs, investments and refinancing of existing loans, within the defined approval limits.

- **Risk, Compliance, Prevention and Security Office:**
  - Maintain this standard updated and in compliance with Circular 3.681/2013, as amended, of the Central Bank of Brazil, pursuant to the guidelines of PLT 019 Management of Corporate Risks and Internal Controls;
  - Maintain the risk inventory updated;
  - Coordinate the Risk Management activities, including the liquidity risk, jointly with business and support areas, acting independently in the performance of their duties, providing technical support for defining criteria, assumptions and methodologies, in accordance with regulatory requirements and good market practices;
  - Report to the Finance Vice President and Investor Relations Officer and to the Risks, Compliance, Prevention and Security Office, on a daily basis, that enough amounts are available in the Minimum Liquidity Reserve, the Available Liquidity and the High Liquidity Assets against the total net outflows for the coming 30 days.
  - Review, at least once a year, or sooner if necessary, the Liquidity Contingency Plan, jointly with the Treasury Superintendence;
  - Test the Liquidity Contingency Procedures on a quarterly basis, evaluating their feasibility, reasonableness of funding potential, relevance and sufficiency against the current context and proposed stress scenarios;
  - Participate in Liquidity Risk Management meetings to define the Minimum Liquidity Reserve and monitor Cielo's Liquidity;
  - Monitor and update the indicators defined for liquidity risk, making them available to the Executive Board and the 1st Line of Defense;
  - 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 prepared jointly with the Treasury Superintendence and the Risk, Compliance, Prevention and Security Office, approved by the Risk Committee and Board of Directors and revised at least once a year, or sooner if necessary, which lists a set of procedures whose main objectives are to: i) Ensure Cielo's uninterrupted cash flow and mitigate losses arising from liquidity risk; ii) Define Liquidity Contingency procedures, prioritizing sources and uses of resources that focus on financial efficiency; iii) Restore Cielo's desired liquidity level; iv) Establish a clear division of roles and responsibilities for the objectives described in the document; v) Define the financial composition of the Liquidity Reserve.