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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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**FORM 20-F**

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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 2020

Commission File Number 1-38353

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**PAGSEGURO DIGITAL LTD.**

(Exact name of registrant as specified in its charter)

**The Cayman Islands**

(Jurisdiction of incorporation or organization)

Av. Brigadeiro Faria Lima, 1384, 4º andar, parte A  
São Paulo, SP, 01451-001, Brazil  
(Address of principal executive offices)

Artur Schunck

+55-11-3038 8123 – aschunck@pagseguro.com  
Av. Brigadeiro Faria Lima, 1384, 4º andar, parte A  
São Paulo, SP, 01451-001, Brazil  
(Name, telephone, e-mail and/or facsimile  
number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

**Title of each class:**

Class A common shares, par value US\$0.000025

**Trading Symbol(s):**

PAGS

**Name of each exchange on which registered:**

New York Stock Exchange

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Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

As of December 31, 2020, there were 201,461,511 Class A common shares (including treasury shares), par value of US\$0.000025 per share, and 127,554,861 Class B common shares, par value of US\$0.000025 per share, outstanding.

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer  Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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## FORWARD-LOOKING STATEMENTS

This annual report contains information that constitutes forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. In addition, from time to time we or our representatives have made or may make forward-looking statements orally or in writing. Furthermore, such forward-looking statements may be included in various filings that we make with the SEC or press releases or oral statements made by or with the approval of one of our authorized executive officers. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements.

This annual report includes estimates and forward-looking statements, principally under the captions "Item 3. Key Information—Risk Factors," "Item 4. Information on the Company," and "Item 5. Operating and Financial Review and Prospects."

These estimates and forward-looking statements are based mainly on our current expectations and estimates of future events and trends that affect or may affect our business, financial condition, results of operations, cash flow, liquidity, prospects and the trading price of our Class A common shares. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us.

These statements appear throughout this annual report and include statements regarding our intent, belief or current expectations in connection with:

- the inherent risks related to the digital payments market, such as the interruption or failure of our computer or information technology systems;
- our ability to innovate and respond to technological advances and changing customer demands;
- the maintenance of tax incentives;
- our ability to attract and retain qualified personnel;
- general economic, political and business conditions in Brazil, particularly in the geographic markets we serve as well as any other countries we may serve in the future and their impact on our business, notably with respect to inflation;
- labor disputes, employee strikes and other labor-related disruptions, including in connection with negotiations with unions;
- management's expectations and estimates concerning our future financial performance and financing plans and programs;
- our interest rates and our level of debt and other fixed obligations;
- inflation, appreciation, depreciation and devaluation of the *real*;
- expenses, ability to generate cash flow, and ability to achieve, and maintain, future profitability;
- our ability to anticipate market needs and develop and introduce new and enhanced products and service functionality to adapt to changes in our industry;
- our anticipated growth and growth strategies and our ability to effectively manage that growth;
- the impact of increased competition in our market, innovation by our competitors, and our ability to compete effectively;
- our ability to successfully enter new markets and manage our expansion;
- our ability to further penetrate our existing client base to grow our ecosystem;
- our expectations concerning relationships with third parties and key suppliers;
- our ability to maintain, protect and enhance our brand and intellectual property;
- the sufficiency of our cash and cash equivalents and cash generated from operations to meet our working capital and capital expenditure requirements;
- our compliance with applicable regulatory and legislative developments and regulations and legislation that currently apply or become applicable to our business;

- the economic, financial, political and social effects of the novel coronavirus ("COVID-19") pandemic, including new or variant strains, or other pandemics, epidemics and similar crises, particularly in Brazil, and the extent to which they continue to cause serious negative macroeconomic effects, thus enhancing the risks described under "Item 3. Key Information—D. Risk Factors;”
- developments and the perception of risks in connection with ongoing corruption and other investigations and increasing fractious relations and infighting within the administration of President Bolsonaro, as well as policies and potential changes to address these matters or otherwise, including economic and fiscal reforms and in response to the ongoing effects of the COVID-19 pandemic, any of which may negatively affect growth prospects in the Brazilian economy as a whole;
- our ability to timely and efficiently implement any necessary measures in response to, or to mitigate the impacts of, the COVID-19 pandemic on our business, operations, cash flows, prospects, liquidity and financial condition;
- our ability to predict and efficiently react to the temporary or long-term term changes in our customers’ behavior as a result of the COVID-19 pandemic, even once the outbreak is sufficiently controlled;
- other factors that may affect our financial condition, liquidity and results of operations; and
- other risk factors discussed under "Item 3. Key Information—Risk Factors.”

The words "believe," "understand," "may," "will," "aim," "estimate," "continue," "anticipate," "seek," "intend," "expect," "should," "could," "forecast" and similar words are intended to identify forward-looking statements. You should not place undue reliance on such statements, which speak only as of the date they were made. We do not undertake any obligation to update publicly or to revise any forward-looking statements after we file this annual report because of new information, future events or other factors. Our independent public auditors have neither examined nor compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. In light of the risks and uncertainties described above, the future events and circumstances discussed in this annual report might not occur and are not guarantees of future performance. Because of these uncertainties, you should not make any investment decision based upon these estimates and forward-looking statements.

#### CERTAIN TERMS AND CONVENTIONS

A glossary of industry and other defined terms is included in this annual report, beginning on page 145.

#### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The following references in this annual report have the meanings shown below:

- "PagSeguro Digital" or the "Company" mean PagSeguro Digital Ltd. PagSeguro Digital Ltd. is an exempted company with limited liability incorporated under the laws of the Cayman Islands.
- "PagSeguro Brazil" means PagSeguro Internet S.A., our operating company, a *sociedade anônima* incorporated in Brazil. PagSeguro Internet S.A. is substantially wholly-owned by PagSeguro Digital Ltd.
- "We," "us" and "our" mean PagSeguro Digital, PagSeguro Brazil and PagSeguro Brazil’s subsidiaries on a consolidated basis.
- "PagSeguro" means our digital payments business, which is operated by PagSeguro Brazil.
- "UOL" means Universo Online S.A., the controlling shareholder, of PagSeguro Digital. For more information regarding UOL, see "Item 7. Major Shareholders and Related Party Transactions.”
- "Brazilian government" means the federal government of Brazil.
- All references to the "Companies Act" are to the Cayman Islands’ Companies Act (2021 Revision) as the same may be amended from time to time, unless the context otherwise requires.
- All references to the "Memorandum of Association" "Articles of Association" and "Memorandum and Articles of Association" of the Company are references to the current amended and restated memorandum and articles of association of the Company, as the same may be amended in accordance with the Companies Act from time to time.

The term "Brazil" refers to the Federative Republic of Brazil. "Central Bank" refers to Banco Central do Brasil. References in this annual report to "real," "reais" or "R\$" refer to the Brazilian real, the official currency of Brazil and references to "U.S. dollar," "U.S. dollars" or "US\$" refer to U.S. dollars, the official currency of the United States.

This annual report contains various illustrations of our products and services. For convenience, we have translated the text in those illustrations into English. The actual products and services are generally presented to our customers in Portuguese only.

#### **Effect of Rounding**

Certain amounts and percentages included in this annual report, including in the section of this annual report entitled "Item 5. Operating and Financial Review and Prospects" have been rounded for ease of presentation. Percentage figures included in this annual report have not been calculated in all cases on the basis of the rounded figures but on the basis of the original amounts prior to rounding. For this reason, certain percentage amounts in this annual report may vary from those obtained by performing the same calculations using the figures in our audited consolidated financial statements. Certain other amounts that appear in this annual report may not sum due to rounding.

#### **Market and Industry Data**

This annual report contains data related to economic conditions in the market in which we operate. The information contained in this annual report concerning economic conditions is based on publicly available information from third-party sources that we believe to be reasonable. Data and statistics regarding the Brazilian internet, payment solutions and e-commerce markets are based on publicly available data published by the Brazilian Association of Credit Card and Services Companies (*Associação Brasileira de Empresas de Cartões de Crédito e Serviços*, or ABECS); comScore, a cross-platform measurement company that measures audiences, brands and consumer behavior, and provides market and analytical data to clients; the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*, or IBGE); the World Bank; SEBRAE; and eMarketer; among others. We also make statements in this annual report about our competitive position and the size of the Brazilian digital payments and e-commerce markets.

Although we have no reason to believe any of this information or these reports are inaccurate in any material respect and believe and act as if they are reliable, neither we nor our agents have independently verified it. Governmental publications and other market sources, including those referred to above, generally state that their information was obtained from recognized and reliable sources, but the accuracy and completeness of that information is not guaranteed. In addition, the data that we compile internally and our estimates have not been verified by an independent source. Except as disclosed in this annual report, none of the publications, reports or other published industry sources referred to in this annual report were commissioned by us or prepared at our request. Except as disclosed in this annual report, we have not sought or obtained the consent of any of these sources to include such market data in this annual report.

#### **Data Protection – Privacy Notice**

##### *Scope*

The legal basis for this notification is to meet the standards required in respect of, and ensure compliance with, the requirements of the Cayman Islands' Data Protection Act, 2017, or the DPA, which came into effect in the Cayman Islands on September 30, 2019. This privacy notice puts investors in our Class A common shares on notice that through your investment in our Class A common shares, you will provide us with certain personal information which constitutes personal data within the meaning of the DPA ("personal data"). We collect, use, disclose, retain and secure personal data to the extent reasonably required only and within the parameters that could be reasonably expected during the normal course of business. We will only process, disclose, transfer or retain personal data to the extent legitimately required to conduct our activities on an ongoing basis or to comply with legal and regulatory obligations to which we are subject. We will only transfer personal data in accordance with the requirements of the DPA, and will apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of the personal data and against the accidental loss, destruction or damage to the personal data. In our use of this personal data, we will be characterized as a "data controller" for the purposes of the DPA, while our affiliates and service providers who may receive this personal data from us in the conduct of our activities may either act as our "data processors" for the purposes of the DPA or may process personal information for their own lawful purposes in connection with services provided to us.

If you are a natural person, this will affect you directly. If you are a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides us with personal data on individuals connected to you for any reason in relation to your investment in our Class A common shares, this will be relevant for those individuals and you should inform such individuals of the content.

***What rights do individuals have in respect of personal data***

Under the DPA, individuals must be informed of the purposes for which their personal data is processed and this privacy notice fulfills our obligation in this respect.

Individuals have rights under the DPA in certain circumstances. These may include the right to request access to their personal data, the right to request rectification or correction of personal data, processing of personal data be stopped or restricted and the right to require that the Company cease processing personal data for direct marketing purposes. If you consider that your personal data has not been handled correctly, or you are not satisfied with our responses to any requests you have made regarding the use of your personal data, you have the right to complain to the Cayman Islands' Ombudsman. The Ombudsman can be contacted by calling: +1-345-946-6283 or by email at [info@ombudsman.ky](mailto:info@ombudsman.ky).

***Contacting PagSeguro Digital***

For further information on the collection, use, disclosure, transfer or processing of your personal data or the exercise of any of the rights listed above, please contact our investor relations office at +55 (11) 3038-8283.

**Certain Anti-Money Laundering Matters**

In order to comply with legislation or regulations aimed at the prevention of money laundering, the Company may be required to adopt and maintain anti-money laundering procedures, and may require subscribers to provide evidence to verify their identity. Where permitted, and subject to certain conditions, the Company may also delegate the maintenance of our anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

The Company reserves the right to request such information as is necessary to verify the identity of a subscriber. In the event of delay or failure on the part of the subscriber in producing any information required for verification purposes, we may refuse to accept the application, in which case any funds received will be returned without interest to the account from which they were originally debited.

The Company also reserves the right to refuse to make any redemption payment to a shareholder if directors or officers suspect or are advised that the payment of redemption proceeds to such shareholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure compliance with any such laws or regulations in any applicable jurisdiction.

If any person resident in the Cayman Islands knows or suspects or has reason for knowing or suspecting that another person is engaged in criminal conduct or is involved with terrorism or terrorist property and the information for that knowledge or suspicion came to their attention in the course of their business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) a nominated officer (appointed in accordance with the Proceeds of Crime Act (As Revised) of the Cayman Islands) or the Financial Reporting Authority of the Cayman Islands, pursuant to the Proceeds of Crime Act (As Revised), if the disclosure relates to criminal conduct or money laundering or (ii) to a police constable or a nominated officer (pursuant to the Terrorism Act (As Revised) of the Cayman Islands) or the Financial Reporting Authority of the Cayman Islands, pursuant to the Terrorism Act (As Revised), if the disclosure relates to involvement with terrorism or terrorist financing and terrorist property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

**Economic Substance**

The Cayman Islands has recently enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision), or the Cayman Economic Substance Act. The Company is required to comply with the Cayman Economic Substance Act. As the Company is a Cayman Islands company, compliance obligations include filing annual notifications for the Company, which need to state whether the Company is carrying out any relevant activities and if so, whether the Company has satisfied economic substance tests to the extent required under the Cayman Economic Substance Act. As it is a new regime, it is anticipated that the Cayman Economic Substance Act will evolve and be subject to further clarification and amendments. The Company may need to allocate additional resources to keep updated with these developments, and may have to make changes to its operations in order to comply with all requirements under the Cayman Economic Substance Act. Failure to satisfy these requirements may subject the Company to penalties under the Cayman Economic Substance Act.

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

**Selected Financial and Operating Data**

PagSeguro Digital Ltd., our Cayman Islands exempted company, was incorporated on July 19, 2017 for an indefinite term. Prior to the contribution of PagSeguro Internet S.A. to it on January 4, 2018, PagSeguro Digital Ltd. had not commenced operations and had only nominal assets and liabilities.

Following our IPO on January 26, 2018, PagSeguro Digital began reporting consolidated financial information to shareholders. The historical operations of PagSeguro Brazil are deemed to be those of PagSeguro Digital.

The following tables summarize financial data for PagSeguro Digital at and for each of the years ended December 31, 2020, 2019, 2018, 2017 and 2016. The financial data as of December 31, 2020 and 2019 and for the three years ended December 31, 2020 are derived from our audited consolidated financial statements, included elsewhere in this annual report. The financial data as of December 31, 2017 and 2016 and for the two years ended December 31, 2017 are derived from our audited consolidated financial statements, not included elsewhere in this annual report. The selected consolidated financial data as of and for the years ended December 31, 2020, 2018, 2017 and 2016 are derived from our year-end financial statements audited by PricewaterhouseCoopers Auditores Independentes, with offices at Av. Francisco Matarazzo 1400, Torre Torino, São Paulo, SP, Brazil 05001-903, Caixa Postal 60054. The selected consolidated financial data as of and for the year ended December 31, 2019 are derived from our year-end financial statements audited by Ernst & Young Auditores Independentes, with offices at São Paulo Corporate Towers, Avenida Presidente Juscelino Kubitschek, 1909, Torre Norte, São Paulo, SP, Brazil 04543-011. These audited consolidated financial statements were prepared in accordance with IFRS, as issued by the IASB. PagSeguro Digital maintains its books and records in *reais*.

You should read this information in conjunction with the following other information included elsewhere in this annual report:

- our audited consolidated financial statements and related notes; and
- the information under "Item 5. Operating and Financial Review and Prospects."



The following tables present our selected financial and operating data as of and for each of the periods indicated.

#### STATEMENT OF OPERATIONS DATA

	For the Years Ended December 31,					
	2020	2020	2019	2018	2017	2016
	(US\$) <sup>(1)</sup>	(R\$)	(R\$)	(R\$)	(R\$)	(R\$)
	(in millions, except amounts per share and %)					
Revenue from transaction activities and other services	867.6	4,508.7	3,376.1	2,267.1	1,224.3	480.0
Revenue from sales	—	—	174.2	374.6	471.9	260.6
Financial income	419.0	2,177.4	2,030.5	1,414.5	818.6	392.4
Other financial income	24.7	128.6	126.4	278.5	8.6	5.3
<b>Total revenue and income</b>	<b>1,311.3</b>	<b>6,814.7</b>	<b>5,707.2</b>	<b>4,334.7</b>	<b>2,523.4</b>	<b>1,138.4</b>
Cost of sales and services	(725.9)	(3,772.3)	(2,762.1)	(2,144.7)	(1,324.4)	(623.7)
Selling expenses	(118.8)	(617.5)	(565.2)	(351.4)	(245.8)	(199.9)
Administrative expenses	(108.5)	(563.9)	(427.4)	(581.7)	(153.2)	(84.5)
Financial expenses	(21.0)	(109.2)	(38.1)	(31.2)	(104.5)	(68.3)
Other income (expenses), net	4.4	22.9	(1.9)	(8.1)	(12.0)	(6.7)
<b>Operating profit before Income Taxes</b>	<b>341.5</b>	<b>1,774.7</b>	<b>1,912.5</b>	<b>1,217.6</b>	<b>683.5</b>	<b>155.4</b>
Current income tax and social contribution	(12.1)	(62.8)	(24.5)	(180.9)	(215.0)	(7.4)
Deferred income tax and social contribution	(80.7)	(419.6)	(521.0)	(126.3)	10.3	(20.1)
<b>Income Tax and Social Contribution</b>	<b>(92.8)</b>	<b>(482.4)</b>	<b>(545.5)</b>	<b>(307.2)</b>	<b>(204.7)</b>	<b>(27.6)</b>
<b>Net Income for the Year</b>	<b>248.7</b>	<b>1,292.3</b>	<b>1,367.0</b>	<b>910.4</b>	<b>478.8</b>	<b>127.8</b>
Attributable to:						
Equity holders of the parent	248.6	1,291.7	1,365.6	909.3	478.8	127.2
Non-controlling interests	0.1	0.6	1.4	1.1	—	0.6
<b>Basic earnings per share attributable to equity holders of the parent – R\$</b>	<b>0.7548</b>	<b>3.9225</b>	<b>4.1613</b>	<b>2.8625</b>	<b>1.8254</b>	<b>0.4849</b>
<b>Diluted earnings per share attributable to equity holders of the parent – R\$</b>	<b>0.7536</b>	<b>3.9163</b>	<b>4.1475</b>	<b>2.8582</b>	<b>1.8254</b>	<b>0.4849</b>

(1) For convenience purposes only, amounts in *reais* for the year ended December 31, 2020 have been translated to U.S. dollars using a rate of R\$5.1967 to US\$1.00, the commercial selling rate for U.S. dollars at December 31, 2020 as reported by the Central Bank. These translations should not be construed as representations that the U.S. dollar amounts have been, could have been or could be converted into *reais* at that or at any other exchange rate. The real/U.S. dollar exchange rate fluctuates widely, and the selling rate as of December 31, 2020 may not be indicative of current or future exchange rates.

#### OPERATING DATA

	At and For the Years Ended December 31,					
	2020 <sup>(1)</sup>	2020	2019	2018	2017	2016
<b>Operating Statistics:</b>						
Active merchants at year-end (in millions)	N/A	7.0	5.3	4.1	2.8	1.4
TPV (in billions)	R\$31.1	R\$161.5	R\$114.8	R\$76.1	R\$38.5	R\$14.1
PagBank active users (in millions)	N/A	7.9	2.7	—	—	—

(1) For convenience purposes only, amounts in *reais* for the year ended December 31, 2020 have been translated to U.S. dollars using a rate of R\$5.1967 to US\$1.00, the commercial selling rate for U.S. dollars at December 31, 2020 as reported by the Central Bank. These translations should not be construed as representations that the U.S. dollar amounts have been, could have been or could be converted into *reais* at that or at any other exchange rate. The real/U.S. dollar exchange rate fluctuates widely, and the selling rate as of December 31, 2020 may not be indicative of current or future exchange rates.

**BALANCE SHEET DATA**

The following table presents the line items from PagSeguro Digital's consolidated balance sheet data:

	At December 31,					
	2020	2020	2019	2018	2017	2016
	(US\$) <sup>(1)</sup>	(R\$)	(R\$)	(R\$)	(R\$)	(R\$)
	(in millions)					
<b>Current Assets</b>						
Cash and cash equivalents	315.6	1,640.1	1,403.9	2,763.1	66.8	80.0
Financial investments	188.5	979.8	1,349.7	—	210.1	131.2
Accounts receivable	3,087.2	16,043.0	10,477.2	8,104.7	3,522.3	1,715.5
Receivables from related parties	—	—	—	—	124.7	300.8
Inventories	5.8	30.4	61.9	88.6	61.6	21.0
Taxes recoverable	74.9	389.0	171.6	65.7	14.4	17.7
Other receivables	31.7	164.8	84.1	20.1	28.0	4.5
<b>Total Current Assets</b>	<b>3,703.7</b>	<b>19,247.1</b>	<b>13,548.4</b>	<b>11,042.1</b>	<b>4,028.0</b>	<b>2,270.8</b>
<b>Non-Current Assets</b>						
Judicial deposits	1.4	7.4	5.7	1.5	0.9	0.5
Accounts receivable	6.5	33.6	29.9	—	—	—
Prepaid expenses	2.0	10.3	7.2	1.0	0.1	0.1
Investment	3.2	16.4	1.5	—	—	—
Deferred income tax and social contribution	16.0	83.3	—	—	37.0	8.3
Property and equipment	346.9	1,802.6	400.0	67.1	10.9	4.6
Intangible assets	216.2	1,123.6	589.6	305.6	158.9	86.1
<b>Total Non-Current Assets</b>	<b>592.2</b>	<b>3,077.2</b>	<b>1,033.9</b>	<b>375.2</b>	<b>207.8</b>	<b>99.7</b>
<b>TOTAL ASSETS</b>	<b>4,295.9</b>	<b>22,324.3</b>	<b>14,582.3</b>	<b>11,417.3</b>	<b>4,235.8</b>	<b>2,370.4</b>

	At December 31,					
	2020	2020	2019	2018	2017	2016
	(US\$) <sup>(1)</sup>	(R\$)	(R\$)	(R\$)	(R\$)	(R\$)
	(in millions)					
<b>Current Liabilities</b>						
Payables to third parties	1,943.8	10,101.5	5,326.3	4,324.2	3,080.6	1,304.0
Trade payables	64.6	335.5	256.3	165.2	92.4	61.7
Payables to related parties	11.2	58.3	22.2	30.8	39.1	76.2
Derivative financial instruments	—	—	—	—	—	6.6
Deposits	110.1	572.0	—	—	—	—
Borrowings	—	—	—	—	—	205.2
Salaries and social security charges	33.7	175.2	106.8	73.9	34.3	20.3
Taxes and contributions	5.0	26.0	124.0	80.1	52.1	6.9
Provision for contingencies	3.3	17.1	11.9	7.0	4.6	0.7
Deferred revenue	35.8	186.2	—	—	—	—
Dividends payable and interest on own capital	—	—	—	—	—	22.2
Other liabilities	19.7	102.6	45.6	29.5	15.9	15.2
<b>Total Current Liabilities</b>	<b>2,227.3</b>	<b>11,574.5</b>	<b>5,893.1</b>	<b>4,710.8</b>	<b>3,319.0</b>	<b>1,719.2</b>
<b>Non-Current Liabilities</b>						
Deferred income tax and social contribution	217.9	1,132.6	630.9	132.1	42.8	24.4
Deposits	37.3	194.1	—	—	—	—
Provision for contingencies	2.3	11.7	—	—	3.6	—
Deferred revenue	5.3	27.3	—	—	—	—
Other liabilities	10.9	56.6	43.3	—	—	—
<b>Total Non-Current Liabilities</b>	<b>273.7</b>	<b>1,422.4</b>	<b>674.2</b>	<b>132.1</b>	<b>46.4</b>	<b>24.4</b>
<b>TOTAL LIABILITIES</b>	<b>2,501.0</b>	<b>12,996.9</b>	<b>6,567.3</b>	<b>4,842.9</b>	<b>3,365.4</b>	<b>1,743.5</b>
<b>TOTAL EQUITY</b>	<b>1,794.9</b>	<b>9,327.5</b>	<b>8,015.0</b>	<b>6,574.4</b>	<b>870.4</b>	<b>626.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,295.9</b>	<b>22,324.3</b>	<b>14,582.3</b>	<b>11,417.3</b>	<b>4,235.8</b>	<b>2,370.4</b>

(1) For convenience purposes only, amounts in *reais* for the year ended December 31, 2020 have been translated to U.S. dollars using a rate of R\$5.1967 to US\$1.00, the commercial selling rate for U.S. dollars at December 31, 2020 as reported by the Central Bank. These translations should not be construed as representations that the U.S. dollar amounts have been, could have been or could be converted into *reais* at that or at any other exchange rate. The real/U.S. dollar exchange rate fluctuates widely, and the selling rate as of December 31, 2020 may not be indicative of current or future exchange rates.

## NON-GAAP FINANCIAL MEASURES

We present non-GAAP financial measures when we believe that the additional information is useful and meaningful to investors. These non-GAAP financial measures are provided to enhance investors' overall understanding of our current financial performance and its prospects for the future. Specifically, we believe the non-GAAP financial measures provide useful information to both management and investors by excluding certain expenses, gains and losses, as the case may be, that may not be indicative of our core operating results and business outlook.

These measures may be different from non-GAAP financial measures used by other companies. The presentation of this non-GAAP financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered separately from, or as a substitute for, our financial information prepared and presented in accordance with IFRS, as issued by the IASB. Non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with IFRS. These measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP financial measures.

**Reconciliation of Non-GAAP Financial Measures**

The following table presents a reconciliation of our non-GAAP financial measures to the most directly comparable GAAP measures for the years ended December 31, 2020 and 2019:

	<b>For the Twelve Months Ended December 31,</b>		
	<b>2020</b>	<b>Percent Change</b>	<b>2019</b>
	<b>(in millions of <i>reais</i>, except for amounts per share)</b>		
<b>Total revenue and income</b>	<b>6,814.7</b>	19.4 %	<b>5,707.2</b>
<b>Non-GAAP total revenue and income</b>	<b>6,814.7</b>	19.4 %	<b>5,702.2</b>
Total expenses	<b>(5,040.0)</b>	32.8 %	<b>(3,794.7)</b>
Less: Share-based long-term incentive plan (LTIP)	207.0	32.5 %	156.2
Less: M&A Expenses	8.2	100.0 %	—
<b>Non-GAAP total expenses<sup>(1)</sup></b>	<b>(4,824.8)</b>	32.5 %	<b>(3,638.5)</b>
Profit before income taxes	<b>1,774.7</b>	(7.2)%	<b>1,912.5</b>
Plus: Total non-GAAP Adjustments	215.2	37.8 %	156.2
<b>Non-GAAP profit before income taxes<sup>(2)</sup></b>	<b>1,989.9</b>	(3.8)%	<b>2,068.7</b>
Income tax and social contribution	<b>(482.4)</b>	(11.6)%	<b>(545.5)</b>
Less: Income tax and social contribution on non-GAAP adjustments	(73.2)	37.8 %	53.1
<b>Non-GAAP deferred income tax<sup>(3)</sup></b>	<b>(555.6)</b>	(7.2)%	<b>(598.6)</b>
<b>Net income</b>	<b>1,292.3</b>	(5.5)%	<b>1,367.0</b>
Plus: Total non-GAAP adjustments	142.0	37.8 %	103.1
<b>Non-GAAP net income<sup>(4)</sup></b>	<b>1,434.3</b>	(2.4)%	<b>1,470.1</b>
Basic earnings per share attributable to equity holders of the parent — R\$	3.9225	(5.7)%	4.1613
Diluted earnings per share attributable to equity holders of the parent — R\$	3.9163	(5.6)%	4.1475
Non-GAAP basic earnings per share attributable to equity holders of the parent — R\$ <sup>(5)</sup>	4.3539	(2.7)%	4.4754
Non-GAAP diluted earnings per share attributable to equity holders of the parent — R\$ <sup>(5)</sup>	4.3470	(2.5)%	4.4606

(1) Non-GAAP total expenses excludes:

(a) Stock-based compensation expenses in the total amount of R\$207.0 million in 2020 (R\$156.2 million in the year ended December 31, 2019), consisting of expenses for equity awards under our two long-term incentive plans (LTIP and LTIP-Goals). We exclude stock-based compensation expenses from our non-GAAP measures primarily because they are non-cash expenses and the related employer payroll taxes depend on our stock price and the timing and size of exercises and vesting of the equity awards, over which management has limited to no control, and as such management does not believe these expenses correlate to the operation of our business. The total of stock-based compensation expenses is allocated mainly between Cost of sales and services, Selling expenses and Administrative expenses. Excluding the stock-based compensation expenses, Cost of sales and services in the amount of R\$3,772.3 million in 2020 (R\$2,762.0 million in the year ended December 31, 2019) is adjusted by R\$20.1 million in 2020 (R\$28.1 million in the year ended December 31, 2019) resulting in non-GAAP Cost of sales and services of R\$3,752.2 million in 2020 (R\$2,733.9 million in the year ended December 31, 2019); Selling expenses in the amount of R\$617.5 million in 2020 (R\$565.2 million in the year ended December 31, 2019) is adjusted by R\$1.1 million, resulting in non-GAAP Selling expenses of R\$616.4 million in 2020 (R\$565.2 million in the year ended December 31, 2019); and Administrative Expenses in the amount of R\$369.9 million in 2020 (R\$427.4 million in the year ended December 31, 2019) is adjusted by R\$185.8 million in 2020 (R\$128.1 million in the year ended December 31, 2019), resulting in non-GAAP Administrative expenses of R\$369.9 million in 2020 (R\$299.2 million in the year ended December 31, 2019); and

(b) M&A expenses in the total amount of R\$8.2 million in 2020. M&A expenses consists of expenses for mergers & acquisitions (M&A) transactions, including, among others, expenses for external consulting, accounting and legal services in connection with due diligence and negotiating M&A documentation for our acquisitions. We exclude M&A expenses from our non-GAAP measures primarily because such expenses are non-recurring and do not correlate to the operation of our business.

(2) Non-GAAP profit before income taxes reflects the adjustments described in footnote (1) above for stock-based compensation expenses and M&A expenses.

(3) Non-GAAP income tax and social contribution consists of income tax at the rate of 34% (calculated on the non-GAAP adjustments described in footnote (1) above).

(4) Non-GAAP net income reflects the sum of the adjustments described in footnotes (1) and (3) above.

(5) Non-GAAP Basic earnings per common share attributable to equity holders of the parent and non-GAAP Diluted earnings per common share attributable to equity holders of the parent reflect the adjustments to non-GAAP Net income, which is allocated in full to Equity Holders of the parent.

## Financial Information in U.S. Dollars

Solely for the convenience of the reader, we have translated some of the real amounts included in this annual report into U.S. dollars. The exchange rate for reais into U.S. dollars was R\$5.197 to U.S.\$1.00 as of December 31, 2020, R\$4.031 to U.S.\$1.00 as of December 31, 2019, R\$3.875 to U.S.\$1.00 as of December 29, 2018, R\$3.308 to U.S.\$1.00 as of December 30, 2017, and R\$3.259 to U.S.\$ 1.00 as of December 31, 2016, in each case, the commercial selling rate for U.S. dollars as reported by the Brazilian Central Bank. Unless otherwise indicated, we have translated real amounts into U.S. dollars using a rate of R\$5.1967 to U.S.\$1.00. Such translations should not be construed as representations that the real amounts represent, have been or could be converted into U.S. dollars at the rates indicated or at any other exchange rate. The real/U.S. dollar exchange rate fluctuates widely, and the selling rate as of December 31, 2020 may not be indicative of current or future exchange rates. For more information on risks relating to exchange rate fluctuations on our business, see "Risk Factors—Risks Relating to Brazil—Exchange rate instability may have adverse effects on the Brazilian economy, us and the price of our Class A common shares."

## RISK FACTORS

### Risks Relating to our Business and Industry

***If we cannot keep pace with rapid technological developments to provide new and innovative products and services, and address the rapidly evolving market for transactions on mobile devices, the use of our products and services and, consequently, our revenues could decline.***

Rapid, significant and disruptive technological changes continue to impact the industries in which we operate, including developments in payment card tokenization, mobile payments, social commerce (i.e., e-commerce through social networks), authentication, virtual currencies, distributed ledger or blockchain technologies, near field communication and other proximity or contactless payment methods, virtual reality, machine learning and artificial intelligence.

For instance, mobile devices are increasingly used for e-commerce transactions and payments. A significant and growing portion of our customers access our platforms through mobile devices, including for regular online shopping as well as for in-person transactions. In the year ended December 31, 2020, 80% of our customers accessed our platforms through mobile devices, compared with 74% in the year ended December 31, 2019. We may lose customers if we are not able to continue to meet our customers' mobile and multi-screen experience expectations. Different mobile devices and platforms use a wide variety of technical and other configurations, which increase the challenges involved in providing payments in the mobile environment. In addition, a number of other companies with significant resources and a number of innovative startups have introduced products and services focusing on mobile markets. We cannot guarantee that we will be able to continue to meet customer expectations in the mobile environment or increase our volume of mobile transactions.

We cannot predict the effects of technological changes on our business. In addition to our own initiatives and innovations, we rely in part on third parties for the development of and access to new technologies. We expect that new services and technologies applicable to the industries in which we operate will continue to emerge and may be superior to, or render obsolete, the technologies we currently use in our products and services. Developing and incorporating new technologies into our products and services may require substantial expenditures, take considerable time, and ultimately may not be successful. In addition, our ability to adopt new products and services and develop new technologies may be inhibited by industry-wide standards, payment networks, changes to laws and regulations, resistance to change from consumers or merchants, third-party intellectual property rights, or other factors. Our success will depend on our ability to develop and incorporate new technologies, address the challenges posed by the rapidly evolving market for mobile transactions through our platforms and adapt to technological changes and evolving industry standards; if we are unable to do so in a timely or cost-effective manner, our business could be harmed.

***Increasingly intense competition may harm our business.***

We compete in markets characterized by vigorous competition, changing technology, changing customer needs, evolving industry standards and frequent introductions of new products and services. We compete with existing providers of digital payment solutions, in-person payments via POS, free digital accounts, prepaid cards and acquisition activities. In the online digital payments market, we compete primarily with international online payment services, such as PayPal, and regional players, such as MercadoPago from MercadoLibre. In the POS payments market, we compete primarily with international players, such as SumUp/Payleven, and regional players, such as MercadoPago from MercadoLibre. As is the case with the digital payments industry in general, we also compete with other means of payment, both digital and traditional, including cash, checks, money orders and electronic bank deposits.

We expect competition to intensify in the future as existing and new competitors introduce new services or enhance existing services. We compete against many companies to attract customers, and some of these companies have greater financial resources and substantially larger bases of customers than we do, which may provide them with significant competitive advantages. These companies may devote greater resources than we do to the development, promotion and sale of products and services, and they may be more effective in introducing innovative products and services that hinder our growth. Competing services tied to established banks and other financial institutions may offer greater liquidity and create greater consumer confidence in the safety and efficiency of their services than PagSeguro. Mergers and acquisitions by or among these companies may lead to even larger competitors with more resources. We also expect new entrants to offer competitive products and services. For example, established banks and other financial institutions currently offer online payments and those which do not yet provide such services could quickly and easily develop them. Certain merchants have longstanding exclusive, or nearly exclusive, relationships with our competitors to accept payment cards and other services that we offer. These relationships may make it difficult or cost prohibitive for us to conduct material amounts of business with them. If we are unable to differentiate ourselves from and successfully compete with our competitors, our business will suffer serious harm.

We may also face pricing pressures from competitors. Certain competitors are able to offer lower prices to merchants for similar services by cross-subsidizing their digital payments services using other services they offer. This competition may mean we need to reduce our pricing, which could reduce our profits. As they grow, merchants may demand more customized and favorable pricing from us, and competitive pressures may require us to agree to this, further reducing our profits. If market conditions require us to increase the discounts or incentives we provide, our business could suffer serious harm.

***Interruption or failure of our information technology and communications systems could impair our operations, which could damage our reputation and harm our results of operations.***

Our success and ability to process payments and provide high quality customer service depend on the efficient and uninterrupted operation of our computer and information technology systems. Any failure of our computer systems and information technology to operate effectively or to integrate with other systems, performance inadequacy or breach in security may cause interruptions in the availability of our sites, delays in product fulfillment and reduced efficiency of our operations. Any failures, problems or security breaches may mean that fewer customers are willing to purchase the products we offer in the future. Factors that could occur and significantly disrupt our operations include: system failures and outages caused by fire, floods, earthquakes, power loss, telecommunications failures, sabotage, vandalism, terrorist attacks and similar events, software errors, computer viruses, worms, physical or electronic break-ins and similar disruptions from unauthorized tampering with our computer systems and data centers; in addition, security breaches related to the storage and transmission of proprietary information or customer information, such as credit card numbers or other personal information. Also, if too many customers access our sites within a short period of time due to any reason, we have experienced in the past and may in the future experience system interruptions that make our sites unavailable or prevent us from efficiently completing payment transactions, which may reduce the attractiveness of our products and services. We cannot assure you that such events will not occur. While we have backup systems and contingency plans for certain aspects of our operations and business processes, our planning does not account for all possible scenarios.

Specifically, we have contracted with UOL Diveo, a company focused on IT infrastructure management services and cloud computing as well as the development of software and services to promote digital transformation, which is controlled by our parent company UOL and, therefore, our affiliate, to provide us with internet data centers to host our sites and keep them operational, and we rely on it and its operational, privacy and security procedures and controls and its ability to keep our sites operational. In December 2019, the colocation agreement that we entered into with UOL Diveo was assigned to UD Tecnologia, a subsidiary of UOL Diveo that was sold to Digital Colony in April 2020 and rebranded as Scala Data Centers S.A., or Scala Data Centers, which is not a related party of our company. Failure by Scala Data Centers to adequately keep our sites operational, including any prolonged or unscheduled service disruption that affects our customers' ability to utilize our sites, could result in the loss of sales and customers and increased costs, which could materially affect our reputation or results of operations. In addition, we rely in part on Scala Data Centers to advise us of any security breaches. If Scala Data Centers does not provide notice on a timely basis, our reputation and results of operations may be harmed. We may not be able to timely replace Scala Data Centers, or find a replacement on a cost-efficient basis, in the event of disruptions, failures to provide services or other issues with it that may harm our business. For more information on our agreement with UOL Diveo, see "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."

Any disruptions or service interruptions that affect our sites could damage our reputation, require us to spend significant capital and other resources and expose us to a risk of loss or litigation and possible liability. Some of our agreements with third-party service providers do not require those providers to indemnify us for losses resulting from any disruption in service. Any of the above disruptions could seriously harm our results of operations.

***Our business is subject to cyberattacks and security and privacy breaches.***

Our business involves the collection, storage, processing and transmission of customers' personal data, including financial information. In addition, a significant number of our customers authorize us to bill their payment card or bank accounts directly for all transaction and other fees charged by us. We have built our reputation on the premise that our platform offers customers a secure way to make payments. An increasing number of organizations, including large merchants and businesses, other large technology companies, financial institutions and government institutions, have disclosed breaches of their information security systems, some of which have involved sophisticated and highly targeted attacks, including on portions of their websites or infrastructure.

The techniques used to obtain unauthorized, improper or illegal access to our systems, our data or our customers' data, to disable or degrade service, or to sabotage systems are constantly evolving, may be difficult to detect quickly and often are not recognized until launched against a target. Unauthorized parties may attempt to gain access to our systems or facilities through various means, including, among others, hacking into our systems or those of our customers, partners or vendors, or attempting to fraudulently induce our employees, customers, partners, vendors or other users of our systems into disclosing user names, passwords, payment card information or other sensitive information, which may in turn be used to access our information technology systems. Certain efforts may be supported by significant financial and technological resources, making them even more sophisticated and difficult to detect. Although we have developed systems and processes that are designed to protect our data and customer data and to prevent data loss and other security breaches, and expect to continue to expend significant additional resources to bolster these protections, these security measures cannot provide absolute security. Our information technology and infrastructure may be vulnerable to cyberattacks or security breaches, and third parties may be able to access our customers' personal or proprietary information and card data that are stored on or accessible through those systems. Our security measures may also be breached due to human error, malfeasance, system errors or vulnerabilities, or other irregularities. Any actual or perceived breach of our security could interrupt our operations, result in our systems or services being unavailable, result in improper disclosure of data, materially harm our reputation and brand, result in significant legal and financial exposure, lead to loss of customer confidence in, or decreased use of, our products and services, and adversely affect our business and results of operations. In addition, any breaches of network or data security at our customers, partners or vendors (including data center and cloud computing providers) could have similar negative effects. Actual or perceived vulnerabilities or data breaches may lead to claims against us.

In addition, under card rules and our contracts with our card processors, if there is a breach of card information that we store, we could be liable to the payment card issuers for their cost of issuing new cards and related expenses. We also expect to spend significant additional resources to protect against security or privacy breaches, and may be required to address problems caused by breaches. Additionally, while we maintain insurance policies, we do not maintain insurance policies specifically for cyber-attacks and our current insurance policies may not be adequate to reimburse us for losses caused by security breaches, and we may not be able to collect fully, if at all, under these insurance policies.

Due to the COVID-19 pandemic, our remote work practices have expanded and, as a result, the risks related to cybersecurity failures in our internal systems have also risen. As such, interruptions or flaws in our information technology systems, such as in our telework systems, accounting calculations and billing, caused by accidents, malfunctions or malicious acts may impact our corporate, commercial or operational activities, which could adversely affect our business and results of operations, as well as our reputation and market reliability. Cyberattacks have become increasingly sophisticated and diffuse. We keep sensitive client information in our database, which may be the subject of cyberattacks by individuals seeking unauthorized access to such information for misuse. As such, failures to protect our clients' personal data, as well as nonconformance with the applicable legislation, may give rise to additional costs and adversely affect our image and reputation.

***We are subject to risks associated with noncompliance with the General Data Protection Law and may be adversely affected by the imposition of fines and other types of penalties.***

In 2018, Law No. 13,709/2018, the General Data Protection Law (*Lei Geral de Proteção de Dados*), or LGPD, was enacted, as amended by Law No. 13,853/2019, to govern the practices related to the use of personal data, replacing the sparse and sectoral standards that previously regulated rights to data privacy and protection in Brazil. The LGPD became effective on September 18, 2020, but the application of the administrative penalties provided for in the LGPD has been postponed to August 1, 2021. By creating a microsystem of rules impacting all sectors of the economy, the LGPD provides a new legal framework to be observed in personal data processing operations. Among other provisions, it establishes the rights of data subjects, the legal bases applicable to the protection of personal data, the requirements for obtaining consent on the use of such data, the obligations and requirements relating to security incidents and leaks and data transfers, as well as the authorization for the creation of the ANPD, which is the entity responsible for regulating and supervising the application of the LGPD and other data protection laws as well as imposing sanctions in the event of noncompliance with the legal rules and obligations. On August 26, 2020, the Brazilian government issued Decree No. 10,474/2020, approving the regulatory framework and list of commissioned positions for the ANPD. The decree will go into effect on the date the ANPD chief executive officer's appointment is published in the official federal newspaper.

We must also provide a secure environment for our users. Investing in technical and administrative maintenance for information security and personal data protection will also be necessary, including to support our corporate governance structure for personal data protection. In addition, under the LGPD, we have a legal duty to maintain a communication channel with data subjects whose data we process, including our users and partners.

Personal data subjects are entitled to the following rights, which we must ensure: (i) to obtain confirmation of existence of personal data processing, (ii) to access their personal data, (iii) to correct all incomplete, inaccurate or outdated personal data, (iv) to carry out portability processes to transfer personal data to another service or product, in accordance with the additional regulations set forth by the ANPD, (v) to request the deletion of processed personal data based on consent, or the right to revoke their previously given consent, (vi) to obtain information on government and private-sector entities with whom those responsible for data processing have shared their data and (vii) to be allowed to deny consent to personal data processing and to be advised of the consequences of that denial. The LGPD also establishes that the following information must be provided to data subjects, including through privacy notices: (i) the specific purpose of such processing, (ii) processing methods and duration, (iii) the identity of those responsible for data processing, (iv) the contact information of those responsible for data processing, (v) information with regards to the sharing of personal data with third parties and its purpose and (vi) description of responsibilities, particularly the responsibilities of the processing agents involved.

We may be required to indemnify users affected by violations of their rights as data subjects, such as their right to transparency or to obtain information on the processing of their personal data. Should we disclose insufficient information regarding data processing as required by the LGPD, we may also be subject to administrative sanctions imposed by personal data protection, consumer protection or public interest protection agencies and entities, including the ANPD. Noncompliance with any LGPD provisions may lead to the following: (i) individual or class actions being filed seeking damages due to breaches not only of the LGPD, but also of any sparse and industry-specific data protection laws still in force and (ii) the imposition of the penalties set forth by the Consumer Protection Code and the Civil Framework for the Internet by certain consumer protection agencies, as they have been acting in this regard well before the effectiveness of the LGPD and the actual establishment of the ANPD, particularly in cases of security incidents resulting in undue access to personal data.

If our operations and business model are not in compliance with the LGPD's rules, we may be subject to formal warnings, public sanctions, the deletion of data or the suspension of data processing activities. Furthermore, we may be subject to a fine equal to up to 2% of our gross sales, or the gross sales of our economic group in Brazil, in the preceding fiscal year, excluding taxes, but limited to a total of R\$50.0 million per violation. In addition, we may be held liable for individual or collective material moral damages caused by our failure to meet any of the obligations set forth by the LGPD. We may be held legally responsible for paying damages to users harmed by violations of their rights as personal data subjects, such as their rights to transparency, in that they may obtain information regarding the treatment of their personal data and other rights set forth in the LGPD.

If we are found to not have sufficiently provided information about the treatment of personal data in accordance with the requirements set forth by the LGPD, we may also face administrative sanctions by public entities and regulatory bodies that govern personal data, consumer protection and public interests.



The LGPD and other laws and regulations that may be passed in the future may be interpreted and applied differently over time and from jurisdiction to jurisdiction. It is possible they will be interpreted and applied in ways that will materially and adversely affect our business. Any failure to comply with (i) our privacy policies, (ii) any regulatory requirements or orders, or (iii) other local, state, federal, or international privacy or consumer protection-related laws and regulations could materially and adversely affect our business.

***Our services must integrate with a variety of operating systems and networks, and the hardware that enables merchants to accept payment cards must interoperate with mobile networks offered by telecom operators and third-party mobile devices utilizing those operating systems. If we are unable to ensure that our services or hardware interoperate with such networks, operating systems and devices, our business may be seriously harmed.***

We are dependent on the ability of our products and services to integrate with a variety of operating systems and networks, as well as web browsers that we do not control. Any changes in these systems or networks that degrade the functionality of our products and services, impose additional costs or requirements on us, or give preferential treatment to competitive services, including their own services, could seriously harm the levels of usage of our products and services. We also rely on bank platforms to process some of our transactions. If there are any issues with or service interruptions in these bank platforms, users may be unable to have their transactions completed, which would seriously harm our business.

In addition, our hardware interoperates with mobile networks offered by telecom operators and mobile devices developed by third parties. Changes in these networks or in the design of these mobile devices may limit the interoperability of our hardware with such networks and devices and require modifications to our hardware. If we are unable to ensure that our hardware continues to interoperate effectively with such networks and devices, or if doing so is costly, our business may be seriously harmed.

***Our business depends on a strong and trusted brand, and any failure to maintain, protect and enhance our brand would harm our business.***

We have developed a strong and trusted brand, highly linked to the reputation and public image of UOL, our controlling shareholder, which has contributed significantly to the success of our business. Our brand is predicated on the idea that sellers and buyers will trust us and find value in building and growing their businesses with our products and services. Maintaining, protecting and enhancing our brand are critical to expanding our base of sellers, buyers and other third-party partners, as well as increasing engagement with our products and services. This will depend largely on our ability to maintain trust, be a technology leader, and continue to provide high-quality and secure products and services. Any negative publicity about our industry, our company or UOL, our controlling shareholder, the quality and reliability of our products and services, our risk management processes, changes to our products and services, our ability to effectively manage and resolve seller and buyer complaints, our privacy and security practices, litigation, regulatory activity, the experience of sellers and buyers with our products or services, and changes in the public opinion of UOL, could harm our reputation and the confidence in and use of our products and services. Harm to our brand can arise from many sources, including failure by us or our partners to satisfy expectations of service and quality; inadequate protection of sensitive information; compliance failures and claims; litigation and other claims; employee misconduct; and misconduct by our partners, service providers or other counterparties. If we do not successfully maintain a strong and trusted brand, our business could be seriously harmed.

***Our business is subject to extensive government regulation and oversight and our status under these regulations may change. Violation of or non-compliance with present or future regulations could be costly, expose us to substantial liability and force us to change our business practices, any of which could seriously harm our business and results of operations.***

PagSeguro Brazil, Wirecard Brazil S.A., or Wirecard Brazil, and BancoSeguro S.A., or BancoSeguro, are each authorized by the Central Bank to operate as payment institutions, in the case of PagSeguro Brazil and Wirecard Brazil, and as a financial institution, in the case of BancoSeguro. As payment institutions, PagSeguro Brazil and Wirecard Brazil are both licensed by the Central Bank as issuers of electronic currency and acquirers, PagSeguro Brazil's authorization having been issued by the Central Bank on October 17, 2018. In addition, PagSeguro was authorized by the Central Bank on March 16, 2019 to operate as a payment institution of post-payment accounts in order to act as an issuer of post-paid cards within third-party payment schemes. Currently, our digital payments activity as payment scheme settlors (in the case of PagSeguro Brazil and Wirecard Brazil) is exempt from authorization.

In addition, early payment of receivables is part of our activities. Law No. 12,865/2013 prohibits payment institutions such as PagSeguro Brazil and Wirecard Brazil from performing activities that are limited to financial institutions. There is some debate under Brazilian law as to whether providing early payment of receivables to merchants could be characterized as "lending," which is an activity that is limited to financial institutions. Similarly, there is some debate as to whether the discount rates applicable to this early payment feature should be considered as "interest," in which case the limits set by the Brazilian Usury Law would apply to these rates. If new laws are enacted or the courts' interpretation of this activity changes, either preventing us from providing this feature or limiting the fees we usually charge, our financial performance could be negatively affected. For further information regarding these regulatory matters, see "Item 4. Information on the Company—Regulation—Regulation of the digital payments industry in Brazil."

BancoSeguro is licensed in Brazil as a multi-purpose bank, with commercial and investment banking portfolios. As a financial institution, BancoSeguro is subject to Law No. 4,595/1964 and the rules of the National Monetary Council (the *Conselho Monetário Nacional*, or CMN), and the Central Bank. Brazilian financial institutions are subject to extensive government regulations applicable to their activities, including those relating to: (i) minimum capital requirements; (ii) compulsory deposits/reserve requirements; (iii) investment requirements in fixed assets; (iv) lending limits and other credit restrictions; (v) accounting and statistical requirements; (v) price and salary controls; and (vi) tax policy and regulation. Additionally, within the scope of its investment banking portfolio, BancoSeguro, through the PagInvest platform, acts as a distributor of securities (currently, third party investment funds), and in this regard BancoSeguro is regulated and supervised by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or CVM), in accordance with Law No. 6,385/1976 and the rules issued by CVM.

Brazilian payment institutions and financial institutions have no control over government regulations applicable to their activities. Any changes in such regulations could adversely affect BancoSeguro's, Wirecard Brazil's and PagSeguro Brazil's operations and financial results.

Furthermore, if we are found to be in violation of any current or future regulations, we could be (i) required to pay substantial fines (including per transaction fines) and disgorgement of our profits, (ii) required to change our business practices, or (iii) subjected to insolvency procedures such as an intervention by the Central Bank and the out-of-court liquidation of PagSeguro Brazil, Wirecard Brazil or BancoSeguro. We could also be subject to private lawsuits. Any of these consequences could seriously harm our business and results of operations.

***We are subject to costs and risks associated with increased or changing laws and regulations affecting our business, including those relating to the sale of consumer products. Specifically, developments in data protection and privacy laws could harm our business, financial condition or results or operations.***

We operate in a complex regulatory and legal environment that exposes us to compliance and litigation risks and that could materially affect our results of operations. These laws may change, sometimes significantly, as a result of political, economic or social events. Some of the federal, state or local laws and regulations that affect us include: those relating to consumer products, product liability or consumer protection; those relating to the manner in which we advertise, market or sell products; labor and employment laws, including wage and hour laws; tax laws or interpretations thereof; data protection and privacy laws and regulations; and securities and exchange laws and regulations. For instance, data protection and privacy laws are developing to take into account the changes in cultural and consumer attitudes towards the protection of personal data. There can be no guarantee that we will have sufficient financial resources to comply with any new regulations or successfully compete in the context of a shifting regulatory environment. Any additional privacy laws or regulations could seriously harm our business, financial condition or results of operations.

***Changes in tax laws, tax incentives, benefits or differing interpretations of tax laws may adversely affect our results of operations.***

Changes in tax laws, regulations, related interpretations and tax accounting standards in Brazil, the Cayman Islands or the United States may result in a higher tax rate on our earnings, which may significantly reduce our profits and cash flows from operations. For example, in 2015 the Brazilian government increased the rate of PIS/COFINS tax (which is a social contribution on gross revenues) from 0% to 4.65% on financial income realized by Brazilian companies that are taxed under the non-cumulative regime (which is the tax regime that applies to us). In addition, our results of operations and financial condition may decline if certain tax incentives are not retained or renewed. For example, Brazilian Law No. 11,196 currently grants tax benefits to companies that invest in research and development, provided that some requirements are met, which significantly reduces our annual income tax expense. In addition, governments, agents and similar bodies are discussing tax measures to assist entities in response to the COVID-19 pandemic. In the short term, these measures may include tax payment deferrals, tax credits and Central Bank loans, which may be applicable to us if enacted in the future. However, Brazilian government authorities at the federal, state and local levels may consider changes in tax laws to cover budgetary shortfalls as a result of the COVID-19 pandemic, these changes may adversely affect our profitability by increasing our current tax burden. If the taxes applicable to our business increase or any tax benefits are revoked and we cannot alter our cost structure to pass our tax increases on to customers, our financial condition, results of operations and cash flows could be harmed. Our payment processing activities are also subject to a Municipal Tax on Services (*Imposto Sobre Serviços*), or ISS. Any increases in ISS rates would also harm our profitability.

In addition, Brazilian government authorities at the federal, state and local levels are considering changes in tax laws to cover budgetary shortfalls resulting from the recent economic downturn in Brazil. If these proposals are enacted they may harm our profitability by increasing our tax burden, increasing our tax compliance costs, or otherwise affecting our financial condition, results of operations and cash flows. Some tax rules related to the collection, ancillary obligations or changes in the applicable tax rates in Brazil may be amended by the authorities without prior notice or a transition period for implementation. We may not always be aware of all such changes that affect our business and we may therefore inadvertently fail to pay the applicable taxes or otherwise comply with tax regulations, which may result in additional tax assessments, penalties and interests for our company. In this sense, we are involved in tax proceedings based on differences of interpretation between us and the Brazilian tax authorities regarding tax laws and regulations. For further information, see "Item 8. Financial Information—Tax and Social Security Proceedings."

At the municipal level, the Brazilian government enacted Supplementary Law No. 157/2016, which imposed changes regarding the taxes applied to services we render. Once these changes are enforced, our taxes will be due in the municipality in which the acquirer of our services is located, rather than in the municipality in which our facilities are located. This obligation took force in January 2018, but its enforcement has been delayed by Direct Unconstitutionality Action No. 5835, or the ADI, filed by taxpayers. The ADI challenges Supplementary Law No. 157/2016's constitutionality before the Brazilian Federal Supreme Court, or STF, arguing that the new legislation would adversely affect companies due to the increased costs and bureaucracy that would come with making ISS tax payments to several municipalities and complying with tax reporting obligations connected therewith. As a result, the STF granted an injunction to suspend the enforcement of Supplementary Law No. 157/2016. A final decision on this matter is currently pending. Moreover, the Brazilian government recently enacted Supplementary Law No. 175/2020, which implemented additional changes to the collection of ISS taxes on certain services, including debit or credit card services, and provided that ISS taxes due for the rendering of these services be paid to the municipality in which the recipient of the service is located. Despite the enactment of Supplementary Law No. 175/2020, due to the preliminary injunction that was granted by the STF in 2018 in response to the ADI, it can be argued that our obligation to pay ISS taxes to the municipality of our service's recipient is also currently suspended. The STF issued a decision on the ADI concerning the constitutionality of the provisions encompassed by Supplementary Law No. 157/2016 that set forth the jurisdiction shift over ISS tax collections from the municipality of the service provider to the municipality of the service's recipient. It could therefore be argued that the legal basis that supports Supplementary Law No. 175/2020 is currently suspended and, as a result, the obligations set forth by this law shall be understood as suspended as well. Supplementary Law No. 175/2020 also provided that ISS taxes due should be reported by the 25th day of the month following the taxable event, using a standardized electronic system, in accordance with standards to be established by the Management Committee of Ancillary Obligations (*Comitê Gestor das Obrigações Acessórias*), or the CGOA. There is currently no established timeframe for the implementation of the new standardized electronic system that will be designed by CGOA, and the CGOA members were only appointed on January 18, 2021, through the enactment of Statement No. 01/2021, by the National Confederation of Municipalities.

Furthermore, we are subject to tax laws and regulations that may be interpreted differently by tax authorities, judicial or administrative courts and us. The application of indirect taxes, such as sales and use tax, value-added tax, or VAT, provincial taxes, goods and services tax, business tax and gross receipt tax, to businesses like ours is a complex and evolving issue. Significant judgment is required to evaluate applicable tax obligations. In many cases, the ultimate tax determination is uncertain because it is not clear how existing statutes apply to our business. One or more states, or municipalities, the federal government or other countries may seek to challenge the taxation or procedures applied to our transactions imposing the charge of taxes or additional reporting, record-keeping or indirect tax collection obligations on businesses like ours. New taxes could also require us to incur substantial costs to capture data and collect and remit taxes. If such obligations were imposed, the additional costs associated with tax collection, remittance and audit requirements could have a material adverse effect on our business and financial results.

The Brazilian government has been studying a substantial tax reform in Brazil. It is not possible to precisely predict if and how potential changes may affect our business, but it is advised that prospective investors consult their tax advisors for reviewing potential impacts associated with changes in the applicable tax law.

***Failure to deal effectively with fraud, fictitious transactions, bad transactions or negative customer experiences would increase our loss rate and harm our business, and could severely diminish merchant and consumer confidence in and use of our services.***

We incur losses and expenses due to claims from consumers that merchants have not performed or that their goods or services do not match the merchant's description. We seek to recover these losses and expenses from the merchant, but may not be able to recover them in full when the merchant is unwilling or unable to pay. We also incur losses and expenses from claims that the consumer did not authorize the purchase, from consumer fraud and from erroneous transmissions. In addition, if the losses we incur related to card transactions become excessive, they could potentially result in a loss of our right to accept cards for payment. In the event that we were unable to accept cards, the number of transactions processed through our platform would decrease substantially and our business would be harmed. We are also subject to the risk of fraudulent activity by merchants, consumers of products purchased through our platform, or third parties handling our user information. We take measures to detect and reduce the risk of fraud, but these measures need to be continually improved and may not be effective against new and continually evolving forms of fraud or in connection with new product offerings. If these measures do not succeed, our business could be harmed.

***We rely on third parties and UOL, our largest shareholder, in many aspects of our business, which creates additional risk.***

We rely on third parties in many aspects of our business, including, among others:

- networks, banks, payment processors, and payment gateways that link us to the payment card and bank clearing networks to process transactions;
- third parties that provide certain outsourced customer support and product development functions, which are critical to our operations; and
- third parties that provide facilities, infrastructure, components and services, including data center facilities and cloud computing.

The third parties that we rely on to process transactions may fail or refuse to process transactions adequately. Any of the third parties we use may breach their agreements with us, refuse to renew these agreements on commercially reasonable terms, take actions that degrade the functionality of our services, impose additional costs or requirements on us, or give preferential treatment to competing services. Financial or regulatory issues, labor issues, or other problems that prevent these third parties from providing services to us or our customers could harm our business. If our service providers do not perform satisfactorily, our operations could be disrupted, which could result in customer dissatisfaction, damage our reputation, and harm our business.

In particular, we rely on UOL, our largest shareholder, and its subsidiaries for a number of business services, particularly: data storage services; telecommunications services; internet security services; software development, maintenance and management; and call center, infrastructure, corporate, litigation and back-office services. UOL and its subsidiaries also provide us with advertising and media space and resell cloud services to us. For further details of these services, see "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."

***Our failure to manage the assets underlying our customer funds properly could harm our business.***

Our ability to manage and account accurately for the assets underlying our customer funds requires a high level of internal controls. As our business continues to grow and we expand our product offerings, we must continue to strengthen our internal controls accordingly. Our success requires significant public confidence in our ability to handle large and growing transaction volumes and amounts of customer funds. Any failure to maintain the necessary controls or to manage the assets underlying our customer funds accurately could severely diminish customer use of our products or result in penalties and fines, which could harm our business.

***The e-commerce market in Brazil is developing, and the expansion of our business depends on the continued growth of e-commerce, as well as increased availability, quality and usage of the internet in Brazil.***

Our future revenues from digital payments depend substantially on consumers' widespread acceptance and use of the internet as a way to conduct commerce. Rapid growth in the use of the internet (particularly as a way to provide and purchase products and services) is a relatively recent phenomenon in Brazil and we cannot assure you that this rapid growth of acceptance and usage will continue.

Internet penetration in Brazil may never reach the levels seen in more developed countries for reasons that are beyond our control, including the lack of necessary network infrastructure or delayed development of enabling technologies, performance improvements and security measures. The infrastructure for the internet in Brazil may not be able to support continued growth in the number of users, their frequency of use or their bandwidth requirements. Delays in telecommunication and infrastructure development or other technology shortfalls may impede improvements in internet reliability in Brazil. If telecommunications services are not sufficiently available to support the growth of the internet in Brazil, response times could be slower, which would reduce internet usage and harm our services. In addition, even if internet penetration in Brazil increases, this may not lead to growth in e-commerce due to a number of factors, including lack of confidence by users in online security.

Furthermore, the price of internet access and internet-connected devices, such as personal computers, tablets, mobile phones and other portable devices, may limit our growth, particularly in parts of Brazil with low levels of income. Income levels in Brazil are significantly lower than in the United States and other more developed countries, while prices of both portable devices and internet access in Brazil are higher than in those countries. Income levels in Brazil may decline and device and access prices may increase in the future.

Any of these factors could limit our ability to generate revenues in future.

***Our quarterly results of operations and operating metrics may fluctuate and are unpredictable and subject to seasonality, which could result in the price of our Class A common shares being unpredictable or declining.***

Our quarterly results of operations may vary significantly and are not necessarily an indication of future performance. These fluctuations may be due to a variety of factors, some of which are outside of our control and may not fully reflect the underlying performance of our business. In addition, we operate in a somewhat seasonal industry, which tends to experience relatively fewer transactions in the first quarters of the year, increased activity as the year-end holiday shopping season initiates, and fewer transactions after the year-end holidays. In addition, businesses operating in Brazil, such as ours, tend to experience relatively fewer transactions during certain international sporting events.

Factors that may cause fluctuations in our quarterly results of operations include our ability to attract and retain customers; the timing, effectiveness and costs of expansion and upgrades of our systems and infrastructure, as well as the success of those expansions and upgrades; the outcomes of legal proceedings and claims; our ability to maintain or increase revenue, gross margins and operating margins; our ability to continue introducing new services and to continue convincing customers to adopt additional offerings; increases in and timing of expenses that we may incur to grow and expand our operations and to remain competitive; period-to-period volatility related to fraud and risk losses; system failures resulting in the inaccessibility of our products and services; changes in the regulatory environment, including with respect to security, privacy or enforcement of laws and regulations by regulators, including fines, orders, or consent decrees; changes in global business or macroeconomic enforcement of laws and regulations by regulators, including fines, orders, or consent decrees; changes in global business conditions; general retail buying patterns; and the other risks described in this annual report. Future fluctuations in quarterly results may mean that our business is less predictable and may harm the trading price of our Class A common shares.

***Our business could be harmed if we are unable to forecast demand for our products accurately or to manage our product inventory adequately.***

With the goal of increasing our transaction business and POS device offerings, we invest broadly in our POS unit technology. Our products, such as the Modeminha and the Minizinha, often require investments with long lead times. An inability to forecast the success of a particular product correctly could harm our business. We must forecast inventory needs and expenses and place orders sufficiently in advance with our third-party suppliers and contract manufacturers based on our estimates of future demand for particular products. Our ability to forecast demand for our products accurately could be affected by many factors, including an increase or decrease in demand for our products or for our competitors' products, unanticipated changes in general market conditions, and the change in economic conditions.

If we underestimate demand for a particular product, our contract manufacturers and suppliers may not be able to deliver sufficient quantities of that product to meet our requirements, and we may experience a shortage of that product available for sale or distribution. The shortage of a popular product could seriously harm our brand, our seller relationships, the acquisition of additional sellers and our total transaction business. If we overestimate demand for a particular product, we may have excess inventory for that product and the excess inventory may become obsolete or out of date. Inventory levels in excess of demand may lead us to write down or write off the inventory or sell excess inventory at further discounted prices, which could harm our profit and our business.

***Some of the key components of our POS devices are sourced from a limited number of suppliers. We are therefore at risk of shortage, price increases, changes, delay or discontinuation of key components, which could disrupt and harm our business.***

Some of the key components used to manufacture our POS devices, such as the chip and pin reader, come from limited sources of supply. In addition, we currently rely on one manufacturer to manufacture, test and assemble a significant amount of our POS devices. The agreements for the components used to manufacture our POS devices are entered into directly by the manufacturer of our POS devices and we do not have agreements with these suppliers.

Due to reliance of our POS manufacturers on these components, we are subject to the risk of shortages and long lead times in the supply of certain products. If our manufacturers cannot find alternative sources of supply, we could be subject to components shortages or delays or other problems in product assembly. In addition, various sources of supply-chain risk, including strikes or shutdowns, loss of or damage to our products while they are in transit or storage, natural disasters or the occurrence of a contagious disease or illness, such as the COVID-19 outbreak that the World Health Organization, or the WHO, designated as a pandemic in March 2020, could limit the supply of our POS devices. Any interruption or delay in component supply, any increases in component costs, the inability of our manufacturers to obtain these parts or components from alternate sources at acceptable prices and within a reasonable amount of time, or difficulties in fulfilling obligations in connection with the warranties we provide for our POS devices, would harm our ability to provide our POS devices or other services to our merchants on a timely basis. This could hurt our relationships with our customers, prevent us from acquiring new customers, and significantly harm our business. We may also experience a shortage in some of the key components used to manufacture our POS devices due to disruptions caused by the current COVID-19 pandemic, particularly in China where these components are manufactured. Any continued operating complications caused by COVID-19, including any prolonged period of travel, work place closures, stay at home and quarantine orders, mobility limitations, commercial and other similar restrictions, may result in shortages which would hinder our ability to provide our POS devices or other services to our merchants on a timely basis, which could have a material adverse effect on our results of operations and financial position. For more information on risks relating to COVID-19, see "—An occurrence of a natural disaster, widespread health epidemic or pandemic or other outbreaks could seriously harm our business and results of operations. Furthermore, the spread of communicable diseases such as the COVID-19 outbreak on a global scale may affect investment sentiment, cause disruptions and result in sporadic volatility in global markets. As a result, the Brazilian economy and outlook may be affected, and consequently, our business and trading price of our common shares could be adversely affected."

***We are subject to anticorruption, anti-bribery and anti-money laundering laws and regulations, and any errors, failures, or delays in complying with anticorruption, anti-bribery and anti-money laundering laws and regulations could result in significant criminal and civil lawsuits, penalties, forfeiture of significant assets, or other enforcement actions, as well as reputational harm.***

We are subject to various anticorruption, anti-bribery and anti-money laundering laws and regulations that prohibit, among other things, our involvement in improper payments to certain public officials for the purpose of obtaining advantages or in transferring the proceeds of criminal activities. We have programs designed to comply with new and existing legal and regulatory requirements. However, any errors, failures, or delays in complying with anticorruption, anti-bribery and anti-money laundering laws and regulations could result in significant criminal and civil lawsuits, penalties, forfeiture of significant assets, or other enforcement actions, as well as reputational harm.

Regulators may increase enforcement of these obligations, which may require us to further revise or expand our compliance program, including the procedures we use to verify the identity of our customers and to monitor our transactions. Regulators regularly re-examine the transaction volume thresholds at which we must obtain and keep applicable records or verify identities of customers and any change in such thresholds could result in greater costs for compliance. Costs associated with fines or enforcement actions, changes in compliance requirements, or limitations on our ability to grow could harm our business and any new requirements or changes to existing requirements could impose significant costs, result in delays to planned product improvements, make it more difficult for new customers to join our network and reduce the attractiveness of our products and services.

***The loss of any member of our management team and our inability to make up for such loss with a qualified replacement, could harm our business.***

Our business depends upon the efforts and skill of our senior management, who has played an important role in shaping our company culture. Our future success depends to a significant extent on the continued service of our senior management team, who are critical to the development and the execution of our business strategies. Any member of our senior management team may leave us to set up or work in businesses that compete with ours. There is no guarantee that the compensation arrangements and non-competition agreements we have entered into with our senior management team are sufficiently broad or effective to prevent them from resigning in order to set up or join a competitor, or that the non-competition agreements would be upheld in a court of law. In the event that a number of our senior management members leave our company, we may have difficulty finding suitable replacements, which could seriously harm us.

Our future success also depends on our ability to identify, attract, hire, train, retain, motivate and manage other highly skilled technical, managerial, information technology, marketing, product, risk management and customer service personnel. Competition for these personnel is intense, and we may not be able to successfully attract, hire, train, retain, motivate and manage sufficiently qualified personnel.

***We partially rely on card issuers or card schemes to process our transactions. Changes to credit card scheme fees, rules or practices may harm our business.***

We partially rely on card issuers or card schemes to process our transactions, and must pay a fee for this service. From time to time, card schemes such as MasterCard and Visa may increase the interchange fees that they charge for each transaction using one of their cards. Credit card processors have the right to pass any increases in interchange fees on to us as well as increase their own fees for processing. In addition, card schemes have imposed and may again impose special assessments for transactions that are executed through a "digital wallet," and these fees could particularly affect us and significantly increase our costs. These increased fees increase our operating costs and reduce our profit margins.

We are also required by credit card schemes to comply with their operating rules. The credit card schemes and their member banks set and interpret these rules. The bank accounts offered by those member banks compete with our digital account services. Visa, MasterCard, American Express or other credit card companies could adopt new operating rules or reinterpret existing rules that we or our processors might find difficult or even impossible to follow. As a result, we could lose our ability to provide our customers the option of using credit cards to fund their payments and our users the option to pay their fees using a credit card. If we were unable to accept credit cards, our business would be seriously harmed.

We could lose the right to accept credit cards or could be required to pay fines if credit card schemes such as MasterCard or Visa determine that users are using our platform to engage in illegal or "high risk" activities, or if users generate a large volume of chargebacks related to fraudulent transactions. Additionally, we may be unable to access financing in the credit and capital markets at reasonable rates to fund our operations and for that reason our profitability and total transaction business could decline significantly.

***We might not successfully implement strategies to increase adoption of our digital payment methods, which would limit our growth.***

Our future profitability will depend, in part, on our ability to successfully implement our strategy to increase adoption of our digital payment methods. We cannot assure you that the market for digital payments will continue to grow or will remain viable. We expect to invest substantial amounts to:

- drive consumer and merchant awareness of digital payments;
- encourage consumers and merchants to sign up for and use our digital payment products;
- enhance our infrastructure to handle seamless processing of transactions;

- continue to develop state of the art, easy-to-use technology;
- expand our operations;
- increase the number of users who collect and pay digitally; and
- grow and diversify our customer base.

Despite these investments, we may fail to implement these programs successfully or to increase substantially the number of customers who pay for our digital payment methods. This would hold back any growth in our revenues and harm our business.

***If we fail to establish and maintain proper and effective internal controls over financial reporting, our results of operations and our ability to operate our business may be harmed.***

We are subject to the Sarbanes-Oxley Act, which requires, among other things, that we establish and maintain effective internal controls over financial reporting and disclosure controls and procedures. Under the SEC's current rules, we have been required to perform system and process evaluation and testing of our internal controls over financial reporting to allow management to assess the effectiveness of our internal controls since 2018. Our testing may reveal deficiencies in our internal controls that are deemed to be material weaknesses or significant deficiencies and render our internal controls over financial reporting ineffective. If we are not able to comply with these requirements in a timely manner, or if we or our management identifies material weaknesses or significant deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our Class A common shares may decline and we may be subject to investigations or sanctions by the SEC, the Financial Industry Regulatory Authority, Inc., or FINRA, or other regulatory authorities. In addition, we may be required to expend significant management time and financial resources to correct any material weaknesses that may be identified or to respond to any regulatory investigations or proceedings.

***Our operating results are affected by decreases in consumer discretionary spending. Changes in macroeconomic conditions may reduce the volume and prices of transactions on our payments platforms and harm our growth strategies and business prospects.***

Our operating results are affected by the condition of the economy. Our business and financial performance may be harmed by current and future economic conditions that cause a decline in business and consumer spending, including a reduction in the availability of credit, increased unemployment levels, higher energy and fuel costs, rising interest rates, financial market volatility and recession. These factors have been adversely affected by the COVID-19 pandemic in Brazil, which has caused increases in unemployment rates, inflation rates and energy and fuel costs, and interest rates, as well as significant financial market volatility. Additionally, we may experience difficulties in operating and growing our operations as a result of economic pressures. For more information on the effects of the COVID-19 pandemic, see "—An occurrence of a natural disaster, widespread health epidemic or pandemic or other outbreaks could seriously harm our business and results of operations. Furthermore, the spread of communicable diseases such as the COVID-19 outbreak on a global scale may affect investment sentiment, cause disruptions and result in sporadic volatility in global markets. As a result, the Brazilian economy and outlook may be affected, and consequently, our business and trading price of our common shares could be adversely affected."

As a business that depends on consumer discretionary spending, we may suffer harm if our merchants' customers reduce their purchases due to continued job losses, foreclosures, bankruptcies, higher consumer debt and interest rates, reduced access to credit, lower consumer confidence, uncertainty or changes in tax policies and tax rates. Decreases in customer traffic or average value per transaction negatively affect our financial performance, and a prolonged period of depressed consumer spending could seriously harm our business. Promotional activities and decreased demand for consumer products, particularly higher-end products, could affect our profitability. The potential effects of the ongoing economic crisis in Brazil are difficult to forecast and mitigate. Any of the foregoing could seriously harm our business, results of operations and financial condition and could cause the trading price of our Class A common shares to decline.

***Increases in interest rates may harm our business.***

Processing consumer transactions made using credit cards, as well as providing early payment of receivables to merchants when consumers make credit card purchases in installments, both make up a significant portion of our activities. If Brazilian interest rates increase, consumers may choose to make fewer purchases using credit cards; and fewer merchants may decide to use our early payment of receivables feature if our overall financing costs require us to increase the discount rate we charge for this feature. Either of these factors could cause our business activity levels to decrease.



***Customer complaints or negative publicity about our customer service could reduce usage of our products and, as a result, our business could suffer.***

Customer complaints or negative publicity about our customer service could severely diminish consumer confidence in and use of our products. Breaches of our customers' privacy and our security measures could have the same effect. Measures we sometimes take to combat risks of fraud and breaches of privacy and security, such as freezing customer funds, can damage relations with our customers. These measures heighten the need for prompt and accurate customer service to resolve irregularities. Effective customer service requires significant expenses, which, if not managed properly, could impact our profitability significantly. Any inability by us to manage or train our customer service representatives properly could compromise our ability to handle customer complaints effectively. If we do not handle customer complaints effectively, our reputation may suffer and we may lose our customers' confidence.

***We are susceptible to illegal or improper uses of our platform, which could expose us to additional liability and harm our business.***

We, like our platforms, are susceptible to potentially illegal or improper uses. These may include illegal online gambling, fraudulent sales of goods or services, illicit sales of prescription medications or controlled substances, software and other intellectual property piracy, money laundering, bank fraud, child pornography, trafficking, terrorist financing, prohibited sales of alcoholic beverages and tobacco products and online securities fraud. The owners of intellectual property rights or government authorities may seek to bring legal action against us if our platform is used for the sale of infringing items. These claims could result in reputational harm and any resulting liabilities, loss of transaction volume or increased costs could harm our business.

In addition, our services could be subject to unauthorized credit card use, identity theft, employee fraud or other internal security breaches. We may incur significant costs to protect against the threat of information security breaches or to respond to or alleviate problems caused by any breaches. Laws may require us to notify regulators, customers or employees of security breaches and we may be required to reimburse customers or banks for any funds stolen as a result of any breaches or to provide credit monitoring or identity theft protection in the event of a privacy breach. These requirements, as well as any additional restrictions that may be imposed by credit card companies, could raise our costs significantly and reduce our attractiveness.

In addition to the direct costs of such losses, if they are related to credit card transactions and become excessive they could result in us losing the right to accept credit cards for payment. Since credit cards are the most widely used method for our customers to pay for the products we sell, our business will be harmed if we are unable to accept credit cards.

***Unauthorized disclosure of sensitive or confidential customer information or our failure or the perception by our customers that we failed to comply with privacy laws or properly address privacy concerns could harm our business and standing with our customers.***

We collect, store, process, and use certain personal information and other user data in our business. A significant risk associated with e-commerce and communications is the secure transmission of confidential information over public networks. The perception of privacy concerns, whether or not valid, may harm our business and results of operations. We must ensure that all processing, collection, use, storage, dissemination, transfer and disposal of data for which we are responsible comply with relevant data protection and privacy laws. The protection of our customer, employee and company data is critical to us. Currently, a number of our users authorize us to bill their credit card accounts directly. We rely on commercially available systems, software, tools and monitoring to provide secure processing, transmission and storage of confidential customer information, such as credit card and other personal information. Despite the security measures we have in place, our facilities and systems, and those of our third-party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. Any security breach, or any perceived failure involving the misappropriation, loss or other unauthorized disclosure of confidential information, as well as any failure or perceived failure to comply with laws, policies, legal obligations or industry standards regarding data privacy and protection, whether by us or our vendors, could damage our reputation, expose us to litigation risk and liability, subject us to negative publicity, disrupt our operations and harm our business. Our security measures may fail to prevent security breaches, which could harm our business.

***We have only a limited ability to protect our intellectual property rights, which are important to our success.***

We believe the protection of our intellectual property, including our trademarks, patents, copyrights, domain names, trade dress, and trade secrets, is critical to our success. We seek to protect our intellectual property rights by relying on applicable laws and regulations, as well as a variety of administrative procedures. We also rely on contractual restrictions to protect our proprietary rights when offering or procuring products and services, including confidentiality agreements with parties with whom we conduct business.

However, contractual arrangements and other steps we have taken to protect our intellectual property may not prevent third parties from infringing or misappropriating our intellectual property or deter independent development of equivalent or superior intellectual property rights by others. Trademark, copyright, patent, domain name, trade dress and trade secret protection is expensive to maintain and may require litigation. Protecting our intellectual property rights and other proprietary rights is expensive and time-consuming and may not be successful in every jurisdiction. Also, we may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. We have licensed certain of our proprietary rights, such as trademarks or copyrighted material, to others in the past, and expect to do so in the future. These licensees may take actions that diminish the value of our proprietary rights or harm our reputation. Any failure to protect or enforce our intellectual property rights adequately, or significant costs incurred in doing so, could materially harm our business.

As the number of products in the software industry increases and the functionalities of these products further overlap, and as we acquire technology through acquisitions or licenses, we may become increasingly subject to infringement claims, including patent, copyright, and trademark infringement claims. We may be required to enter into litigation to determine the validity and scope of the patents or other intellectual property rights of others. The ultimate outcome of any allegation is uncertain and, regardless of the outcome, any such claim, with or without merit, may be time-consuming, result in costly litigation, divert management's time and attention from our business, require us to stop selling, delay shipping, or redesign our products, or require us to pay substantial amounts to satisfy judgments or settle claims or lawsuits or to pay substantial royalty or licensing fees, or to satisfy indemnification obligations that we have with some of our customers. Our failure to obtain necessary license or other rights, or litigation or claims arising out of intellectual property matters, may harm our business.

***If we continue to grow, we may not be able to appropriately manage the increased size of our business.***

We are currently experiencing a period of significant expansion and anticipate that further expansion will be required to address potential growth in our customer base and market opportunities.

We must constantly add new hardware, update software, enhance and improve our billing and transaction systems, and add and train new engineers and other personnel to accommodate the increased use of our platforms and the new products and features we regularly introduce. This upgrade process is expensive, and the increasing complexity and enhancement of our website results in higher costs. Failure to upgrade our technology, features, transaction processing systems, security infrastructure, or network infrastructure to accommodate increased traffic or transaction volume could harm our business. Adverse consequences could include unanticipated system disruptions, slower response times, degradation in levels of customer support, impaired quality of users' experiences of our services and delays in reporting accurate financial information.

Our revenues depend on prompt and accurate transaction processes. Our failure to grow our transaction-processing capabilities to accommodate the increasing number of transactions that must be billed on our website would harm our business and our ability to collect revenue. Furthermore, we may need to enter into relationships with various strategic partners, websites and other online service providers and other third parties necessary to our business. The increased complexity of managing multiple commercial relationships could lead to execution problems that can affect current and future revenues, and operating margins.

We cannot assure you that our current and planned systems, procedures and controls, personnel and third-party relationships will be adequate to support our future operations. In addition, our current expansion has placed a significant strain on management and on our operational and financial resources, and this strain is expected to continue. Our failure to manage growth effectively could seriously harm our business, results of operations and financial condition.

***Failure to maintain sufficient working capital could limit our growth and harm our business, financial condition and results of operations.***

We have significant working capital requirements, primarily driven by payment terms agreed with our merchant clients and the extended payment terms that they offer their customers. Differences between the date when we pay our merchant clients and the date when we receive payments from financial institutions may harm our liquidity and our cash flows. We expect our working capital needs to increase as our total transaction business increases. In order to finance our working capital needs, we have recently been entering into financing arrangements that decrease the amount of time it takes for us to collect our accounts receivable, and to increase the amount of time we have to pay our accounts payable. In addition, we also use our full banking license to offer certificates of deposit, or CDs, through BancoSeguro primarily to fund our credit portfolio. We believe these financing arrangements and BancoSeguro's CDs allow us to gain access to capital faster and more cheaply than we would otherwise be able to. There can be no assurance that these types of financing arrangements will continue to be available to us on acceptable terms, or at all. If we do not have sufficient working capital, we may not be able to pursue our growth strategy, respond to competitive pressures or fund key strategic initiatives, such as the development of our sites, which may harm our business, financial condition and results of operations.

Furthermore, we may offer new financial products under BancoSeguro. The advent of new financial products could have a variety of consequences for us. New financial products and technologies may increase our costs and risks associated with government regulation and investment in new technology. The costs of compliance with regulation and upgrading our infrastructure and technology to provide financial services could be significant.

***BancoSeguro may have insufficient capital to meet the capital requirements of the CMN and the Central Bank.***

Brazilian financial institutions must comply with the rules of the CMN and the Central Bank on capital adequacy, including minimum capital, which are similar to the Basel III regulatory framework. We cannot guarantee that BancoSeguro, upon increasing its operations, will have sufficient funds or resources available for its capitalization in the future, which could result in its inability to meet the capital adequacy requirements of the CMN and the Central Bank.

In addition, non-compliance with capital adequacy requirements may adversely affect BancoSeguro's ability to distribute dividends and interest on equity to shareholders, and may adversely affect its ability to operate and lend, which could cause BancoSeguro to sell its assets or take other measures that may adversely affect BancoSeguro's, and consequently our, operating results and financial condition. If BancoSeguro were not able to comply with these capital adequacy requirements, regulators may impose sanctions on BancoSeguro, including administrative proceedings, fines, disqualification of directors and even withdrawal of operating authorization, which could have a material adverse effect on BancoSeguro's, and consequently our, operations and financial conditions.

***BancoSeguro's, PagSeguro Brazil's and Wirecard Brazil's business is highly dependent on the current regulatory environment and changes in regulation may affect its results and the development of its activities.***

The Brazilian government has historically implemented or modified regulations that affect Brazilian financial institutions as part of its economic policy implementation. Such regulations are continuously modified by the Brazilian government to control credit availability and to reduce or increase consumption. Some of these controls are temporary in nature and may be modified from time to time in accordance with Brazilian government credit policies. Other controls have been introduced and have either remained stable or were gradually reduced. Such changes may adversely affect BancoSeguro's, PagSeguro Brazil's and Wirecard Brazil's, and consequently our, future operations and revenues.

***The growth of our credit portfolio of transactions through BancoSeguro could increase the default rates in our total portfolio, and the systems and methods of identification, analysis, management and control of risks related to our customer portfolio could be insufficient to prevent losses.***

BancoSeguro may expand its credit portfolio of transactions, increasing the origination and approval of new transactions, which could lead to an increase in late payments, default rates and expenses related to provisions, which would negatively affect our results of operations. Changes in interest rates and other variable market indexes could negatively affect our financial results. Our success depends on, among other factors, the balance between the risks and returns. We conduct credit checks on each of our customers to assess their risk profile, but we cannot assure you that our risk management systems will be sufficient to prevent losses from undetected risks in our customer portfolio, which could have a material adverse effect on our results of operations and financial condition.

***Our financial success is sensitive to the method consumers choose to make payments, since these methods differ in profitability. Our profitability could be harmed if the proportion of our business funded using less profitable methods goes up.***

We pay transaction fees to card schemes, banks and other intermediaries that vary according to the method chosen by consumers to fund payment transactions. These transaction fees are higher when consumers fund payments using credit cards, and lower when consumers fund payments with debit cards. Transaction fees are nominal when customers fund payment transactions by digital transfer of funds from bank accounts, and we pay no fees when customers fund payment transactions from an existing PagSeguro account balance. Our financial success is therefore sensitive to changes in the proportion of our business funded by consumers using credit and debit cards, which would increase our costs if we were unable to adjust the rates we charge our customers accordingly. Consumers may resist funding payments by digital transfer from bank accounts because of the incentives offered by credit cards, for example, or general concerns about providing bank account information to a third party.

***We may face restrictions and penalties under the Brazilian Consumer Protection Code in the future.***

Brazil has a series of strict consumer protection laws, referred to together as the Consumer Protection Code (*Código de Defesa do Consumidor*). These laws apply to all companies in Brazil that supply products or services to Brazilian consumers. They include protection against misleading and deceptive advertising, protection against coercive or unfair business practices and protection in the formation and interpretation of contracts, usually in the form of civil liabilities and administrative penalties for violations. These penalties are often levied by the Brazilian Consumer Protection Agencies (*Fundação de Proteção e Defesa do Consumidor*, or PROCONs), which oversee consumer issues on a district-by-district basis. Companies that operate across Brazil may face penalties from multiple PROCONs, as well as from the National Secretariat for Consumers (*Secretaria Nacional do Consumidor*, or SENACON). Companies may settle claims made by consumers via PROCONs by paying compensation for violations directly to consumers and through a mechanism that allows them to adjust their conduct, called a conduct adjustment agreement (*Termo de Ajustamento de Conduta*, or TAC). Brazilian Public Prosecutors may also commence investigations of alleged violations of consumer rights, and the TAC mechanism is also available as a sanction in those proceedings. Companies that violate TACs face potential automatic fines. Brazilian Public Prosecutors may also file public civil actions against companies who violate consumer rights, seeking strict observation of the consumer protection laws and compensation for any damages to consumers.

As of December 31, 2020, we had approximately 6,605 active judicial proceedings and proceedings with PROCONs and small claims courts relating to consumer rights. Most of these proceedings are related to consumer allegations of non-delivery of products by merchants and requests for withdrawal of digital account balances that were blocked by PagSeguro because they were under investigation for fraud or undergoing claim resolution. To the extent consumers file such claims against us in the future, we may be required to pay fines for non-compliance that could harm our results of operations.

***We are subject to regulatory activity and antitrust litigation under competition laws.***

We receive scrutiny from various governmental agencies under competition laws. Other companies or governmental agencies may allege that our actions violate antitrust or competition laws, or otherwise constitute unfair competition. Contractual agreements with buyers, sellers, or other companies could give rise to regulatory action or antitrust investigations or litigation. Also, our unilateral business practices could give rise to regulatory action or antitrust investigations or litigation. Any such claims and investigations, even if they are unfounded, are usually very expensive to defend, involve negative publicity and substantial diversion of management time and effort, and could result in significant judgments against us.

***Unfavorable outcomes in litigation or our inability to post judicial collateral or provide guarantees in pending legal or administrative proceedings could have a material adverse effect on our business, financial condition and results of operations.***

We are defendants in a significant number of judicial proceedings, including indemnity, labor and tax proceedings. As of December 31, 2020, we have recorded R\$13.0 million in provisions for current civil and labor proceedings and no provisions for non-current proceedings. We have not recorded any provisions with respect to our proceedings in which our chance of loss has been deemed possible. We cannot guarantee that such proceedings will have favorable outcomes for us or that the provisions made will be sufficient to pay any amounts due. Any proceedings that require us to make substantial payments, affect our reputation or otherwise interfere with our business operations could have a material adverse effect on our business, financial condition and operating results.

Additionally, we may not have sufficient funds to post collateral or provide guarantees in judicial or administrative proceedings that claim substantial amounts. Even if we do not post such collateral or provide guarantees, we will be liable for paying any amounts due pursuant to any unfavorable outcomes in legal proceedings. We cannot assure you that, if we cannot make such payments, our assets, including financial assets, will not be attached, or that we will be able to obtain tax good standing certificates, all of which may have a material adverse effect on our business, financial condition and results of operations.

***We may pursue strategic acquisitions or investments. The failure of an acquisition or investment to produce the anticipated results, or the inability to integrate an acquired company fully, could harm our business.***

We may occasionally acquire or invest in complementary companies or businesses. The success of an acquisition or investment will depend on our ability to make accurate assumptions regarding the valuation, operations, growth potential, integration and other factors related to that business. We cannot assure you that our acquisitions or investments will produce the results that we expect at the time we enter into or complete a given transaction. Furthermore, acquisitions may result in difficulties integrating the acquired companies, and may result in the diversion of our capital and our management's attention from other business issues and opportunities. We may not be able to integrate successfully the operations that we acquire, including their personnel, financial systems, distribution or operating procedures. If we fail to integrate acquisitions successfully, our business could suffer. In addition, the expense of integrating any acquired business and their results of operations may harm our operating results.

***Our developer platforms, which are open to merchants and third-party developers, subject us to additional risks.***

We provide third-party developers with access to application programming interfaces, software development kits and other tools designed to allow them to produce applications for use, with a particular focus on mobile applications. There can be no assurance that merchants or third-party developers will develop and maintain applications and services on our open platforms on a timely basis or at all. A number of factors could cause them to curtail or stop development for our platforms. In addition, our business is subject to many regulatory restrictions. It is possible that merchants and third-party developers who utilize our development platforms or tools could violate these regulatory restrictions and we may be held responsible for such violations, which could harm our business.

***We are a holding company and do not have any material assets other than the shares of our subsidiaries.***

We are a Cayman Islands exempted company with limited liability. Our material assets are our direct and indirect equity interests in our subsidiaries, particularly PagSeguro Internet S.A., our Brazilian operating company, which we refer to as PagSeguro Brazil. We are, therefore, dependent upon payments, dividends and distributions from our subsidiaries for funds to pay our operating and other expenses and to pay future cash dividends or distributions, if any, to holders of our Class A common shares or Class B common shares, and we may have tax costs in connection with any dividend or distribution. Furthermore, exchange rate fluctuations will affect the U.S. dollar value of any distributions our subsidiaries make with respect to our equity interests in those subsidiaries. See "—Risks Relating to Brazil—The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement as well as Brazil's political and economic conditions could harm us and the price of our Class A common shares." "—Risks Relating to Our Class A Common Shares—We have not adopted a dividend policy with respect to future dividends. If we do not declare any dividends in the future, you will have to rely on price appreciation of our Class A common shares in order to achieve a return on your investment." and "Item 10. Additional Information—Memorandum and Articles of Association—Dividends and Capitalization of Profits."

***An occurrence of a natural disaster, widespread health epidemic or pandemic or other outbreaks could seriously harm our business and results of operations. Furthermore, the spread of communicable diseases such as the COVID-19 outbreak on a global scale may affect investment sentiment, cause disruptions and result in sporadic volatility in global markets. As a result, the Brazilian economy and outlook may be affected, and consequently, our business and trading price of our common shares could be adversely affected.***

Natural disasters, such as fires or floods, the outbreak of a widespread health epidemic, or pandemic such as the outbreak of COVID-19, or other events, such as wars, acts of terrorism, political events, environmental accidents, power shortages or communication interruptions could seriously harm our business. The occurrence of a disaster or similar event could materially disrupt our business and operations. These events could also cause us to close our operating facilities temporarily, which would severely disrupt our operations and seriously harm our business and results of operations. In addition, our net sales could be significantly reduced to the extent that a natural disaster, health epidemic or pandemic or other major event harms the economy of Brazil or any other jurisdictions where we may operate. Our operations could also be severely disrupted if our customers, merchants or other participants were affected by natural disasters, health epidemics or pandemic or other major events.

Furthermore, the spread of communicable diseases such as the COVID-19 pandemic may affect investment sentiment, cause disruptions and result in volatility in global markets, potentially affecting the Brazilian economy and investment outlook. In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China and cases of infected patients have since been reported in other regions, including reported cases in Brazil in, among other locations, the city of São Paulo, where we have our headquarters. On March 11, 2020, the WHO designated COVID-19 as a pandemic. The spread of this virus has caused certain business, market and travel disruptions globally and particularly in infected regions. These disruptions include large-scale business shut downs, quarantine orders and mobility restrictions across Brazil and the world, negative impacts on Brazil's and the world's economy and financial market volatility, including volatility in the price of our Class A common shares. These disruptions have already had a direct impact on our TPV in the first and second quarters of 2020 as most of the Brazilian state capitals were under partial shut down since mid-March 2020. Partial shut downs are affecting all non-food retail stores, shopping malls, cinemas, soccer matches, concerts, cultural events, public parks, among other businesses. Under the partial shut downs, bars and restaurants may only operate home delivery services or takeout operations. As a result, we could experience net income shortfalls from operations, which could have a significant adverse effect on our results of operations.

Should the number of infected patients further increase in Brazil, it is possible that these disruptions would further affect the Brazilian economy and the financial markets, consequently having an adverse effect our results of operations and the trading price of our common shares. For example, if any Brazilian residents, including our employees, are suspected of having contracted a communicable disease such as the coronavirus, they may be subjected to quarantines, in addition to the stay at home orders and mobility limitations already applicable to the general population in various Brazilian cities. On a business level, this could mean that our or other companies' operations may be suspended. Any such further outbreak could more generally restrict economic activities in affected regions in Brazil, resulting in reduced business volume or temporary closures of our or other companies' facilities, or otherwise disrupting our business operations. In particular, we may experience a shortage in some of the key components used to manufacture our POS devices due to disruptions caused by the current COVID-19 pandemic, particularly in China, where these components are manufactured. In addition, Brazil has been facing the emergence of new COVID-19 variants, which have been causing a significant increase in the number of infections, hospitalizations and deaths. This could prolong the COVID-19 pandemic in Brazil and across the world, and result in new quarantine and lockdown periods, travel and public transport restrictions, prolonged closure of workplaces, supply chain disruptions and a general reduction in consumption. New COVID-19 variants may adversely affect the capital markets and the price of our common shares.

As a result of the COVID-19 pandemic, we implemented a remote working arrangement for our employees, which could adversely affect our ability to execute our business plans and operations. Should, for example, a natural disaster, power outage, connectivity issue or any other similar event impact our employees' ability to work remotely, it could be difficult or even impossible to maintain our business activities for a substantial period. We may also face transportation difficulties to seek new clients as a result of the restrictive measures imposed in response to the COVID-19 pandemic and a deterioration in our customer service quality due to the remote working arrangements we have implemented. We may be obligated to take further measures if required by the applicable government authorities or if we determine they are in the best interest of our employees, customers and business partners. In addition, if the COVID-19 pandemic continues, our business may be impacted by changes in consumer spending patterns. Factors that could affect consumer willingness to purchase non-essential items include, but are not limited to, general business conditions, employment levels, interest rates, tax rates, consumer credit availability, consumer confidence in future economic conditions or risks and public perceptions of risks related to epidemics or pandemics, such as the COVID-19 pandemic. In the event of a prolonged economic downturn or acute recession, consumer behavior may be adversely affected, causing our results of operations to fall below expectations.

We are not aware of any comparable event that could give us any guidance with respect to the effects of a global pandemic and the spread of COVID-19. Consequently, there is uncertainty around the duration of these disruptions, the possibility of any government intervention or other measures, or the possibility of other economic effects on the stock market, foreign exchange rates and otherwise. The extent to which the consequences of the COVID-19 pandemic impact our results, including the results of our clients, will depend on future developments that are highly uncertain and cannot be predicted, such as any new information which may emerge concerning the severity of the coronavirus, its potential spread to other regions and government actions to contain the outbreak or treat its impact, among others.

## Risks Relating to Brazil

*The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement as well as Brazil's political and economic conditions could harm us and the price of our Class A common shares.*

The Brazilian government frequently exercises significant influence over the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price controls, foreign exchange rate controls, currency devaluations, capital controls and limits on imports. We have no control over and cannot predict what measures or policies the Brazilian government may take in the future. We and the market price of our securities may be harmed by changes in Brazilian government policies, as well as general economic factors, including, without limitation:

- growth or downturn of the Brazilian economy;
- interest rates and monetary policies;
- exchange rates and currency fluctuations;
- inflation;
- liquidity of the domestic capital and lending markets;
- import and export controls;
- exchange controls and restrictions on remittances abroad;
- modifications to laws and regulations according to political, social and economic interests;
- fiscal policy and changes in tax laws;
- economic, political and social instability;
- labor and social security regulations; and
- other political, social and economic developments in or affecting Brazil.

It is expected that during 2021, the Brazilian government will address two other important reforms regarding the tax system and administrative structure that may affect the macroeconomic environment. We cannot predict what measures the Brazilian government will take in the face of mounting macroeconomic pressures or otherwise. Uncertainty over whether the Brazilian government will implement changes in policy or regulation affecting these or other factors in the future may affect economic performance and contribute to economic uncertainty in Brazil, which may have an adverse effect on us and our Class A common shares. Recent economic and political instability has led to a negative perception of the Brazilian economy and higher volatility in the Brazilian securities markets, which also may adversely affect us and our Class A common shares. See "Item 5. Operating and Financial Review and Prospects—Principal Factors Affecting Our Financial Condition and Results of Operations —Brazilian political environment and macroeconomic conditions, interest rates, consumer credit and consumer spending."

*Ongoing political instability may adversely affect our business, results of operations and the trading price of our Class A common shares.*

The recent economic instability in Brazil has contributed to a decline in market confidence in the Brazilian economy as well as to a deteriorating political environment. Consequently, uncertainty as to whether the Brazilian government will manage to pass the necessary economic reforms to prevent public accounts and the economy from deteriorating may lead to a decline in market confidence in the Brazilian economy and a crisis in government.

The economic outlook for 2021 continues to face significant uncertainties. The Brazilian economy was expected to continue recovering in 2020 at a moderate pace. However, due to the global economic downturn triggered by the COVID-19 pandemic, the Brazilian economy in 2020 underwent a contraction of 4.1% in GDP. As of January 2021, according to the International Monetary Fund, or the IMF, Brazil's GDP growth rate for 2021 is expected to be 3.6%.

In addition, various investigations into allegations of money laundering and corruption being conducted by the Office of the Brazilian Federal Prosecutor, including the largest such investigation, known as "Operação Lava Jato," have negatively impacted the Brazilian economy and political environment.

Under "Operação Lava Jato" members of the Brazilian government and of the legislative branch, as well as senior officers of large state-owned and private companies, have faced allegations and, in certain cases, convictions, or also, entering into plea bargains, related to crimes of political corruption, involving alleged bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies. The profits of these kickbacks allegedly financed the political campaigns of political parties of the government that were unaccounted for or not publicly disclosed, in addition to alleged personal enrichment of the recipients of the bribes and the favoring of companies in contracts with the Brazilian government. Furthermore, certain of these companies have been investigated, and, in certain cases, being convicted by the competent authorities, such as the CVM, the SEC and the United States Department of Justice. Certain of these companies have chosen to enter into leniency agreements with the competent authorities, when possible. The outcome of these investigations, convictions, plea bargaining and leniency agreements have had an adverse impact on the image and reputation of the implicated companies, political parties and on the general market perception of the Brazilian economy and political environment. Although "Operação Lava Jato" was formally closed by the Office of the Brazilian Federal Prosecutor on February 1, 2021, we cannot predict whether such investigations will lead to further political and economic instability or whether new allegations against government officials, officers or companies will arise in the future. In addition, we cannot predict the outcome of any such investigations or allegations nor their effect on the Brazilian economy.

Furthermore, the current President of Brazil, Jair Bolsonaro, has proposed several important reforms during his time in office thus far. Bolsonaro has also reportedly favored the privatization of state-owned companies, economic liberalization, new pension legislation and tax reforms. However, of the set of reforms that were part of Bolsonaro's electoral campaign platform, few have been implemented, with pension reform being the most important. With his polarizing style, Bolsonaro has demonstrated a reduced ability to negotiate with the Brazilian congress to approve important measures for economic growth and as such, these negotiations have been delegated to certain government ministries. With the current COVID-19 pandemic, such negotiations have taken a back seat to emergency measures to limit the spread of COVID-19 and to meet the basic food needs of Brazil's most underprivileged population. Many of the emergency measures being considered or implemented by the Central Bank or the Ministry of Economy, which affect Brazil's financial system, may have adverse effects on the Brazilian economy as a whole and on the Brazilian payment methods market, in which we operate. We cannot predict which further policies Jair Bolsonaro or the Brazilian government in general may propose, adopt or change or the effect that any such policies might have on our business and on the Brazilian economy. Additionally, statements made by Mr. Bolsonaro during 2020 and 2021, such as the announcement to replace the Chief Executive Officer of Petrobras following disagreements over fuel price policies, contributed to significant market volatility in Brazil and also indicate possible deviations from his campaign promises in favor of liberal economic policies.

In addition, Mr. Bolsonaro is under criminal investigation due to allegations by former minister of justice Sergio Moro that he had unduly interfered in the activities of the federal police. There has also been a political setback against the Brazilian federal government in relation to the measures taken to combat the COVID-19 pandemic, vis-à-vis state and municipal governments. This setback and the worsening state of the COVID-19 pandemic in Brazil, combined with delays in a mass vaccination program in Brazil in 2021, has adversely affected the Brazilian federal government. According to the former minister, the president asked him to appoint certain officials to positions in the Brazilian federal police force. Should it be determined that president Bolsonaro had committed such crimes or impeachable offenses, any resulting consequences, including a potential impeachment, could have significant adverse effects on Brazil's political and economic environment, as well as on businesses operating in Brazil, including us. Mr. Bolsonaro has also been criticized in Brazil and internationally in relation to the destabilizing effects of the COVID-19 pandemic and high levels of political uncertainty and instability in Brazil, particularly after the resignation of highly ranked federal ministers and the emergence of corruption allegations against president Bolsonaro.

***Inflation and certain measures by the Brazilian government to curb inflation have historically harmed the Brazilian economy and Brazilian capital markets, and high levels of inflation in the future would harm our business and the price of our Class A common shares.***

In the past, Brazil has experienced extremely high rates of inflation. Inflation and some of the measures taken by the Brazilian government in an attempt to curb inflation have had significant negative effects on the Brazilian economy generally. Inflation, policies adopted to curb inflationary pressures and uncertainties regarding possible future governmental intervention have contributed to economic uncertainty and heightened volatility in the Brazilian capital markets.



According to the National Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or IPCA, Brazilian inflation rates are 6.10%, as of March 2021 considering the accumulated inflation for the last 12 months, and were 4.52%, 4.31% and 3.75% in 2020, 2019 and 2018, respectively. Brazil may experience high levels of inflation in the future and inflationary pressures may lead to the Brazilian government's intervening in the economy and introducing policies that could harm our business and the price of our Class A common shares. In the past, the Brazilian government's interventions included the maintenance of a restrictive monetary policy with high interest rates that restricted credit availability and reduced economic growth, causing volatility in interest rates. For example, the SELIC (*Sistema Especial de Liquidação e de Custódia*), the Central Bank's overnight rate, as established by the Monetary Policy Committee (*Comitê de Política Monetária do Banco Central do Brasil*), or COPOM, was 7.00% as of December 7, 2017, where it remained through year-end 2017. The COPOM reduced the SELIC rate to 6.75% on February 7, 2018, and further reduced it to 6.50% on March 21, 2018. In 2019 and 2020, the COPOM reduced the SELIC rate further to 4.5% and 2%, respectively. As of March 17, 2021, the SELIC rate was 2.75%. Conversely, more lenient government and Central Bank policies and interest rate decreases have triggered and may continue to trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect us and increase our indebtedness.

***Exchange rate instability may have adverse effects on the Brazilian economy, us and the price of our Class A common shares.***

The Brazilian currency has been historically volatile and has been devalued frequently over the past three decades. Throughout this period, the Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. Although long-term depreciation of the real is generally linked to the rate of inflation in Brazil, depreciation of the real occurring over shorter periods of time has resulted in significant variations in the exchange rate between the real, the U.S. dollar and other currencies. The real/U.S. dollar exchange rate reported by the Central Bank was R\$3.9048 per U.S. dollar on December 31, 2015, and R\$3.2591 per U.S. dollar on December 31, 2016, reflecting a 16.4% nominal appreciation of the real against the U.S. dollar. Between year-end 2016 and year-end 2017, the real remained relatively stable, depreciating 1.5% against the U.S. dollar in nominal terms. Between year-end 2017 and 2018, the real depreciated greatly, by 16.9%, against the U.S. dollar, primarily as a result of (i) global U.S. dollar appreciation and the pressure on long-term interest rates in the U.S., (ii) an increase in Brazil's risk premium, and (iii) lower interest rates in Brazil, which reduced the volume of foreign currency deposited in Brazil in the "carry trade," as well as uncertainty regarding the results of the Brazilian presidential elections held in October 2018. Between year-end 2018 and 2019, the real depreciated by 4.1% in nominal terms against the U.S. dollar, reaching R\$4.0307 per U.S. dollar on December 31, 2019, primarily as a result of uncertainty regarding pension reform in Brazil and tensions in the US-China trade policy. The real depreciated significantly in 2020, by 28.9%, due to the COVID-19 pandemic, the prospects for a global economic recession and a sharp increase in risk premiums, political crisis and volatility in financial markets. The real/U.S. dollar exchange rate reported by the Central Bank was R\$5.1967 per U.S. dollar on December 31, 2020 and R\$5.6973 per U.S. dollar on March 31, 2021. There can be no assurance that the real will not again appreciate or depreciate against the U.S. dollar or other currencies in the future.

A devaluation of the *real* relative to the U.S. dollar could create inflationary pressures in Brazil and cause the Brazilian government to, among other measures, increase interest rates. Any depreciation of the *real* may generally restrict access to the international capital markets. It would also reduce the U.S. dollar value of our results. Restrictive macroeconomic policies could reduce the stability of the Brazilian economy and harm our results of operations and profitability. In addition, domestic and international reactions to restrictive economic policies could have a negative impact on the Brazilian economy. These policies and any reactions to them may harm us by curtailing access to foreign financial markets and prompting further government intervention. A devaluation of the *real* relative to the U.S. dollar may also, as in the context of the current economic slowdown, decrease consumer spending, increase deflationary pressures and reduce economic growth.

On the other hand, an appreciation of the *real* relative to the U.S. dollar and other foreign currencies may deteriorate the Brazilian foreign exchange current accounts. We and certain of our suppliers purchase goods and services from countries outside Brazil, and thus changes in the value of the U.S. dollar compared to other currencies may affect the costs of goods and services that we purchase. Depending on the circumstances, either devaluation or appreciation of the *real* relative to the U.S. dollar and other foreign currencies could restrict the growth of the Brazilian economy, as well as our business, results of operations and profitability.

***Infrastructure and workforce deficiency in Brazil may impact economic growth and have a material adverse effect on us.***

Our performance depends on the overall health and growth of the Brazilian economy. Brazilian GDP growth has fluctuated over the past few years, with a contraction of 3.3% in 2016, growth of 1.3% in 2017 and 1.8% in 2018, and growth of 1.4% in 2019. Due to the global economic downturn triggered by the COVID-19 pandemic, the Brazilian economy in 2020 underwent a contraction of 4.1% in GDP. Growth is limited by inadequate infrastructure, including potential energy shortages and deficient transportation, logistics and telecommunication sectors, the lack of a qualified labor force, and the lack of private and public investments in these areas, which limit productivity and efficiency. Any of these factors could lead to labor market volatility and generally impact income, purchasing power and consumption levels, which could limit growth and ultimately have a material adverse effect on us.

***Developments and the perceptions of risks in other countries, including other emerging markets, the United States and Europe, may harm the Brazilian economy and the price of Brazilian securities, including the price of our Class A common shares.***

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging markets, as well as the United States, Europe and other countries. To the extent the conditions of the global markets or economy deteriorate, the business of Brazilian companies may be harmed. The weakness in the global economy has been marked by, among other adverse factors, lower levels of consumer and corporate confidence, decreased business investment and consumer spending, increased unemployment, reduced income and asset values in many areas, reduction of China's growth rate, currency volatility and limited availability of credit and access to capital. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to Brazilian companies and resulted in considerable outflows of funds from Brazil, decreasing the amount of foreign investments in Brazil.

On March 11, 2020, the WHO declared the outbreak of COVID-19 to be a pandemic, leading government authorities throughout the world to determine the best practices for taking preventive measures and treating infected persons. Consequently, the COVID-19 outbreak resulted in various governments throughout the world imposing restrictions relating to the movement of people in order to contain the spread of the virus, including travel restrictions, social distancing mandates and lockdowns. As a result, countries have imposed travel and public transportation restrictions, extended work place closures, supply chain interruptions, commercial shutdowns, and reduced consumption by the population in general, all of which may have significant adverse effects on the global and Brazilian economy. The adoption of the measures described above, combined with the uncertainties caused by the outbreak of COVID-19, had an adverse impact on the economy and on the global capital markets, including in Brazil, triggering the circuit breaker of the São Paulo Stock Exchange (B3 S.A. - Brasil, Bolsa, Balcão, or the B3) eight times in March 2020. For more information on risks relating to COVID-19, see "Risks Relating to our Business and Industry—An occurrence of a natural disaster, widespread health epidemic or pandemic or other outbreaks could seriously harm our business and results of operations. Furthermore, the spread of communicable diseases such as the COVID-19 outbreak on a global scale may affect investment sentiment, cause disruptions and result in sporadic volatility in global markets. As a result, the Brazilian economy and outlook may be affected, and consequently, our business and trading price of our common shares could be adversely affected."

Crises and political instability in other emerging market countries, the United States, Europe or other countries, such as the global outbreak of COVID-19, could decrease investor demand for Brazilian securities, such as our Class A common shares. In June 2016, the United Kingdom had a referendum in which the majority voted to leave the European Union. We have no control over and cannot predict the effect of the United Kingdom's exit from the European Union nor over whether and to which effect any other member state will decide to exit the European Union in the future. On January 20, 2021, Joe Biden became the President of the United States. We have no control over and cannot predict the effect of Joe Biden's administration or policies. These developments, including the spread of the COVID-19 pandemic and its economic effects in other countries, as well as potential crises and forms of political instability arising therefrom or any other as of yet unforeseen development, may harm our business and the price of our Class A common shares.

***Any further downgrading of Brazil's credit rating could reduce the trading price of our Class A common shares.***

We may be harmed by investors' perceptions of risks related to Brazil's sovereign debt credit rating. Rating agencies regularly evaluate Brazil and its sovereign ratings, which are based on a number of factors including macroeconomic trends, fiscal and budgetary conditions, indebtedness metrics and the perspective of changes in any of these factors.

Brazil has lost its investment grade sovereign debt credit rating with the three main U.S. based credit rating agencies, Standard & Poor's, Moody's and Fitch. Standard & Poor's downgraded Brazil's sovereign debt credit rating from BB+ to BB in February 2016 and further reduced it to BB- in January 2018 with a stable outlook. In December 2019, Standard & Poor's reaffirmed the BB- rating, raising the outlook from stable to positive. However, in April 2020, Standard & Poor's downgraded Brazil's public debt rating outlook from positive to stable, citing Brazil's decrease in GDP for 2020 due to the COVID-19 pandemic and Brazil's higher level of spending aimed at fighting COVID-19 and preventing mass layoffs. In August 2015, Moody's placed Brazil's Baa3 sovereign debt credit rating on review and downgraded Brazil's sovereign credit rating in February 2016 to Ba2 with a negative outlook, citing the prospect for further deterioration in Brazil's indebtedness figures amid a recession and challenging political environment. In April 2018, Moody's reaffirmed the Ba2 rating, but raised the outlook from negative to stable, citing expectations that the winner of the October 2018 presidential elections will pass fiscal reforms. In March 2020, Moody's maintained Brazil's stable rating, citing that Brazil's response to COVID-19 mitigates the severe impact on growth but at some fiscal cost, and that the deterioration of fiscal and debt metrics is expected to be temporary and limited to 2020 due to the shock of the COVID-19 pandemic. Moody's reaffirmed Brazil's Ba2 stable rating in February 2021. Fitch downgraded Brazil's sovereign credit rating to BB with a negative outlook in May 2016, citing the country's rapidly expanding budget deficit and worse-than-expected recession, and further downgraded Brazil's sovereign debt credit rating in February 2018 to BB- with a stable outlook. In November 2019, Fitch reaffirmed the BB- rating. In April 2020, Fitch reported that the spread of COVID-19, the drop in commodity prices, tighter external funding conditions and falling domestic financial asset prices will weaken economic growth in Latin America substantially in 2020, compounding downward pressure on sovereign credit profiles in the region. In May 2020, Fitch maintained Brazil's credit rating at BB-, but changed its outlook from stable to negative, citing the deterioration of Brazil's fiscal and economic environment and that both could worsen due to political uncertainties, as well as uncertainties regarding the duration and intensity of the COVID-19 pandemic.

Brazil's sovereign credit rating is currently rated below investment grade by the three main credit rating agencies. Consequently the prices of securities issued by Brazilian companies have been negatively affected. A prolongation or worsening of the current Brazilian recession and continued political uncertainty, among other factors, could lead to further ratings downgrades. Any further downgrade of Brazil's sovereign credit ratings could heighten investors' perception of risk and, as a result, cause the trading price of our Class A common shares to decline.

***Internet regulation in Brazil is recent and still limited and several legal issues related to the internet are uncertain.***

In 2014, Brazil enacted the Brazilian Civil Rights Framework for the Internet, setting forth principles, guarantees, rights and duties for the use of the internet in Brazil, including provisions about internet service provider liability, internet user privacy and internet neutrality. In May 2016, further regulations were passed in connection with the Brazilian Civil Rights Framework for the Internet. However, unlike in the United States, little case law exists around the Brazilian Civil Rights Framework for the Internet and existing jurisprudence has not been consistent. Furthermore, in 2018, Brazil enacted the LGPD, which partially entered into force in 2020. The LGPD governs data owners' rights – such as access to its data, correction of data (if incomplete, incorrect or out of date), erasure of data, with whom the data is shared, among others –, the legal basis that establish in which cases data can be treated, as well as fines and penalties applicable for non-compliant entities, which is expected to enter into force by the end of 2021. For more information on risks regarding the LGPD, see "—We are subject to risks associated with noncompliance with the General Data Protection Law and may be adversely affected by investing in measures to adapt to new laws, the imposition of fines and other types of penalties." As was the case with the Brazilian Civil Rights Framework for the Internet, little case law exists regarding the LGPD since it only came into force in 2020. Legal uncertainty arising from the limited guidance provided by current laws in force allows for different judges or courts to decide very similar claims in different ways and establish contradictory jurisprudence. This legal uncertainty allows for rulings against us and could set adverse precedents, which individually or in the aggregate could seriously harm our business, results of operations and financial condition. In addition, legal uncertainty may harm our customers' perception and use of our service.

## Risks Relating to Our Class A Common Shares

***UOL, our largest shareholder, owns 100% of our outstanding Class B common shares, which represent approximately 86.42% of the voting power of our issued share capital, and controls all matters requiring shareholder approval. This concentration of ownership and voting power limits your ability to influence corporate matters.***

Our Class B common shares are entitled to 10 votes per share and our Class A common shares are entitled to one vote per share. Our Class B common shares are convertible into an equivalent number of Class A common shares and generally convert into Class A common shares upon transfer subject to limited exceptions. UOL controls our company and holds all of our outstanding Class B common shares, representing 39.02% of our issued share capital. As of March 31, 2021, UOL also held 814,862 of our outstanding Class A common shares. Because of the ten-to-one voting ratio between our Class B common shares and Class A common shares, these Class B common shares give UOL approximately 86.42% of the voting power of our issued share capital. UOL therefore controls the outcome of all decisions at our shareholders' meetings, and is able to elect a majority of the members of our board of directors. It is also able to direct our actions in areas such as business strategy, financing, distributions, acquisitions and dispositions of assets or businesses. UOL's decisions on these matters may be contrary to your expectations or preferences, and it may take actions that could be contrary to your interests. It will be able to prevent any other shareholders, including you, from blocking these actions. For further information regarding shareholdings in our company, see "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders."

If UOL sells or transfers any of its Class B common shares, they will generally convert automatically into Class A common shares, subject to limited exceptions, such as transfers to affiliates, to trustees for the holder or its affiliates and certain transfers to U.S. tax exempt organizations. The fact that any Class B common shares convert into Class A common shares if UOL sells or transfers them means that UOL will in many situations continue to control a majority of the combined voting power of our outstanding share capital, due to the voting rights of any Class B common shares that it retains. If our Class B common shares at any time represent less than 10% of the combined voting power of our Class A common shares and Class B common shares together, however, the Class B common shares then outstanding will automatically convert into Class A common shares. For a description of the dual class structure, see "Item 10. Additional Information—Memorandum and Articles of Association."

***Class A common shares eligible for future sale may cause the market price of our Class A common shares to drop significantly.***

The market price of our Class A common shares may decline as a result of sales of a large number of our Class A common shares in the market (including Class A common shares issuable upon conversion of Class B common shares) or the perception that these sales may occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As of December 31, 2020, we have outstanding 201,461,511 Class A common shares (including treasury shares) and 127,554,861 Class B common shares. All Class B common shares are beneficially owned by UOL. The Class A common shares sold in our October 2019 follow-on offering are freely tradable without restriction or further registration under the Securities Act by persons other than our affiliates within the meaning of Rule 144 of the Securities Act.

Our shareholders or entities controlled by them or their permitted transferees are able to sell their shares in the public market from time to time without registering them, subject to certain limitations on the timing, amount and method of those sales imposed by regulations promulgated by the SEC. If any of our shareholders, the affiliated entities controlled by them or their respective permitted transferees were to sell a large number of their Class A common shares, the market price of our Class A common shares may decline significantly. In addition, the perception in the public markets that sales by them might occur may also cause the trading price of our Class A common shares to decline.

***We have not adopted a dividend policy with respect to future dividends. If we do not declare any dividends in the future, you will have to rely on price appreciation of our Class A common shares in order to achieve a return on your investment.***

We have not adopted a dividend policy with respect to future dividends. The amount of any distributions will depend on many factors such as our results of operations, financial condition, cash requirements, prospects and other factors deemed relevant by our board of directors or, where applicable, our shareholders. Accordingly, if we do not declare dividends in the future, investors will most likely have to rely on sales of their Class A common shares, which may increase or decrease in value, as the only way to realize cash from their investment. There is no guarantee that the price of our Class A common shares will ever exceed the price that you pay.

***We may raise additional capital in the future by issuing equity securities, which may result in a potential dilution of your equity interest.***

We may issue additional equity securities to raise capital, make acquisitions, or for a variety of other purposes. Additional issuances of our shares may be made pursuant to the exercise or conversion of convertible debt securities, warrants, stock options or other equity incentive awards such as the LTIP and LTIP-Goals. Any strategic partnership, issuance or placement of shares or securities convertible into or exchangeable for shares may affect the market price of our shares and could result in dilution of your equity interest.

***If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, the market price and trading volume of our Class A common shares could decline.***

The trading market for our Class A common shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our Class A common shares could decline, which might cause the market price and trading volume of our Class A common shares to decline.

***Our dual class capital structure means our shares will not be included in certain indices. We cannot predict the impact this may have on our stock price.***

In July 2017, S&P Dow Jones, a provider of widely followed stock indices, announced that companies with multiple share classes, such as ours, will not be eligible for inclusion in certain of their indices. As a result, our Class A common shares are not eligible for these stock indices. Many investment funds are precluded from investing in companies that are not included in such indices, and these funds would be unable to purchase our Class A common shares if we were not included in such indices. We cannot assure you that other stock indices will not take a similar approach to S&P Dow Jones in the future. Exclusion from indices could make our Class A common shares less attractive to investors and, as a result, the market price of our Class A common shares could be adversely affected.

***We are a Cayman Islands exempted company with limited liability. The rights of our shareholders may be different from the rights of shareholders governed by the laws of U.S. jurisdictions.***

We are a Cayman Islands exempted company with limited liability. Our corporate affairs are governed by our Memorandum and Articles of Association of the Cayman Islands. The rights of shareholders and the responsibilities of members of our board of directors may be different from the rights of shareholders and responsibilities of directors in companies governed by the laws of U.S. jurisdictions. In the performance of its duties, the board of directors of a solvent Cayman Islands exempted company is required to consider the company's interests, which is generally defined with reference to the interests of its shareholders (both present and future) as a whole, which may differ from the interests of one or more of its individual shareholders. See "Item 10. Additional Information—Memorandum and Articles of Association—Principal Differences between Cayman Islands and U.S. Corporate Law."

Furthermore, the Cayman Islands has recently enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision), or the Cayman Economic Substance Act. We are required to comply with the Cayman Economic Substance Act. As we are a Cayman Islands exempted company, compliance obligations include filing annual notifications for the Company, which need to state whether we are carrying out any relevant activities and if so, whether we have satisfied economic substance tests to the extent required under the Cayman Economic Substance Act. As it is a new regime, it is anticipated that the Cayman Economic Substance Act will evolve and be subject to further clarification and amendments. We may need to allocate additional resources to keep updated with these developments, and may have to make changes to our operations in order to comply with all requirements under the Cayman Economic Substance Act. Failure to satisfy these requirements may subject us to penalties under the Cayman Economic Substance Act.

Lastly, in February 2021, the Cayman Islands was added to the Financial Action Task Force, or FATF, list of jurisdictions whose anti-money laundering practices are under increased monitoring, commonly referred to as the "FATF grey list." When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring during that timeframe. It is unclear how long this designation will remain in place and what ramifications, if any, the designation will have on us.

***Our shareholders may face difficulties in protecting their interests because we are a Cayman Islands exempted company.***

Our corporate affairs are governed by our Memorandum and Articles of Association, by the Companies Act, and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under the laws of the Cayman Islands are not as clearly defined as under statutes or judicial precedent in existence in jurisdictions in the United States. Therefore, you may have more difficulty protecting your interests than would shareholders of a corporation incorporated in a jurisdiction in the United States, due to the comparatively less formal nature of Cayman Islands law in this area.

While Cayman Islands law allows a dissenting shareholder to express a shareholder's view that a court sanctioned reorganization of a Cayman Islands company would not provide fair value for the shareholder's shares, Cayman Islands statutory law in respect of schemes of arrangement does not specifically provide for shareholder appraisal rights in connection with a court sanctioned reorganization (by way of scheme of arrangement). This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation (by way of scheme of arrangement) or to require that the acquirer gives you additional consideration if you believe the consideration offered is insufficient. However, Cayman Islands statutory law, which permits a merger/consolidation without a court order, provides a mechanism for a dissenting shareholder in a merger or consolidation to require us to apply to the Grand Court of the Cayman Islands for a determination of the fair value of the dissenter's shares if it is not possible for the company and the dissenter to agree on a fair price within the time limits prescribed.

Shareholders of Cayman Islands exempted companies (such as us) have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders. Our directors have discretion under our Articles of Association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against the board of directors. Class actions are not recognized in the Cayman Islands, but groups of shareholders with identical interests may bring representative proceedings, which are similar.

***Our Memorandum and Articles of Association contain anti-takeover provisions that may discourage a third party from acquiring us and reduce the rights of holders of our Class A common shares.***

Our Memorandum and Articles of Association contain certain provisions that could limit the ability of others to acquire our control, including a provision that grants authority to our board of directors to issue new shares in our company from time to time (including common shares and preferred shares) without action by our shareholders. These provisions could have the effect of depriving our shareholders of the opportunity to sell their Class A common shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain our control in a tender offer or similar transactions. See "Item 10. Additional Information—Memorandum and Articles of Association—Anti-Takeover Provisions in our Memorandum and Articles of Association."

***United States civil liabilities and certain judgments obtained against us by our shareholders may not be enforceable.***

PagSeguro Digital is a Cayman Islands exempted company and substantially all of our assets are located outside of the United States. In addition, all of our current directors and officers are residents of Brazil, and a substantial portion of their assets is located outside of the United States. As a result, it may be difficult to effect service of process within the United States upon these persons. It may also be difficult to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and those officers and directors.

Further, it is unclear if original actions predicated on civil liabilities based solely upon U.S. federal securities laws are enforceable in courts outside the United States, including in the Cayman Islands and Brazil. Courts of the Cayman Islands may not, in an original action in the Cayman Islands, recognize or enforce judgments of U.S. courts predicated upon the civil liability provisions of the securities laws of the United States or any state of the United States on the grounds that such provisions are penal in nature. Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, courts of the Cayman Islands will recognize a foreign judgment *in personam* of a court of competent jurisdiction and give a judgment based thereon if such judgment is final, for a liquidated sum, provided it is not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands' judgment in respect of the same matters, and was not obtained in a manner which is contrary to the public policy of the Cayman Islands. In addition, a Cayman Islands court may stay proceedings if concurrent proceedings are being brought elsewhere.

***Judgments of Brazilian courts to enforce our obligations with respect to our Class A common shares may be payable only in reais.***

Most of our assets are located in Brazil. If proceedings are brought in the courts of Brazil seeking to enforce our obligations in respect of our Class A common shares, we may not be required to discharge our obligations in a currency other than the *real*. Under Brazilian exchange control laws, an obligation in Brazil to pay amounts denominated in a currency other than the *real* may only be satisfied in Brazilian currency at the exchange rate in effect on the date of the Brazilian Superior Court of Justice's enforcement of the obligation. These amounts are then adjusted to reflect exchange rate variations through the effective payment date and, if applicable, eventual default interest. The exchange rate at that time may not afford non-Brazilian investors with full compensation for any claim arising out of or related to our obligations under the Class A common shares.

The judicial recognition process for foreign judgments before the Brazilian Superior Court of Justice may be time consuming and may also give rise to difficulties in enforcing such foreign judgment in Brazil. Accordingly, we cannot assure you that judicial recognition of a foreign judgment would be successful, that the judicial recognition process would be conducted in a timely manner or that a Brazilian court would enforce a judgment of non-Brazilian courts. Furthermore, upon its recognition by the Brazilian Superior Court of Justice, the enforcement of a foreign judgment would be delegated to a lower federal court.

***As a foreign private issuer, the disclosure requirements that we must comply with and other requirements are different from those applicable to U.S. domestic registrants.***

As a foreign private issuer, the disclosure requirements that we must comply with and other requirements are different from those applicable to U.S. domestic registrants. For example, as a foreign private issuer for U.S. purposes, we are not subject to the same disclosure requirements as a domestic U.S. registrant under the Securities Exchange Act of 1934, as amended, or the Exchange Act, including the requirements to prepare and issue quarterly reports on Form 10-Q or to file current reports on Form 8-K upon the occurrence of specified significant events, the proxy rules applicable to domestic U.S. registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules applicable to domestic U.S. registrants under Section 16 of the Exchange Act. In addition, we rely on exemptions from certain U.S. rules which permit us to follow Cayman Islands legal requirements rather than certain of the requirements that are applicable to U.S. domestic registrants.

We follow the Cayman Islands laws and regulations that are applicable to Cayman Islands companies. However, these laws and regulations do not contain any provisions comparable to the U.S. proxy rules, the U.S. rules relating to the filing of reports on Form 10-Q or 8-K or the U.S. rules relating to liability for insiders who profit from trades made in a short period of time, as referred to above.

Furthermore, foreign private issuers are required to file their annual report on Form 20-F within 120 days after the end of each fiscal year, while U.S. domestic issuers that are large accelerated filers are required to file their annual report on Form 10-K within 60 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, even though we are required to file reports on Form 6-K disclosing the limited information that is material to us and which we make public pursuant to Cayman Islands law, or are required to distribute to shareholders generally, you may not receive information of the same type or amount that is required to be disclosed to shareholders of a U.S. company.

We cannot predict if investors will find our Class A common shares less attractive because we will rely on these exemptions. If some investors find our Class A common shares less attractive as a result, there may be a less active trading market for our Class A common shares and our share price may be more volatile.

***PagSeguro Digital is a foreign private issuer and, as a result, in accordance with the listing requirements of the NYSE we rely on certain home country governance practices from the Cayman Islands, rather than the corporate governance requirements of the NYSE.***

We report under the Exchange Act as a non-U.S. company with foreign private issuer status. The NYSE rules provide that foreign private issuers are permitted to follow home country practice in lieu of certain NYSE corporate governance standards. The standards applicable to us are considerably different from the standards applied to U.S. domestic issuers. For instance, we are not required to:

- have a majority of independent members on our board of directors (other than as may result from the requirements for the audit committee member independence under the Exchange Act);
- have a minimum of three members on our audit committee;
- have a compensation committee or a nominating and corporate governance committee;

- have regularly scheduled executive sessions of our board that consist of independent directors only; or
- adopt and disclose a code of business conduct and ethics for directors, officers and employees.

As a foreign private issuer, we may follow home country practice from the Cayman Islands in lieu of the above requirements. Therefore, the approach to governance adopted by our board of directors may be different from that of a board of directors consisting of a majority of independent directors, and, as a result, our management oversight may be more limited than if we were subject to all of the NYSE corporate governance standards. Accordingly, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

***Although we do not expect to be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes, there can be no assurance that we will not be a PFIC for any taxable year, which could subject United States investors in our shares to significant adverse U.S. federal income tax consequences.***

We do not expect to be a PFIC for the current taxable year or any future year, based on our current business plans. However, whether we are a PFIC will be determined annually based upon the composition and nature of our income, the composition, nature and valuation of our assets (including goodwill), all of which are subject to change, and which may be determined in large part by reference to the market value of our shares, which may be volatile, and our corporate structure and the classification for U.S. federal income tax purposes of our subsidiaries. The determination of whether we are a PFIC will also depend upon the application of complex U.S. federal income tax rules concerning the classification of our assets (including goodwill) and income for this purpose, and the application of these rules is uncertain in some respects. Moreover, the determination of the value of our assets (including goodwill and certain intangible assets) may depend on our market capitalization, and that market capitalization may fluctuate. Accordingly, due to the lack of directly applicable authority regarding the foregoing, there can be no assurance that the IRS will not challenge any determination by us that we are not a PFIC.

If we were classified as a PFIC, special adverse U.S. federal tax rules would generally apply to a United States Holder (as defined in "Item 10. Additional Information—Taxation—U.S. Federal Income Tax Considerations") that holds our Class A common shares. United States Holders are urged to consult their own tax advisors with respect to the potential tax consequences of the PFIC rules to their particular circumstances.

***Our Class A common shares may not be a suitable investment for all investors, as investment in our Class A common shares presents risks and the possibility of financial losses.***

The investment in our Class A common shares is subject to risks. Investors who wish to invest in our Class A common shares are thus subject to asset losses, including loss of the entire value of their investment, as well as other risks, including those related to our Class A common shares, the company, the sector in which we operate, our shareholders and the general macroeconomic environment in Brazil, among other risks.

Each potential investor in our Class A common shares must therefore determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of our Class A common shares, the merits and risks of investing in our Class A common shares and the information contained in this annual report;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in our Class A common shares and the impact our Class A common shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in our Class A common shares;
- understand thoroughly the terms of our Class A common shares and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.



#### ITEM 4. INFORMATION ON THE COMPANY

##### Overview

We are a disruptive provider of financial technology solutions focused primarily on consumers, individual entrepreneurs, micro-merchants, small companies and medium-sized companies, or SMEs, in Brazil. Among our peers, we are the only financial technology provider in Brazil whose business model covers all of the following five pillars:

- multiple digital banking solutions;
- in-person payments via POS devices that we provide to merchants;
- free digital accounts that we provide to our consumers and merchants with functionalities such as bill payments, top up prepaid mobile phone, Uber, Spotify or Google Play credits, wire transfers, peer to peer cash transfers, prepaid credit cards, cash cards, loans, investments, QR code payments, and payroll portability, among other digital banking services;
- issuer of prepaid, cash and credit cards; and
- operate as a full acquirer.

Our end-to-end digital banking ecosystem enables our merchants not only to accept payments, but also to grow and manage their businesses. Before PagSeguro, many of these individual entrepreneurs, micro-merchants and SMEs were overlooked or underserved by incumbent payment providers and large financial institutions in Brazil. For example, according to a survey conducted by us in January 2021, 79% of merchants who own our entry-level mobile POS, mPOS, device, the Minizinha, did not accept card payments prior to signing up with PagSeguro. We offer safe, affordable, simple, mobile-first solutions for merchants to accept payments and manage their cash through their free PagBank digital accounts, without the need for a traditional bank account.

Our digital banking ecosystem features our free PagBank digital account, under the brand PagBank, and offers 39 cash-in methods and 13 cash-out options including bill payments, top up prepaid mobile phone, Uber, Spotify or Google Play credits, wire transfers, peer to peer cash transfers, prepaid credit cards, cash cards, loans, investments, QR code payments, and payroll portability, among other digital banking services. Our free PagBank digital account serves both consumers and merchants.

Focusing primarily on individual entrepreneurs, micro-merchants and SMEs, we offer a range of POS and mPOS devices specifically designed to fit their business needs. Our devices offer competitive transaction fees and access to our end-to-end digital banking ecosystem with a free PagBank digital account, which is similar to a regular checking account. They span from our entry-level product, the Minizinha, to the Modeminha Smart. Unlike the incumbent payment providers in Brazil, who rent their POS devices to merchants, we innovated by allowing merchants to acquire their own POS device from us in 12 monthly installments. For the equivalent of three to six months of rental fees with the incumbents, merchants can have a comparable device from PagSeguro with a free PagBank digital account.

Our digital banking ecosystem helps drive financial inclusion in Brazil providing business solutions primarily designed for consumers, individual entrepreneurs, micro-merchants and SMEs. Our main target markets include underserved clients and unbanked clients who have been ignored or underserved by the incumbents. Our digital banking ecosystem serves both consumers and merchants on a single platform. These merchants and consumers are attracted by our disruptive technology, which enables us to offer free, innovative, scalable and low-cost products and services with simpler onboarding, no paperwork and a high acceptance rate, while maintaining levels of fraud below those required by the card schemes. Once on our platform, merchants can offer consumers 39 cash-in methods, choose to obtain early payment of their card receivables on consumer installment transactions, and manage their cash balances on our free PagBank digital account, which offers 13 cash-out options including wire and peer to peer transfers, QR code payments, bill payments, top up prepaid mobile phone, Uber, Spotify or Google Play credits and in-person and online purchases or cash withdrawals using our PagSeguro prepaid and cash cards. Our management tools help them start or grow their businesses with PagSeguro as a partner, with software functionalities such as sales reports, credit and debit card reconciliation and inventory control, which we believe create a strong commercial bond with our clients. We believe the combination of all these features increases our clients' loyalty, leading them to conduct additional business with us, in a virtuous cycle. Our merchants span businesses of all types and sizes, ranging from individual entrepreneurs, micro-merchants and small companies such as street vendors and beauty salons, to medium-sized companies in retail and other sectors. We also have a growing presence in the business-to-business commerce segment.

Some of our key financial and operating data are as follows:

- At December 31, 2020, our active merchants totaled 7.0 million, representing an increase of 34.6% compared with 5.3 million at year-end 2019. Our active merchants at year-end 2019 represented an increase of 29.3% compared with 4.1 million at year-end 2018.
- In 2020, our TPV totaled R\$161.5 billion, representing an increase of 40.7% compared with R\$114.8 billion in 2019. Our TPV in 2019 represented an increase of 50.8% compared with R\$76.1 billion in 2018.
- In 2020, our Total revenue and income totaled R\$6,814.7 million, representing an increase of 19.4% compared with R\$5,707.2 million in 2019. Our Total revenue and income in 2019 represented an increase of 31.7% compared with R\$4,334.7 million in 2018. The principal components of our Total revenue and income posted the following growth:
  - Our two revenue items (Revenue from transaction activities and other services and Revenue from sales) together totaled R\$4,508.7 million in 2020, an increase of 33.5% compared with R\$3,550.3 million in 2019. The total of these revenue items in 2019 represented an increase of 34.4% compared with R\$2,641.7 million in 2018.
  - Our Financial income totaled R\$2,177.4 million in 2020, an increase of 7.2% compared with R\$2,030.5 million in 2019. Financial income in 2019 represented an increase of 43.5% compared with R\$1,414.5 million in 2018.
- In 2020, our Net income for the year totaled R\$1,292.3 million, representing a decrease of 5.5% compared with R\$1,367.0 million in 2019. Net income for the year in 2019 represented an increase of 50.2% compared with R\$910.4 million in 2018.

Beginning June 30, 2019, we began tracking one additional operating metric: PagBank active users.

- At December 31, 2020, our PagBank active users totaled 7.9 million, representing an increase of 187% compared with 2.7 million at December 31, 2019.

With respect to the labor market, in December 2020, according to information from IBGE's PNAD, Brazil had 41 million formal economy employees and 18 million informal economy employees (considering the private sector, domestic services and the public sector), representing a major market opportunity for digital banks, as most of the 18 million individuals employed in the informal economy remain unbanked and seek digital payments and credit solutions.

With respect to business and entrepreneurship, according to SEBRAE (*Portal do Empreendedor*) and Brazil's Internal Revenue Services (*Receita Federal*), there were 11.3 million micro-merchants in Brazil at December 31, 2020. Also, according to the most recent Annual Social Information Report (*Relação Anual de Informações Sociais - RAIS*), published by the Ministry of the Economy, at December 31, 2019, there were 3.8 million SMEs. Additionally, according to IBGE's PNAD, at December 31, 2020, there were 17.7 million individuals self-employed in the informal economy, usually individual customers of card acquirers. Taken together, this totals an addressable market of approximately 33 million formal and informal businesses. In addition, according to SEBRAE, the number of Individual Micro Entrepreneurs in Brazil increased significantly from 2010 to March 2021, from 780 thousand to 11.9 million.

We believe that by continuing to migrate these individual micro entrepreneurs and micro companies into our ecosystem, we can continue to drive significant additional revenue growth in the coming years. At the same time, we will continue to introduce more value-added products and services targeted to larger clients. For example, in February 2018, we announced a new functionality for our Modeminha Wi-Fi and Modeminha Pro, enabling multiple merchants to share a single POS device; in March 2018, we launched our Minizinha Chip, a POS device that combines high-end functionalities, such as Wi-Fi and GPRS connection (chip) in compact hardware that can fit in a merchant's pocket and comes with its own SIM card and a free data plan, thus no longer requiring smartphone pairing like traditional mPOS devices; and in May 2018, we launched our Modeminha Plus, the next-generation substitute for our highly successful Modeminha Wi-Fi, now with an improved physical keyboard, a faster processor and double the battery life; and in October 2018, we launched our Modeminha Smart, a modern, portable and fully integrated Android based POS device that offers a full integration of hardware, our apps and a fast and secure payments network. In addition, in April 2019, we introduced our instant payments feature which enables merchants to receive payments immediately following debit and credit card transactions (both with and without installments) at the same cost as our one day payment date election service. Furthermore, in September 2019, we launched a new feature for our free PagBank digital account through which we will pay interest at a rate of 100% over the CDI, representing 8% more than traditional savings accounts, on account balances maintained for at least 30 days.

In 2020, BancoSeguro expanded its investment alternatives in the Super App service, with the issuance of banking deposit certificates (*Certificados de Depósito Bancário*, or CDB) yielding a rate of 105% to 200% over the CDI. In addition, we began to distribute quotas in new investment funds managed by third parties and backed by incentive debt issuances, corporate debt issuances, and Brazilian treasury bills and shares, and we recently started to offer a new service that allows our customers to buy, hold and sell quotas for investment funds in cryptocurrencies also managed by third parties. Through the PagInvest platform, the digital asset management platform available for our clients, now millions of customers can invest in digital currencies through a new cryptocurrency investment fund, with an initial ticket of R\$500. We believe this feature will not only increase loyalty and engagement to our digital banking ecosystem but also help us acquire new users, since according to the Brazilian Association of Financial and Capital Markets Entities, or ANBIMA, as of February 2021, 91% of Brazilian investors are classified as traditional retail consumers and 87% of this group of traditional retail consumers invested in savings accounts.

### **The 2015 Reorganization of PagSeguro Brazil**

PagSeguro Brazil was incorporated as a legal entity in 2006, although it did not operate the PagSeguro business prior to August 1, 2015 since most of the PagSeguro business activities were operated by other UOL group members prior to that date. On August 1, 2015, UOL carried out a corporate reorganization in which it segregated some of the PagSeguro activities from its other activities and contributed them to PagSeguro Brazil.

Prior to the contribution of these PagSeguro activities to PagSeguro Brazil, their results of operations were recorded in UOL's financial statements. As a result, the financial information of PagSeguro Digital reflects a carve-out of the PagSeguro activities for periods prior to August 1, 2015. That carve-out financial information is derived from UOL's accounting records and does not necessarily reflect the financial position, results of operations or cash flows that would have been recorded had PagSeguro Brazil been operating as a separate entity in those periods or at those dates.

From January 1, 2014 through July 31, 2015, certain of the assets and liabilities, revenues, costs and expenses directly related to the PagSeguro business were already controlled separately from UOL's other activities. On the other hand, certain other corporate balances and transactions relating to the PagSeguro operations were not accounted for separately within UOL; these have been allocated to our audited consolidated financial statements for the period from January 1, 2014 through July 31, 2015 based on assumptions similar to those used after August 1, 2015, when the PagSeguro business was transferred to PagSeguro Brazil.

Prior to the completion of our IPO, PagSeguro used centralized cash management with UOL. Consequently, all amounts received or paid in connection with the PagSeguro business were recognized as balances between related parties in our audited consolidated financial statements. This approach is consistent with the treatment of our audited consolidated financial statements prior to August 1, 2015, which were prepared on a carve-out basis. PagSeguro's cash management was separated from UOL's cash management starting from the date of completion of our IPO. Any remaining balances that related to prior cash management activities began accruing interest from the date of completion of our IPO, and all such balances were repaid by UOL following completion of our IPO.

In addition, during 2016, UOL transferred its 100% interest in Net+Phone and its 75% interest in Boa Compra to PagSeguro Brazil as a capital contribution, and PagSeguro Brazil purchased the remaining 25% non-controlling interests in Boa Compra from its minority shareholders.

### **Our History**

We launched PagSeguro in 2006 as an online payment platform to provide the digital payment infrastructure necessary for e-commerce growth in Brazil. By 2016 we were considered the largest Brazilian online payment company in terms of TPV, according to data compiled by Ebit. UOL's credibility in the Brazilian internet sector was key to this successful launch, and remains so today. Founded in 1996, UOL is Brazil's largest internet content, digital products and services company. According to comScore, 103.4 million unique visitors (approximately 82% of Brazilian internet users) accessed a UOL website in February 2021 representing a decrease of 2% from 106 million in February 2020, an increase of 14% from 90.4 million in April 2018 and an increase of 27% from 81.2 million in May 2017. In addition, according to Google Ad Manager (the ad server system that we utilize) as of March 2021, UOL achieved approximately 8.1 billion page views, provided approximately 13.2 billion display ads and had a potential video inventory of 253 million video ads. The PagSeguro and UOL brands together gave Brazilian online consumers the confidence to use their sensitive personal and financial data on our payments platform, in order to shop online easily and safely. As an example, we brought trust to the online merchant-customer relationship by introducing a feature where we hold the consumer's payment in escrow for a period of time after the purchase, as a precaution in case of any commercial claims.

In 2008, PagSeguro was named "Preferred E-commerce Company" by *Info Exame* magazine. Customer numbers continued to grow, with 20,000 stores and approximately 600,000 consumers carrying out transactions through the PagSeguro platform during the year.

In 2009, we strengthened our presence in digital payments by acquiring Boldcron Technologies, a gateway payment company linked to the main acquisition providers in Brazil, which offered payment programs and networks. In the same year, *Exame* magazine named UOL in the Digital Industry category as one of the 1000 *Melhores e Maiores* ("biggest and best") companies in Brazil, when many of the PagSeguro business activities were still operated by UOL. In 2009, approximately 100,000 online stores carried out transactions through the PagSeguro platform.

In 2010, approximately 5,000,000 consumers carried out transactions through the PagSeguro platform.

In 2011, we acquired Boa Compra, a company focused on online gaming licenses and digital payment solutions in various countries. In the same year, approximately 311,000 online stores and approximately 6.5 million consumers carried out transactions through the PagSeguro platform using one of the 14 payment methods we accepted at the time.

In 2013, the Central Bank amended regulations to terminate the exclusive banking arrangements between banks and some card and meal voucher schemes, ending the effective duopoly in the acquirer industry in Brazil. This move was part of a concerted focus by the Central Bank on concentration in the market, following a report it issued in 2010 on the effective duopoly between two acquirers, both of which were owned by some of the largest banks in Brazil: RedeCard (now known as Rede, which had exclusive accreditation with MasterCard) and Visanet (now known as Cielo, which had exclusive accreditation with Visa).

Also in 2013, we expanded from online payments into point of sale, or POS, payments, which enable merchants to receive in-person payments from payment cards, becoming the first payment provider in Brazil to sell POS devices (as opposed to offering rentals). Our first POS, a magnetic strip card reader that plugged into a smartphone headphone jack combined with an app, was released in April 2013. In the same year, we became accredited with Sorocred, a local card scheme, as an acquirer, and we also received PCI-DSS Certificate-Data Security Standard Certification. In 2013, approximately 7.8 million consumers carried out transactions through the PagSeguro platform.

In 2014, we applied to the Central Bank to become an authorized payment institution under Brazilian Federal Law No. 12,865/2013. Since we were already accredited by Sorocred as an acquirer, the Central Bank regulations permit us to continue carrying out our activities until the authorization is granted, as further described in "—Regulation—Regulation of the digital payments industry in Brazil."

In March 2014, we launched our first POS device, which was compatible with iOS and Android, that allowed merchants to process debit and credit cards using chips. In the same year, we accepted 25 payment methods.

In 2015, we launched the Modeminha, our first standalone POS device branded with its own nickname, and our PagSeguro prepaid card under the MasterCard scheme. We also established a partnership with Ticket, a major meal voucher scheme. With the launch of our PagSeguro prepaid card, we became the first payment provider in Brazil to operate as a closed loop where clients are able to receive and spend funds all within our end-to-end digital ecosystem.

In 2016, we became the first payments provider in Brazil, other than the incumbent acquirers associated with banks, to obtain accreditation as an acquirer with MasterCard and Visa. We had already been operating as a local acquirer for Sorocred since 2014, and we began operating as an acquirer on a large-scale basis in the second half of 2016, once we had completed the integration of our platform with Visa and MasterCard. In the same year, we established partnerships with Elo, a card scheme, and Sodexo, a major meal voucher card scheme. We also launched our Modeminha Wi-Fi and Modeminha Pro standalone POS devices; began accepting in-app checkout; and launched our free POS app *PagVendas* (previously called *PagSeguro Vendas* and then *PagSeguro Vendas 2.0*). In 2016, we became larger than our parent company UOL for the first year in terms of our Total revenue and income as compared with UOL's net revenue (without including its consolidated subsidiaries).

In 2017, we launched PlugPag, our POS device Minizinha, EFTPOS, our i-Banking app *PagBank – PagSeguro* and Pag.ac and other new services such as our Facebook chatbot, reconciliation services and one-day approval for merchants who wish to obtain early payment of their installment receivables. The launch of our EFTPOS integration solution made us the first payment provider in Brazil to connect POS devices to a merchant's sales system. We also obtained accreditation as an issuer with Visa, established partnerships with major meal voucher schemes VR and Alelo, and obtained accreditation as an acquirer with Hipercard. Furthermore, in October 2017, we acquired a controlling interest in Bivaco Holding Ltda., or BIVA, an online platform that facilitates peer-to-peer lending. Between November 2017 and April 2018, we acquired an additional interest in BIVA, bringing our total interest to 77.4% of BIVA's share capital. The total amount we paid for our shareholding in BIVA was R\$23.9 million.

In January 2018, we carried out our IPO, in which we and UOL offered and sold a total of 121,193,388 of our Class A common shares. Our Class A common shares are listed on the NYSE. In February 2018, we announced a new functionality for our Modeminha Wi-Fi and Modeminha Pro, enabling multiple merchants to share a single POS device, and in March 2018, we launched our Minizinha Chip, a POS device that combines high-end functionalities, such as Wi-Fi and GPRS connection (chip) in compact hardware that can fit in a merchant's pocket and comes with its own SIM card and a free data plan, thus no longer requiring smartphone pairing like traditional mPOS devices. In May 2018, we launched our Modeminha Plus, the next-generation substitute for our highly successful Modeminha Wi-Fi, now with an improved physical keyboard, a faster processor and double the battery life. In June 2018, we carried out a follow-on offering, in which we and UOL offered and sold a total of 35,950,000 of our Class A common shares. In October 2018, we launched our Modeminha Smart, a modern, portable and fully integrated Android based POS device that offers a full integration of hardware, our apps and a fast and secure payments network. In October 2018, our board of directors authorized a share repurchase program under which our management is responsible for determining the timing and number of shares to be acquired, within the limits established by the board of directors. For more information on our share repurchase program, see "Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers." In December 2018, we acquired Tilix Digital Ltda., or Tilix. Tilix provides software development for managing payment solutions for business-to-customer, or B2C, and business-to-business, or B2B.

In January 2019, we acquired BBN Banco Brasileiro de Negócios S.A. (renamed BancoSeguro S.A. in February 2019), through BS Holding Financeira Ltda., or BS Holding, a holding company incorporated under PagSeguro Digital. BancoSeguro holds a multi-bank license to provide financial services. We expect that this acquisition will allow us to expand our products and services offering. As a financial institution, BancoSeguro is subject to Law 4,595/64 and the rules of the CMN and the Central Bank. In March 2019, we launched a PagSeguro Visa NFC enabled cash card that is linked directly with the balance of the free PagBank digital account without the need to reload the card, unlike our PagSeguro prepaid cards. In May 2019, furthermore, we officially launched PagBank, our free PagBank digital account, which offers banking services through the PagBank mobile app. Also, in May 2019, we enabled onboarding through our free PagBank digital account app, allowing consumer clients to sign up for a free PagBank digital account and manage all of their services directly through our app for free. In May 2019, we also launched a PagSeguro Visa credit card, accepted in Brazil and abroad, that has no annual or membership fees to our best merchants. In July 2019, we launched the Minizinha Chip 2 which is an additional POS device and an upgraded version of the Minizinha Chip that features a better user experience, NFC communication and a larger screen. In August 2019, we acquired 100% of the software provider Yami Software & Inovação Ltda., or Yami, which provides a back-office platform for e-commerce and marketplace, assisting merchants, particularly with exchanges and returns, and is compatible with major e-commerce platforms in Brazil such as VTEX and Oracle. Furthermore, the platform is a gateway specialized in split payments. In September 2019, we launched a new feature for our free PagBank digital account through which we will pay interest on account balances maintained for at least 30 days. In addition, in order to simplify inventory control and the acquisition of POS devices by our clients, beginning on September 1, 2019 we changed the way we provide POS devices to our clients. Instead of selling our POS devices, we now require a one-time and non-refundable membership fee. This arrangement is currently for an indeterminate period and does not change the way our clients access our POS devices. In October 2019, we carried out a follow-on offering, in which UOL offered and sold a total of 16,750,000 of our Class A common shares. Also, in October 2019, we launched our Modeminha X Smart POS device, an innovative and advanced POS device, which was built for simplicity and ease of use and offers a full integration of hardware, our apps and a fast and secure payments network.

In June 2020, we launched the public transportation top-up in app. PagBank clients can now reload their public transportation ticket "Bilhete Único" in the PagBank app using the balance of the digital account, bringing more convenience and additional engagement with the PagBank ecosystem. This functionality also helps reduce lines in ticket counters of bus, subway, and train stations, facilitating contactless transactions that have been increasing since the outbreak of the COVID-19 pandemic.

Additionally, PagBank is partnering with Roldão Atacadista, one of the most prominent food retailers in Brazil. PagBank clients can search for the nearest store through Sales Map "Radar de Ofertas" and pay through the PagBank QR Code, resulting in cash back of 10% (limited to R\$30/month per user) directly into their PagBank digital account, fostering greater functionality of our closed loop transaction ecosystem.

On July 23, 2020, we acquired 100% of the outstanding shares of Zygo. The total consideration for this transaction amounted to R\$8.0 million, of which R\$5.1 million was settled in cash on the same date and the remaining portion of the purchase price was retained to indemnify for possible liabilities. Zygo is a multisided customer engagement and loyalty platform that enables micro, small and medium sized merchants to acquire, engage and grow their customer base by offering customized marketing and loyalty programs and providing consumer insights and analytics. We expect that this acquisition will allow us to expand our product and services offerings.

Since August 19, 2020, TikTok users can receive their balances through a PagBank digital account in a safe, fast, and practical method. The balance of the digital accounts can be used in all services offered by PagBank, such as wire transfers, top ups, bill payments, super app features and investments.

On August 31, 2020, we acquired 100.00% of the outstanding shares of CDS. The total consideration for this transaction amounted to R\$2.4 million, which was settled in cash on the same date. We expect that this acquisition will allow us to expand our product and services offerings.

On September 29, 2020, PagSeguro Brazil completed the acquisition of Wirecard Brazil, and the final regulatory approvals for the acquisition were obtained in December 2020. Wirecard Brazil has an innovative and experienced team that has built an online payment solutions with more than 200 thousand customers, including e-commerce platforms, marketplaces and virtual store platforms. For PagBank, the acquisition of Wirecard Brazil presented several advantages, such as incremental TPV. In addition, the combination of the key strengths of our brands allows us to offer broader payment options and integrated end-to-end digital payment accounts that are 100% omnichannel for millions of customers.

In January 2021, we submitted a request for Central Bank approval of a corporate reorganization involving certain of our subsidiaries. Following this reorganization, the entities Net+Phone, Boa Compra, BCPS, R2TECH, BIVA and CDS will be spun off from PagSeguro Brazil and will be controlled by PagSeguro Digital's direct subsidiary, PagSeg Participações Ltda., or PagSeg. The subsidiaries TILIX, Yami and Zygo will be spun off from PagSeguro Brazil and will be controlled by PagBank Participações Ltda., or PagBank Holding, a holding company incorporated to receive the unregulated assets. This reorganization is still subject to approval from the Central Bank. Additionally, in January 2021, Boa Compra incorporated R2Tech and Biva Serv incorporated BIVA. As a result, following regulatory approval, our organizational structure will reflect that:

- PagSeguro Digital subsidiaries will include PagSeguro Brazil, BS Holding and PagSeg.
- PagSeguro Brazil subsidiaries will include Biva Sec, FIDC, RegistraSeguro and Wirecard Brazil.
- BS Holding's subsidiary will include BancoSeguro.
- PagSeg subsidiaries will include Net+Phone, Boa Compra, BCPS, Biva Serv, CDS and PagBank Holding.
- PagBank Holding subsidiaries will include TILIX, Yami and Zygo.

PagSeguro Brazil, Wirecard Brazil and BancoSeguro are subject to the Central Bank regulation and supervision. Our proposed reorganization is intended to improve the administration of our corporate structure and to group our operating subsidiaries under appropriate holding companies based on the services provided by each subsidiary. This reorganization requires Central Bank approval before implementation, which is still pending.

#### **Our Products and Services**

We provide a wide range of affordable solutions and tools for merchants and consumers. These include a variety of cash-in and cash-out options with features designed to attract and retain clients, provide them with access to working capital and help them manage their cash flow.

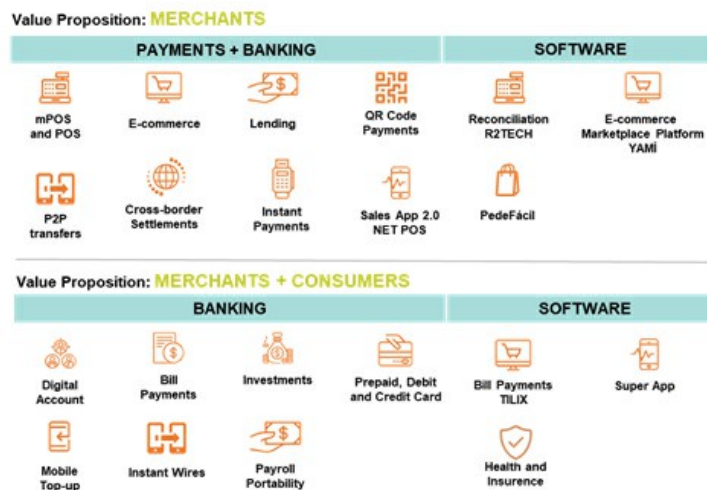
We have an in-depth understanding of our clients, the issues they face and the markets in which they operate. As a pioneer in the Brazilian digital payments market, we are able to anticipate trends and translate them into new products and solutions that meet our clients' needs more efficiently than foreign competitors operating in Brazil. The Brazilian market expects payments providers to offer a number of country-specific features, such as *boletos* and early payment of merchants' receivables when consumers purchase in installments by credit card, all of which are central to Brazilian financial culture. We built our payments ecosystem and our merchant services offering around these specificities, offering tailor-made solutions for the Brazilian market.

Although all our solutions also work for desktop and other non-mobile platforms, we design our solutions on a mobile-first basis so that our clients can be self-sufficient at all times. All of our transaction systems are fully compatible with the mobile environment. We also maintain a strict focus on ongoing innovation, selecting and developing new products and services with a high level of speed to market. This is evidenced by our investment of R\$485.6 million in expenditures on software and technology in the year ended December 31, 2020, equal to 7.1% of our Total revenue and income for the year. Additionally, we believe our distribution platform and marketing strategies are well-suited to reaching micro-merchants and SMEs in Brazil.

With the increased adoption of mobile devices by merchants and consumers as a form of payment, we design all our solutions on a mobile-first basis so that our merchants can be self-sufficient at all times and offer payment options to consumers using mobile devices.

Our industry is characterized by rapidly changing technology, changing customer needs, evolving industry standards and frequent introductions of new products and services. For example, in addition to the products and services that we currently offer, WeChat Pay and Alipay, players in the Chinese digital payments industry, already offer promotions and cashback features as well as on-platform third-party bill payments. We strive to continue to develop and release new products and services to match the needs and expectations of our clients, as well as retain and deepen relationships with our existing clients. Many of our merchants have grown within our platform, for example from purchasing a single POS device to choosing to receive early payment of their card receivables on consumer installment transactions, and we believe our software business management tools can be further leveraged to increase customer engagement. Evidencing our commitment to deepening relationships with our existing clients, among unique active accounts, we have experienced higher engagement across various areas. For example, comparing December 2020 to December 2019, engagement in number of unique active users increased in the following products: bill payments (increased by 261%), QR code payments (increased by 642%) and active credit cards (increased by 103%). We intend to continue to be a first mover, extending and improving our platform to offer a full integrated suite of financial products and services, further enhancing customer experience for both consumers and merchants.

**The PagSeguro Ecosystem**



Our end-to-end digital ecosystem operates as a closed loop where our clients are able to address their main day to day financial needs, including receiving and spending funds and managing and growing their businesses. Our main products and services fall into the following categories, described in further detail below:

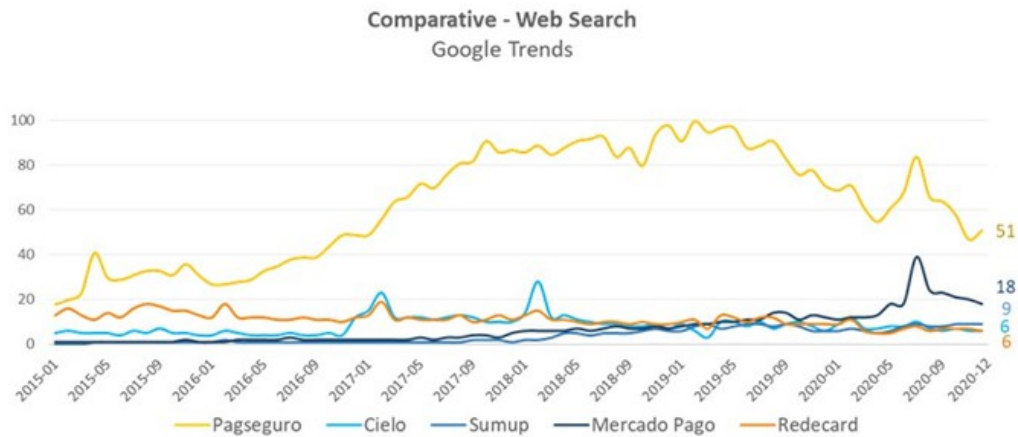
- the free PagBank digital account, around which all our functionalities and services are designed;
- 39 cash-in solutions;
- early payment of merchants’ installment receivables;
- advanced built-in functionalities as well as value-added services and features; and
- 13 cash-out methods.

**PagBank**

In May 2019, we officially launched PagBank, our free PagBank digital account, which offers banking services through the PagBank mobile app. PagBank enables us to expand into the Brazilian banking market which, according to internal research for September 2020, using official data from Abecs (Card Schemes Data), the Central Bank, banks’ investor relations websites, JP Morgan Research, the Superintendence of Private Insurance (*Superintendência de Seguros Privados - SUSEP*), the National Federation of Private Insurance Brokers (*Federação Nacional dos Corretores de Seguros Privados - Fenacor*), the National Confederation for General Insurance Companies (*Confederação Nacional das Empresas de Seguros Gerais - Cnseg*), the International Data Corporation (IDC Software Report), Goldman Sachs Research, Anbima Retail Investment Statistics, and internal estimates, is about 17 times larger than the Brazilian payments market itself. According to our internal estimates, while the payments market represents approximately R\$27 billion, the banking market represents approximately R\$421 billion, which comprises investment services representing approximately R\$16 billion and insurance products representing approximately R\$24 billion.

Supported by our strong PagSeguro brand, which, according to Google Trends, filtering by the Financials Category, for the twelve months ended December 31, 2020, had an average of almost three times more searches than the second player in our market, Mercado Pago (followed by SumUp, Rede and Cielo), our PagBank business activity has a strong platform to gain new users and promote client loyalty. As evidence of the success of our platform, we saw a year-over-year increase of almost three times in PagBank active users at December 31, 2020. In addition, PagSeguro remained one of the largest prepaid card issuers in Brazil in 2020, according to Abecs, and our PagBank app had 202 million logins in the month of December 2020 alone.





**The Free PagBank Digital Account**

The free PagBank digital account, which is the core of our client offering for both merchants and consumers, centralizes all cash-in options, functionalities, services and cash-out options in a single ecosystem so that our clients can grow their businesses in a safe, affordable, scalable and simple way, all without needing a bank account.

The free PagBank digital account has a 100% online onboarding process, without paperwork, with a quick turnaround and a high acceptance rate. We offer functionalities such as bill payments, top up prepaid mobile phone, Uber, Spotify or Google Play credits, wire transfers, peer to peer cash transfers, prepaid credit cards, cash cards, loans, investments, QR code payments, and payroll portability, among other digital banking services.

Merchants and consumers can sign up for a free PagBank digital account, gaining access to all of the offerings in our ecosystem, through a single online contract that can be completed in minutes without paperwork. By signing up with us and requesting one of our devices, merchants can automatically start accepting 39 cash-in methods, all with antifraud protection, and can access our software business management tools. For merchants who require more complex functionalities, we offer value-added services and features such as the early payment of installment receivables, accounting reconciliation and shipping solutions. With our free PagBank digital account, merchants may transfer their revenues to a checking account or directly on our platform by: (i) buying online, (ii) making peer-to-peer or wire transfers, (iii) making QR code purchases, (iv) paying bills, (v) topping up mobile phone, Uber, Spotify or Google Play credits, or (vi) transferring their balance to the PagSeguro prepaid card or using the cash card, allowing them to buy goods and services in-person and online or withdraw cash at more than one million Cirrus network ATMs in Brazil and abroad.

We believe these products and services create a "network growth effect." The advantages of our digital payment solutions for merchants drive growth in their businesses, and the advantages of our digital payment solutions for consumers lead them to prefer merchants who offer these solutions, resulting in the acquisition of new clients through word-of-mouth recommendations by both merchants and consumers.

Our main products and services fall into the following categories:

- **Cash-In Solutions**
  - Our cash-in methods can be accepted through web checkout, in-app checkout or in-person using our POS devices. They include credit and debit cards, meal vouchers, boletos, peer-to-peer and wire transfers and bank debits.
  - Instant payments.
  - Our payroll portability allows consumers to have their salaries directly deposited to our free PagBank digital account.
  - Instant wire transfers (TEDs) and peer to peer transfers.

- Issuance of *boletos* that can be paid electronically or at any bank branch.
- Loans.
- Investments: a new feature for our free PagBank digital account through which we will pay interest on account balances maintained for at least 30 days.
- Certificates of Deposits: Beginning in March 2020, we began offering certificates of deposits (referred to herein as CDs), to all PagBank users. These CDs are offered in addition to our current PagBank savings account offering.
- Pix (24/7 instant payment platform backed by the Brazilian government) transactions, for instant wire transfers and payments, both online via checkout and our PagBank app and through our POS systems.
- Since 2020, customers can also add funds to their PagBank account using Virtual Debit Cards.
- **Online and In-Person Payment Tools**

Our merchants can choose to accept payments from consumers through various online and in-person payment tools. For our merchants conducting business online, we offer web checkout solutions and in-app payment options. For merchants conducting in-person transactions, we offer a range of POS devices.

- **Online Payment Tools**

We offer a variety of online payment tools that enable merchants to integrate sophisticated checkout and payment processes into their online business. These include: (i) three web checkout options for merchants conducting business over browsers (whether desktop or mobile); (ii) an in-app payment tool for merchants conducting business using mobile apps; and (iii) P2P and social payment tools.

*(i) Web Checkout:* Our web checkout options offer tokenization, advanced handling of shipping information, management of subscriptions and automatic billing and order tracking. We offer three different levels of web checkout integration: "Redirect," "Lightbox" and "Transparent," all of which are easy to set up and customize. We supply our code and documentation to the merchant free of charge, allowing the merchant to select and implement the web checkout solution that best meets his or her needs.

*Redirect:* With Redirect, upon clicking on the payment option, the consumer is redirected away from the merchant's website to the PagSeguro secure domain, where the payment is processed. After payment, the consumer is redirected to the merchant's website.

*Lightbox:* With Lightbox, the payment is processed on the merchant's own website but using the PagSeguro secure domain. The consumer sees both interfaces during the online checkout process, with a PagSeguro pop-up overlaying the merchant's website. After completing the purchase, the pop-up will close and the consumer can continue navigating on the merchant's website.

*Transparent:* The Transparent checkout solution allows the merchant to create a fully customized consumer experience. Payments are processed by us under the merchant's domain while still benefiting from the features and functionalities of the PagSeguro ecosystem, such as antifraud and consumer data protection.

*(ii) In-App Checkout:* Our in-app checkout is a payment tool developed to be integrated in our merchants' mobile apps which allows payment processing via the PagSeguro secure domain, while offering single-click checkout within the merchant's mobile app.

*(iii) P2P and Social Payment Tools (Pag.ae):* Our innovative P2P and "social payment" merchants and consumers to transfer their balances between free PagBank digital accounts free of charge. For P2P, our "social payment" tools also allow our clients to request payments by sending a web link via social media directly to the person paying, creating a fast and easy way for anyone to send and receive money electronically. Users can request payments even if they do not have a website, and the person paying does not need to register with PagSeguro and may pay through a variety of options, including credit card, *boleto* or bank deposit. With our Pag.ae social payment tool, our customers can request payments using a link and can send this link to one or more payer(s) via e-mail, social network or messaging service such as WhatsApp, using the recipient's phone number or e-mail address. The payer clicks on the link and can make the payment easily in various ways (credit card, *boleto* or bank deposit). Pag.ae allows the recipient to pay in up to 12 installments.

We believe these P2P and social payment tools drive organic growth in our customer base, establishing relationships with potential PagSeguro customers and encouraging them to join our platform when they make a payment. Furthermore, recently, we have been actively promoting these payment methods as a way to limit person-to-person contact and help our customers continue to run and grow their businesses while maintaining the social distancing and quarantine practices triggered by the COVID-19 pandemic.

- ***In-Person Payment Tools***

Our range of affordable POS devices allows merchants to accept credit, debit and meal voucher card payments on an in-person basis. Our POS devices can be set up in less than five minutes. They are designed to be easy to use and have high levels of system availability, efficient back-up solutions, value-added functionalities and a five-year warranty.

With PagSeguro, merchants can purchase their own device with a flexible payment plan and no monthly rental or other recurring fees. For the equivalent of three to six months' rental payments to an incumbent, merchants can buy a comparable or better device from PagSeguro, freeing them from the incumbents' continuous monthly rental fees. No credit checks on the merchant are required. All of our POS devices come with a free PagSeguro prepaid card to give the merchant an immediate cash-out option without needing a bank account. We offer a comprehensive suite of POS devices, from our entry-level Minizinha to the Moderninha SMART. These POS devices are offered separately from our transaction services.

- The Minizinha NFC mPOS device connects via Bluetooth to our free POS app *PagVendas* installed on the merchant's smartphone and provides a simple yet secure means to accept payment cards. The Minizinha provides receipts via SMS for the consumer. We offer the Minizinha for a price of 12 monthly installments of only R\$4.90 (or US\$0.94), appealing to the micro-merchants and SMEs who plan their own business expenses on a monthly basis.
- The Minizinha Chip 2 is an additional POS device and an upgraded version of the Minizinha Chip mPOS device that features a better user experience, NFC communication and a larger screen. We offer the Minizinha Chip 2 for a price of 12 monthly installments of only R\$7.90 (or US\$1.52).
- For businesses with greater needs we offer three more sophisticated units, the Moderninha Plus (priced at 12 monthly installments of R\$6.90 (or US\$1.32)), the Moderninha Pro 2 (priced at 12 monthly installments of R\$16.90 (or US\$3.25)) and the Moderninha Smart (priced at 12 monthly installments of R\$39.90 (or US\$7.68)). The Moderninha Plus, which provides consumer receipts via SMS, is aimed at merchants who generate lower transaction volumes; while the Moderninha Pro, which provides consumer receipts via SMS or in paper form, is aimed at merchants who generate higher transaction volumes. The Moderninha Pro is the first single unit to offer GPRS/2G/3G chip connection, NFC, plug-and-play Wi-Fi and Bluetooth connections (for commercial automation and connection to other devices) on the same device, making it the POS device with the most connectivity features in Brazil. The device switches automatically between the various connection formats. In February 2018, we launched a new functionality for the Moderninha Pro and Moderninha Wi-Fi (substituted for the Moderninha Plus in May 2018), enabling several merchants to share a single POS device (each terminal can serve up to six digital accounts, handling sales transactions for each account separately). The Moderninha Smart has all the features of the Moderninha Pro, plus the integration of a product catalog and inventory management software, an installment payment calculator, *boleto* issuance and payment links. The integration of software and hardware helps merchants be more productive and better serve their clients.
- We also offer a Smart POS device, the Moderninha X, which is an innovative and advanced POS device. The Moderninha X was built for simplicity and ease of use, offers a full integration of hardware, our apps and a fast and secure payments network. By combining high-end functionalities such as Wi-Fi, Bluetooth and 4G connections, as well NFC and QR Code acceptance, the Moderninha X, offers a robust managed payment experience. The integration of software and hardware helps merchants be more productive and better serve clients. We offer the Moderninha X for 12 monthly installments of R\$19.90 (or US\$3.83). With no additional cost and new technologies in one single POS device, the Moderninha X is our most attractive product for micro-merchants and small businesses. Additionally, the Moderninha X integrates our free PagBank digital account and international cash card, free of charge.

We also offer a virtual POS terminal via our free Android and iOS app that enables the merchant's smartphone to be used as a POS device for credit card payments with no external hardware. The merchant types the consumer's card number into the app, with security provided via network encryption.

We generate revenues from our provision of POS devices to merchants, in addition to the commissions generated on the credit, debit and meal voucher card transactions processed through the device. All POS devices are set up to offer up to 18 monthly installments on credit card payments at the point of purchase if the consumer chooses.

We currently rely on one manufacturer to manufacture, test and assemble a significant amount of our POS devices. The Agreement for the Supply of Equipment, dated as of June 26, 2014, as amended from time to time, by and among PAX BR Comércio de Equipamentos de Informática Ltda., or PAX, Transire Fabricação de Componentes Eletrônicos Ltda., or Transire, and Net+Phone Telecomunicações Ltda, or Net+Phone, sets forth the types of POS devices to be sold by PAX and Transire to us and the standard terms and conditions governing this supply of POS devices. PAX and Transire together serve as our main supplier of POS devices. Consideration payable to PAX and Transire under this agreement is determined by the number of POS devices ordered by us. For more information, see Item 3. Key Information—Risk Factors—Some of the key components of our POS devices are sourced from a limited number of suppliers. We are therefore at risk of shortage, price increases, changes, delay or discontinuation of key components, which could disrupt and harm our business.

- **Payment Methods**

The free PagBank digital account provides 39 cash-in methods, including the items listed below. Our cash-in methods can be accepted through web checkout, in-app checkout, or in-person using our POS devices. For debit card transactions, card issuers in Brazil pay us as acquirer on the first business day following the consumer transaction; and for credit card transactions, card issuers in Brazil pay us as acquirer on the 30th business day following the consumer transaction. We believe our pricing model is simple, transparent and easy to understand, when compared with that of incumbent payment processing providers, which is typically determined based on a mix of volume, card scheme and payment method. We believe that these incumbent providers have little incentive to make aggressive price changes as they may run the risk of cannibalizing their own merchant base as a result.

- **Credit cards**

We accept card payments, through our online and in-person POS payment tools, from all the major credit card schemes active in Brazil, including Visa, MasterCard, Elo, American Express, Hiper and regional schemes. The credit card schemes accepted on our platform together represent 95% of the total payment volume carried out using credit cards in Brazil in 2019, according to the Central Bank. We generate revenue from credit card transactions by charging a merchant discount rate, or MDR, a commission withheld by us from the transaction value paid to the merchant. The transaction amount, less the MDR, is credited to the merchant's free PagBank digital account. Our MDR pricing model is standardized, easy to understand and transparent. We also offer customized MDR pricing for certain merchants who process large payment volumes. We recognize the MDR fees in our financial statements as revenue.

In addition, Brazilian consumers expect merchants to allow them to choose at the point of purchase to have the purchase price either (i) charged to their credit card accounts in a single payment, as in other markets, or (ii) split into several payments and only charged to their credit card accounts in monthly installments. In this case, the merchant only receives the revenues after the respective monthly installment has been charged, rather than 30 business days after the original transaction. Together, the 30-day payment cycle and the installment option create working capital difficulties for merchants. We offer two services to help merchants improve their cash flow. To shorten the payment cycle, our "payment date election" service (*regime de recebimento*) allows our merchants to receive their credit card sales from us either (i) in the regular 30-day payment cycle, or (ii) if the merchant so elects, on the 14th business day, the 1st business day or immediately after the transaction. To help our merchants offer the installment payment option to consumers, we offer to pay the monthly installment receivables to our merchants either (i) when each installment is charged to the consumer's card, or (ii) if the merchant elects our early payment feature, on an up-front basis. Micro-merchants and SMEs have historically faced difficulties obtaining this service from the incumbent payment processing providers, and they often require merchants to request early payment on a transaction-by-transaction basis. We offer a solution to these bottlenecks through simpler onboarding and preapproval of a merchant's early payments. The underlying receivables relating to these payments are owed to us by the credit card issuers, which are owned primarily by Brazil's large retail banks. This early payment of receivables feature creates an important working capital alternative for our merchants while also generating income for us.

When merchants choose to make use of this early payment of receivables feature we charge them a finance fee in the form of a discount from the lump sum of the receivable. This discount is additional to the MDR fee withheld from the merchant. The finance fee is deducted from the amounts payable to the merchant at the same time as MDR, but is recognized in our financial statements as financial income rather than revenues. The discount that generates our Financial income relates only to the early payment of the second and successive installments of the purchase; the first installment is not paid early as it is disbursed to the merchant within the normal billing cycle, so it does not generate remuneration in the form of Financial income (although it does generate MDR, which is recognized as Gross revenue from transaction activities and other services). (The lump sum receivable, less the finance fee discount and the MDR or the intermediation transaction, is credited to the merchant on the 30th, 14th or 1st business day after the transaction, according to the merchant's "payment date election" described in the paragraph above.)

Merchants who choose not to make use of our early payment of receivables feature only receive the amount payable to them under the consumer transaction (after deduction of the MDR fee) after the monthly installments are charged to the consumer's credit card and the card issuer has paid us.

- **Debit cards**

We accept debit cards from all the major card schemes active in Brazil, including Maestro (MasterCard), Visa Electron and Elo, for in-person payments. We generate revenues in the form of MDR commissions using a standardized, easy to understand and transparent pricing model. Unlike credit cards, Brazilian debit cards do not offer an installment payment option.

For debit card transactions, we receive the underlying payment from the debit card issuer one business day after the consumer transaction, and we pay the amount of the consumer transaction (less our commission) to the merchant on the same day as we receive it.

- **Meal voucher cards**

Meal voucher cards are a labor benefit included in Brazilian employment contracts. The employer simply credits the employee's card on a prepaid basis, and the employee can use the prepaid balance on the card to make purchases in restaurants and grocery stores. We accept in-person card payments from the principal meal voucher card issuers active in Brazil, generating revenues in the form of a value added network, or VAN, commission, which is currently charged at a flat rate per transaction. Meal voucher cards do not offer an installment payment option.

- **Instant payments**

Through our instant payments feature, merchants can receive payments immediately following debit and credit card transactions (both with and without installments) at the same cost as our one day payment election service.

- **Payroll portability**

Through our payroll portability feature, anyone working in Brazil has the ability to have their salary deposited directly into their free PagBank digital account at no cost.

- **Boletos**

*Boletos* are payment slip documents issued by Brazilian businesses and utilities through banks to enable consumers to pay their bills. *Boletos* can be used for products or services, utilities or taxes. Each *boleto* refers to a specific merchant and customer transaction, and includes the merchant's name, customer information, expiration date and total amount due, plus a serial number that identifies the account to be credited and a barcode so that the entire document can be read and processed. The consumer can pay the *boleto* through his or her bank either online, over the phone, at a branch or at an ATM. Merchants can receive credits from *boletos* directly into their free PagBank digital account. We generate MDR commissions on cash-in payments made via *boletos* to a merchant's free PagBank digital account.

- **Bank transfers and bank debits**

Consumers can make transfers from bank accounts, either to their own free PagBank digital account in order to add funds to their account balance that can then be used anywhere on our ecosystem, or to a merchant's digital account to pay for a product or service. These payments can be made via any bank transfer or, in the case of payments to merchants, via an online bank debit tool. We generate MDR commissions on payments made via bank transfer or bank debit to a merchant's free PagBank digital account. There is no MDR or any other commission charged by us when consumers add funds to their own free PagBank digital account.

- **Cash deposits**

Similar to bank transfers, consumers can make cash deposits at a bank branch or ATM directly to their free PagBank digital accounts – either to a merchant's digital account to pay for a product or service, or to the consumer's own digital account. We generate MDR commissions on payments made via cash deposit to a merchant's free PagBank digital account. There is no MDR or any other commission charged by us when consumers add funds to their own free PagBank digital account.

- ***PagBank CD (Certificates of deposit)***

Since March 2020, we have been offering CDs to all PagBank users. These CDs are offered in addition to our current PagBank savings account offering. PagBank users may choose among three different grace periods for their CDs: (i) 60 days, (ii) 90 days, or (iii) one year. We believe that is CD offering allows us to provide PagBank users with better investment offerings, while improving engagement with our ecosystem.

- ***Early payment of installment receivables***

As described under "—Cash-in Solutions—Credit Cards" above, our early payment of installment receivables feature helps our merchants offer the installment payment option to their clients paying by credit card, without sacrificing their own cash flow. In addition to generating financial income for us, this early payment feature is an important source of working capital for merchants, in particular for our micro-merchants and SMEs, who may not otherwise have efficient access to capital from banks or traditional financial institutions. We believe that by offering this feature, we can strengthen our business partnerships with our merchants by providing this capital to help them grow their businesses.

We generate financial income through this early payment feature by charging a finance fee in the form of a discount from the second and successive installments that are paid early in the lump sum, in addition to the MDR fee on the intermediation transaction. The finance fee is deducted from the amounts payable to the merchant, but is recognized in our financial statements as financial income rather than revenues.

Prior to our IPO, we funded the working capital for this early payment service using debt incurred by us. In addition, in November 2017 we set up a Brazilian investment fund to purchase and hold receivables known as a FIDC through which we may raise debt to finance the early payment of receivables feature. The FIDC is controlled by our Brazilian operating company (by virtue of subscribing for its subordinated quotas) but raises capital by issuing senior quotas in the fund to outside investors, who receive interest on these investments from the FIDC. The FIDC uses the capital it raises to finance the growth of this early payment of receivables feature. Our remuneration from the early payment of receivables feature continues to be reflected as Financial income in our consolidated financial statements. We do not expect the establishment of the FIDC to impact the discount rate we charge in connection to the early payment of receivables feature or the expenses we incur to obtain early payment of note receivables from card issuers and acquirers. For further information regarding the FIDC, see "—Organizational Structure."

- ***Advanced Built-In Functionalities and Value-Added Services and Features***

Our free PagBank digital account comes with a number of advanced built-in functionalities, provided free of charge, as well as value-added services and features that are designed to help both consumers and merchants. These functionalities and value-added services and features include:

- PagSeguro credit cards for merchants;
- card reconciliation services through R2Tech Informática Ltda., or R2Tech,;
- enterprise resource planning, or ERP, services through NetPOS
- bill payments;
- e-commerce support through Yami;
- purchase protection mechanisms;
- antifraud platform;
- account and business management tools;
- our POS App (*PagVendas*);
- PagBank – PagSeguro (i-Banking App) and Super App service; and
- order management and food delivery through our proprietary delivery app, *PedeFácil*.

Our platform also provides solutions such as PlugPag, a free tool compatible with iOS, Android and Windows, aimed at our medium-sized and larger merchants, enabling them to connect their POS device directly to their ERP software or sales automation system via Bluetooth; cart recovery solutions to improve sales conversion rates on e-commerce websites; and developer platforms allowing merchants to give third-party developers access to their free PagBank digital accounts on a secure basis using application programming interfaces, or APIs; among other functionalities.

✓ ***Purchase Protection***

Our Purchase Protection solution adds multiple layers of security for online purchases made on our platform. As a payment card industry, or PCI, compliant company, we do not share consumer credit card data or sensitive information with merchants, helping to prevent fraud and data misuse. For added protection to online consumers, our ecosystem holds consumer payments in escrow for a set period after purchase. If there is no consumer complaint, the funds are typically released to the merchant in two weeks from the purchase date. If a problem occurs with the purchase and the transaction is eligible for Purchase Protection, the consumer can file a claim and, if requested, we will act as mediator to help resolve the issue with the merchant. If the issue is not resolved, we reimburse the consumer for the full purchase price plus shipping costs. In the year ended December 31, 2020, only 0.2% of our online transactions required claim mediation and for those that did, the average time for claim mediation settlement was 12 days. 85% of the disagreements related to non-receipt of a purchase, and 43.9% were resolved in favor of the merchant.

✓ ***Antifraud platform***

In addition, our IT background combined with the 14 years of historical transaction data we have amassed since our launch allow us to develop proprietary technology and gain expertise against online fraud and chargebacks related to fraudulent transactions in Brazil. Our antifraud platform combines proprietary features, such as internal risk modeling and scoring through artificial intelligence and risk assessment tools that collect public and private market information, as well as front-line third-party solutions such as Feedzai, Emailage and Threatmetrix. The antifraud platform is fully integrated into our ecosystem, and features processes designed to monitor potential fraud in real time, tracking transaction approvals and denials, enabling us to maintain high transaction approval rates and low incidences of fraud.

When a client requests a chargeback from the card issuer, we verify whether the sale occurred and whether the product or service was delivered by the merchant. If the chargeback claim was fraudulent, we pay the amount due to the merchant and we contest the attempted chargeback with the card issuer by providing the supporting documentation. If the chargeback claim was justified, we pass on the cost to the merchant. For information on claim mediation requests filed by our clients on our platform, see "—Protecting Our Clients—Transaction Security."

✓ ***Account management tools***

We aim to help our merchants expand their businesses by offering free tools such as account statements for their free PagBank digital account, customized digital invoicing, sales data reports, simulations of early payment of merchants' receivables, and revenue management.

✓ ***Business management tools***

For merchants who generate larger transaction volumes and require more complex controls, we offer value-added services and features such as: (i) flexible crediting dates; (ii) payment into separate bank accounts for each card scheme; (iii) a split payment solution, which automatically segregates credits between two different companies; (iv) a seamless single-click checkout option, allowing customers to make purchases with a single click; and (v) our EFTPOS integration solution. Our innovative approach also brought trust to the online merchant-customer relationship by introducing a feature where we hold the consumer's payment in escrow for a period after the purchase, as a precaution in case of any commercial claims. Our split payment solution allows merchants to generate payments, integrate employees, manage receivables and receive commissions in real time. We offer these services by providing our merchants with the code and documentation to implement these tools.

✓ **POS App (Pag Vendas)**

Our free sales app *PagVendas* is a POS software app available for smartphones and tablets running iOS or Android that integrates seamlessly with our payment processing solution but can also be used on a stand-alone basis. *PagVendas* allows our merchants to add products and manage POS software. By using this app, merchants are able to increase productivity and manage their sales and inventory, among other items. The tablet version of the app allows merchants using POS devices to improve their business operations by registering and itemizing their services and products, selling merchandise on customizable terms, tracking business data and allowing for faster in-app checkout. Items can be grouped, categorized, sorted, and linked to inventory management. *PagVendas* is user-friendly and secure, and fully integrated with our merchants' free PagBank digital accounts and the Moderninha Wi-Fi, Moderninha Pro, Moderninha Smart and Minizinha POS devices. As of December 31, 2020, *PagVendas* was rated an average of 4.8 stars by 186 thousand reviewers in Apple's Brazilian app store and 4.6 stars by 147 thousand reviewers in Google Play.

✓ **PagBank – PagSeguro (i-Banking App) and Super App service**

Our free digital account app, *PagBank – PagSeguro* (previously called *PagSeguro Minha Conta*), is a transaction and digital account management app available for smartphones and tablets running iOS or Android which provides our clients with an easy and practical way to manage their transactions and account balances. Through *PagBank – PagSeguro*, our clients can pay their bills and transfer their account balances directly to their PagSeguro prepaid cards or third-party financial institutions. Our bill payment solution is offered to our clients free of charge through their free PagBank digital accounts and eliminates the need to cash out in order to pay bills. This solution supports utilities, consumer and tax bill payments. *PagBank – PagSeguro* also features an inApp *boleto* billing feature which enables merchants and individuals to issue unlimited *boletos* through the app as a payment method. *PagBank – PagSeguro* also provides real-time statements of a user's historical account and PagSeguro prepaid card activity, as well as a new merchant sales panel through which merchants can generate reports and statements as well as manage their sales. As of February 22, 2020, *PagBank – PagSeguro* was rated an average of 4.8 stars by 575 thousand reviewers in Apple's Brazilian app store and an average of 4.5 stars by 1 million reviewers in Google Play.

In addition, through our Super App services, users of our i-Banking app *PagBank – PagSeguro* have the option to top up prepaid mobile phone, Uber, Spotify or Google Play credits. Through our Super App services, we also pay interest (totaling 110% over that generated by *Poupança* – a traditional Brazilian savings account) on account balances maintained for at least 30 days. In December 2020, this savings account feature had a total of over R\$1.03 trillion under management and 164 million account holders throughout Brazil). We believe this feature will not only increase loyalty and engagement to our digital banking ecosystem but also help us acquire new PagBank users.

Through our Super App services, we also offer our clients health and transportation benefits. Through our partnership with a third party healthcare assistance company, we developed PagBank Health, which we launched in April 2020. Clients that sign up for this service will receive discounts on medical exams, doctor's appointments and pharmacy purchases, all through our Super App. We receive a rebate from the monthly subscription fee charged to clients that sign up for PagBank Health. Through our partnership with the Shell brand, since March 2020, PagBank users are able to pay gas stations directly through our Super App through a P2P transaction, thus eliminating their need to use a plastic card for these purchases. In addition, when our clients pay at Shell gas stations using our Super App, they'll also receive up to R\$50 cash back. Through our partnership with Cabify, our clients will be able to request a Cabify driver directly through our Super App. In addition, beginning in February 2020, we offer Cabify drivers incentives to adopt PagBank as their primary digital bank. For instance, currently, Cabify drivers typically receive their cash once a week. However, if they choose PagBank, they will receive their cash three times a week.

✓ **PlugPag**

PlugPag is a free tool, aimed at our medium-sized and larger merchants, enabling them to connect their POS device directly to their enterprise resource planning (ERP) software or sales automation system via Bluetooth. The PlugPag feature offers various advantages such as a direct connection between the merchant's software and the POS device, which automates the flow of information, avoiding human intervention so as to minimize potential mistakes and fraud. By sending the confirmation or rejection of each sale directly to the merchant's software, this tool facilitates automatic reconciliation of sales records, a common requirement of larger merchants.



✓ **Accounting reconciliation**

We offer merchants a platform for reconciling their digital transaction revenues and the related fees with their bank account balance and accounting records. This service offering ramped up significantly with our acquisition of R2Tech, a company specialized in reconciliation, and is backed by our expertise in middleware and back-office solutions processing. We generate revenues from this service in the form of a flat commission per transaction reconciled for the client.

✓ **Online Lending**

Through our 100% controlling interest in BIVA, which we acquired between October 2017 and April 2019, we facilitate peer-to-peer lending services. This activity consists of connecting a borrower to a lender or group of lenders. We generate revenues from this service in the form of a commission per transaction, plus a performance fee if the lenders' return on their portfolio of loans exceeds certain targets. The lenders take the full credit risk on the loans; as intermediary between lender and borrower, we are not exposed to this credit risk.

✓ **Cart recovery**

Our cart recovery solution aims to improve sales conversion rates on e-commerce websites. If the consumer accesses a merchant website, places items in the website's virtual cart, continues to our web checkout but then leaves the website before finalizing the purchase, this tool keeps the items in the cart, saving the consumer time if he or she later returns to the merchant's website to complete the purchase. It also features e-mail reminders and remarketing to direct the consumer back to the merchant's web checkout.

✓ **Subscription service and automatic billing**

Our merchants can provide subscription services and automatic billing for their consumers. This tool enables the merchant to manage, cancel or renew subscriptions and manage and cancel automatic billings, all through the free PagBank digital account.

✓ **Smart Supply**

Our Modeminha Smart and Modeminha Pro have built-in technology that measures the consumption of POS receipt paper. This technology, combined with an advanced logistics system, allows us to deliver replacement paper rolls to the merchant automatically in advance. We believe this tool increases merchant satisfaction while reducing inquiries and the related customer service costs. We consider this service a loyalty initiative and provide it free of charge.

✓ **POS Assistance**

All of our POS devices have a five-year warranty. In order to reduce the inconvenience of waiting for repair to or replacement of a POS device, we offer eligible merchants three levels of assistance: (i) standard service, where the replacement device is delivered via mail; (ii) express service, where the replacement device is delivered via courier service; and (iii) quarterly preventive assistance for larger clients, where our field technicians visit the merchant periodically to carry out maintenance on a preventive basis.

✓ **Developer platform**

We enable merchants to give third-party developers access to their free PagBank digital accounts on a secure basis using application programming interfaces, or APIs. Our APIs are designed to allow developers a plug-and-play service to create integrated websites and software applications that connect to the PagSeguro platform, allowing merchants to benefit fully from the features and value-added services and features available on our ecosystem, while keeping our customers' financial information confidential. Our developer platform offers integration tests and guides (including modules and a virtual library) and community and GitHub forums.

✓ **Shipping solutions**

Through a partnership with the Brazilian Post Office, we offer integrated shipping solutions enabling online merchants to send, insure and track their packages at lower overall shipping rates than the Brazilian Post Office's standard prices. Delivery fees can be included in the online sales transaction or paid separately by the purchaser. Using our shipping cost calculator, merchants can choose to offer (i) a fixed freight rate based on the number of items shipped, (ii) a weight-based rate, or (iii) a customized rate based on a fixed amount plus an incremental rate for each additional item. Merchants can also track all shipments and insure their products against loss. We monitor and review the Brazilian Post Office's performance and compliance with our contractual terms.

✓ **EFTPOS Integration Solution**

Our EFTPOS integration solution, which we launched in August 2017, offers solutions that integrate EFTPOS technology with merchant software, secured via PIN pad. This service allows merchants to process large transaction volumes and issue tax receipts more easily than with traditional POS devices.

✓ **Single-Click**

Our Single-Click service is a functionality offered across our e-commerce platforms that enables merchants to request customer approval to save their payment information, simplifying future purchases. Once approved, e-commerce merchants can provide a seamless checkout option, allowing customers to make purchases with a single click.

✓ **Promotional engine**

Our promotional engine is a marketing tool that allows merchants to advertise across our client base. For example, a merchant can offer promotional discounts to other PagSeguro customers in specific sectors.

✓ **Multiple merchant feature**

In February 2018, we launched an innovative functionality for both our Moderninha Wi-Fi and Moderninha Pro which enables multiple merchants to share a single POS device. Our Moderninha Plus (which we launched in May 2018) and our Moderninha Pro 2 (which we launched in December 2019) also have this functionality. With this new functionality, each of these POS devices can serve up to six digital accounts, handling sales transactions for each account separately and allowing entrepreneurs and merchants to manage multiple businesses using a single POS device. The launch of this new functionality, innovative in the Brazilian market, furthers our continuous process of democratization and greater penetration of our payment terminals for entrepreneurs and merchants across all types of businesses.

✓ **Software solutions**

We offer software solutions through our subsidiaries R2Tech, Tilix and Yami as well as through our *PagVendas* app and our proprietary food delivery app *PedeFácil*. Through these software solutions, our merchants are able to increase sales and manage their business.

Through R2Tech, merchants can reconcile payment transactions. Through Tilix, PagSeguro clients can improve their bill payment experience with facilitated management and payment of bills through a simple and user-friendly interface. Through *PagVendas*, merchants can combine payments and software integration into our smart POS. Through Yami, PagBank clients have access to a back-office platform for e-commerce and marketplaces.

Through our *PedeFácil* offering, restaurant segment customers can manage orders in real time, and *PedeFácil* is currently being rolled out to a limited number of our merchants. Our revenues from *PedeFácil* will be a take rate over the value of each order. We believe that *PedeFácil* is well positioned to help merchants as they face unprecedented shifts in their businesses due to social distancing and quarantine practices triggered by the COVID-19 pandemic, resulting in an increased demand for electronic ordering and delivery services. Our revenues from *PedeFácil* will be a monthly subscription fee plus a take rate over the value of each order. We believe that the launch of *PedeFácil* is well positioned to help merchants in the bar and restaurant industry as they face unprecedented shifts in their businesses due to social distancing and quarantine practices triggered by the COVID-19 pandemic, resulting in an increased demand for electronic ordering and delivery services.

According to IDC (International Data Corporation), the total addressable market in Brazil for retail management software in 2019 was R\$11.1 billion. This represents a large potential revenue addressable market for us, especially since as of December 2020, we had 518,00 active users subscribed to our software.

- **Cash-Out Solutions**

Our cash-out solutions enable our clients to transfer or spend the balance on their free PagBank digital account securely by a variety of means including in-person and online purchases or cash withdrawals using our PagSeguro prepaid cards or cash cards, on-platform peer-to-peer transfers, instant Central Bank wire transfers, cross-border remittances, bill payments, top up prepaid mobile phone, Uber, Spotify or Google Play credits and QR code transactions with PagSeguro terminals.

- ✓ **PagSeguro credit, cash and prepaid cards**

We offer PagSeguro Visa credit cards, PagSeguro Visa NFC enabled cash cards and PagSeguro MasterCard prepaid cards.

Our PagSeguro Visa credit cards have no annual or membership fees and are offered to our best merchants. The credit card is accepted in Brazil and abroad and the credit card's information can be stored in the free PagBank digital account to permit NFC or QR Code transactions. As NFC and QR Codes do not require contact between the buyer and the seller's POS device, the transactions are contactless.

Our PagSeguro Visa NFC enabled cash card is linked directly with the balance of the free PagBank digital account without the need to reload the card, unlike our PagSeguro prepaid cards.

Our PagSeguro MasterCard prepaid cards allow merchants or consumers to use the balance from their free PagBank digital account to buy goods and services in-person and online or withdraw cash at more than one million Cirrus network ATMs in Brazil and abroad. Merchants can therefore receive payments from sales transactions into their free PagBank digital account and spend that money directly using the PagSeguro prepaid card, without needing a bank account. With a modest initial purchase cost, the card comes with no annual fees or interest rates – and we provide it free to merchants who purchase a PagSeguro POS or mPOS device. The PagSeguro prepaid card does not require credit checks on the merchant or preapproval for issuance. In 2020, we issued more than 6 million cards, including PagSeguro prepaid, cash and credit cards.

We generate revenues from: (i) the issuance fees for PagSeguro prepaid cards; (ii) interchange fees we receive, as a card issuer, from each transaction made through PagSeguro prepaid cards; and (iii) a flat fee for cash withdrawals at ATMs using PagSeguro prepaid cards. After the initial issuance fee, the cardholder does not pay an annual fee or other fees for using the card.

- ✓ **On-platform peer-to-peer transfers**

Our clients can use the balance on their free PagBank digital account to transfer funds to other free PagBank digital accounts on our platform. We charge a commission paid by the recipient of the payment.

- ✓ **Bank transfers**

Clients can make transfers from their free PagBank digital account directly to a bank account. We believe, however, that our numerous direct cash-out options are increasingly reducing the need for our merchants to transfer balances out of our digital platform. We do not receive revenues from cash-out bank transfers.

- ✓ **Bill payment**

Clients can pay a wide variety of bills, such as utilities, consumer, tax and other *boletos*, through our i-banking app *PagBank* – PagSeguro using the cash balance in their free PagBank digital account. There is no cost to our clients for using this feature. We receive revenues in the form of a flat fee from the issuer of the bill for each bill payment processed.

✓ ***Cross-border remittance***

Our "Boa Compra" platform provides international merchants with local payment solutions for their consumers located in different countries across Latin America, Spain, Portugal and Turkey (for example, for foreign merchants selling to Brazilian consumers, or for Brazilian merchants selling to foreign consumers in Latin America – although the platform is also used for transactions where neither party is Brazilian). Boa Compra originally operated in the online gaming industry and has been particularly attractive to clients in that industry. Since its launch, however, Boa Compra has now expanded to serve other industries.

Using Boa Compra, international online merchants, such as Valve (Steam), Garena, Electronic Arts and Riot Games, can provide their end-users with local payment methods, leveraging conversion rates and unlocking the market potential of cross-border e-commerce.

The Boa Compra platform features both an integrated web-checkout solution and a direct checkout which allow clients to save their credit card information for future transactions and enables international checkout by offering users more than 140 payment methods in multiple currencies. When Brazilian consumers, for instance, make a purchase using Boa Compra, Boa Compra manages the payment processing and collection and organizes the remittance of the funds outside Brazil on behalf of each customer in accordance with Central Bank regulations using the consumer's Brazilian taxpayer identification number.

Additionally, the Boa Compra platform also features a payout solution and has built a strong relationship with Tik Tok (Bytedance Group). When Tik Tok's Brazilian end-users are eligible for receiving small amounts from the publisher, Boa Compra intermediates the transaction, which collects the cash from Tik Tok abroad and settles the amount for the payee in Brazil, into a PagBank account held by the end-user.

✓ ***PAGS capital***

Our PAGS Capital offering is a lending product with a small number of clients selected according to characteristics such as registered account date, TPV and frequency. PAGS Capital charges lending fees that are almost three times lower than those of incumbent banks. We expect this product to increase client loyalty and to help our clients gain access to working capital in order to grow their businesses. At December 31, 2020, we had a total portfolio of R\$612 million (including working capital, credit cards and initiatives such as public and private payroll loans).

**Our Customers**

We offer our clients free digital accounts, which they can use to sell products as merchants, or to buy products as consumers. There is no division between the two categories, since the same digital account serves both types of clients – indeed, our merchants are also consumers when they spend their digital account balance using our cash-out features, and our consumer clients can also be merchants.

We offer the following major benefits for both merchants and consumers:

- PagBank offers to our customers a free PagBank digital account. Customers do not need a bank account to join our ecosystem because our free PagBank digital account is similar to a regular checking account linked to the Central Bank's platform. With a 100% online onboarding process, without paperwork, quick turnaround and a high acceptance rate, we offer to our consumers and merchants access to our advanced digital banking ecosystem, with functionalities such as bill payments, top up prepaid mobile phone, Uber, Spotify or Google Play credits, wire transfers, peer to peer cash transfers, prepaid credit cards, cash cards, loans, investments, QR code payments, and payroll portability, among other digital banking services.
- Consumers and merchants can sign up for PagBank through an inApp registration process that takes less than three minutes.
- For merchants, we provide access to our advanced digital payment processing and early payment of merchants' installment receivables. We accept merchants who are either individuals or companies.
- We offer a full suite of 39 cash-in options under a single contract, with security and reliability, plus 13 cash-out options including wire and peer to peer transfers, QR code payments, bill payments, top up prepaid mobile phone, Uber, Spotify or Google Play credits and in-person and online purchases or cash withdrawals using our PagSeguro prepaid and cash cards.

- Our pricing model for all of our services— whether transaction fees, early payment of installment receivables or POS devices – is simple, transparent and easy to understand. We also offer promotions on our MDR pricing, such as zero MDR for new merchants using our Minizinha for the earlier of the first R\$1,500 or three months. For new merchants using our other POS devices, we offer zero MDR for the earlier of the first R\$10,000 or 30 days. These promotions are applicable to debit and credit card transactions without installments and purchases made through all of our POS devices.
- Our social payment solutions, such as Pag.ae, allow both consumers and merchants to use their PagSeguro account to request payments via web links sent through e-mail, social networks or messaging services such as WhatsApp.
- We offer a comprehensive suite of affordable POS devices, with user-friendly features and functionalities, reliable connectivity and a five-year warranty. Our devices range from the entry-level Minizinha to the Modeminha Smart, which is an innovative and advanced POS device, built for simplicity and ease of use that we launched in October 2019 and which offers a full integration of hardware, our apps and a fast and secure payments network. For the equivalent of three to six months’ rental payments with incumbents, merchants can have a comparable device from PagSeguro and avoid continuous monthly rental fees.
- Data protection and confidentiality for consumers, with merchant verification and transaction protection mechanisms, including escrow periods and claim mediation services.
- Our payment solutions reduce the need for consumers to carry cash since more individual entrepreneurs, micro-merchants and SMEs are able to accept digital payments in-person.
- We may offer additional credit lines to eligible merchants, such as lending and credit cards. At December 31, 2020, we had a total portfolio of R\$612 million, including working capital, credit cards and initiatives such as public and private payroll loans).

Since we only provide the payment service and the acquiring service, the consumer in the underlying commercial transaction is not our client, and we are not responsible for providing the goods or services or fulfilling the consumer order. As provider of the payment service, we facilitate the payment transaction on behalf of the merchant; while as acquirer, we enable merchants to accept payment cards by completing the processing of the payment transaction.

Our merchant base is highly diversified, which shields us from dependence on a small number of business sectors or major accounts. In 2020, department stores, our largest volume sector, and professional services, our second largest volume sector, accounted for 14% and 8%, respectively, of our overall transaction business. No other major business sector (fast food restaurants (7%), eating venues and restaurants (6%), wholesale clubs (5%) or barbers and beauty parlors (4%)) accounted for more than 14% of our overall TPV. We are not dependent on any individual merchants. In 2020, our top 10 clients represented less than 5% of our TPV and our top 100 clients represented less than 11% of our TPV.

We have taken a new approach to offering digital financial services to Brazilian clients, both consumers and merchants, focused on individual entrepreneurs, micro-merchants and SMEs. Instead of simply processing transactions, our end-to-end digital platform creates an ecosystem where our clients can transact and manage their cash by providing a free PagBank digital account. We are focused on providing disruptive products and solutions that are secure, affordable, scalable and easy to use, with simple and transparent pricing.

We principally target micro-merchants and SMEs, many of whom were ignored or underserved by the incumbent payment providers and financial institutions in Brazil before PagSeguro was launched. These incumbents generally charge micro-merchants and SMEs higher overall fees and commissions because they generate lower transaction volumes. Our platform enables us to keep overall per-transaction fees lower for merchants who generate lower transaction volumes. We believe our client data supports this model: according to a survey that we conducted in February 2021, 72% of our merchants used PagSeguro as their sole electronic payments service and 75% of Minizinha owners did not accept card payments prior to signing up with us.

We strive to provide relevant products, efficient customer service, account support and protection from fraud and loss. We have developed a number of security procedures to provide protection to consumers by offering escrow periods and claim mediation, covering issues such as non-delivery or failure to match the merchant’s description of the product sold. See, “—Protecting Our Clients” and “—Our Products and Services—The Free PagBank Digital Account—The PagSeguro Ecosystem—Advanced Built-In Functionalities and Value-Added Services and Features—Purchase Protection.”

## Product Development and Technology

We develop most of the software technology used by our digital payments and banking platform in-house, although we also outsource certain projects to outside developers in order to expedite the delivery of software and keep our time-to-market advantage. Through this combination of technology, developed both in-house and by outsourced developers, we have developed a stable, reliable, proprietary and highly scalable platform with intuitive user interfaces, management tools, transaction processing, APIs, and database and network applications that help our customers utilize our suite of products and services, while keeping their financial information confidential.

Our payments platform allows consumers to make purchases using a broad range of payment methods, regardless of where a merchant is located. For purchases made outside Brazil, we partner with local payment service providers. Our banking platform offers a large number of options for making transfers, paying bills, refilling prepaid phones and other wallets. It also includes a complete set of cards, including a cash card, a prepaid card and a credit card.

We manage large volumes of system access data and transactions, with more than 99.98% availability in 2020, using internet data centers provided by Scala Data Centers and outsourcing, cloud computing and other managed IT services provided by Compasso UOL, a UOL group company. Scala Data Centers and Compasso UOL provide these services to UOL, PagSeguro and several other large clients. Our transactions per second monthly peak increased by a multiple of 18.8 between June 2016 and December 2020, using the 99 percentile, and our average monthly deployments increased by a multiple of 13.5 from 597 average monthly deployments in 2017 to 8,074 average monthly deployments in 2020. With our hybrid infrastructure, combining local data centers and cloud computing, we are able to scale up our services while retaining high availability for peak – volume occasions such as Christmas, Mother's Day and Black Friday. This high-availability and continuously deployed platform ensures that all of our clients are able to operate with the latest features and the newest innovations without needing to patch or upgrade their software. Our scale as a UOL group company allows us to establish favorable partnerships with several suppliers, including software developers and hardware manufacturers.

Technology and innovation are in the DNA of the UOL group and are at the core of our business success, with products and engineering personnel representing 47.55% of the total headcount of PagSeguro as at December 31, 2020. With our specialized team of 2,775 people focused on developing reliable, scalable and proprietary systems and new products and features, we regularly roll out innovative and disruptive solutions that are tailored to the Brazilian market. Our expenditure on software and technology (including salaries) amounted to R\$531.1 million in the year ended December 31, 2020, R\$326.8 million in 2019 and R\$218.9 million in 2018.

We strive to offer new features and formats to improve our users' experience on our platform. This process starts by listening to suggestions from our clients. We hold focus group meetings and conduct surveys periodically with regular and highly active customers to obtain feedback regarding our products and services, as well as suggestions and ideas for new features.

We test all new products and features rigorously in-house and with pilot groups of merchants before rolling them out. Once our internal team has ensured they are working properly, we typically roll them out first to a select group of customers on a trial basis, listening to feedback and suggestions and enhancing the final details of the product or feature before rolling out to all customers. We frequently update our software products and follow a regular software release schedule with improvements deployed periodically, ensuring our merchants get immediate access to the latest features.

Managing our platform's software architecture and hardware is as important as offering new products and features. We focus on optimizing our processes and equipment to help ensure that our systems are capable of handling our rapid growth in an efficient and cost-effective way.

Our technology infrastructure simplifies the storage and processing of large amounts of data, automates many administrative tasks, and enables us to deploy and operate products and services on a wide scale. Our technology infrastructure is designed to reduce downtime in the event of system outages or catastrophic events, with continuity features, system redundancy and protection against cyber-security threats. For further information on the measures we take to protect against cyber-security threats, see "—Protecting Our Clients." We strive to improve our technology infrastructure and platform continuously in order to enhance the customer experience and to increase security, efficiency and scalability.

PagSeguro's research and development activities are based on years of experience in solid agile practices. These activities are distributed among small teams, known as squads, which work in parallel on complex projects. In addition to our information technology professionals, the squads consist of people from different disciplines, including our products department, domain-specific business areas, information security department and customer relationship management team, among others. The exact composition of each squad is different and appropriate for each context. People on the squads apply methods like Scrum and Kanban to manage their daily activities. In order to have a global view of our projects, we use a portfolio management system which utilizes dashboards containing the scope of each development cycle, the backlog and what has been deployed thus far. Our experimentation and decisions are guided by lean practices that are heavily based on factual, data-driven information and hypothesis validation, helping us optimize our prioritization. For hypothesis tests, we heavily use practices like AB tests, data analysis and inferences. Our squads are encouraged to have an open mind and engage in frank communications, while maintaining responsibility and an appropriate level of autonomy.

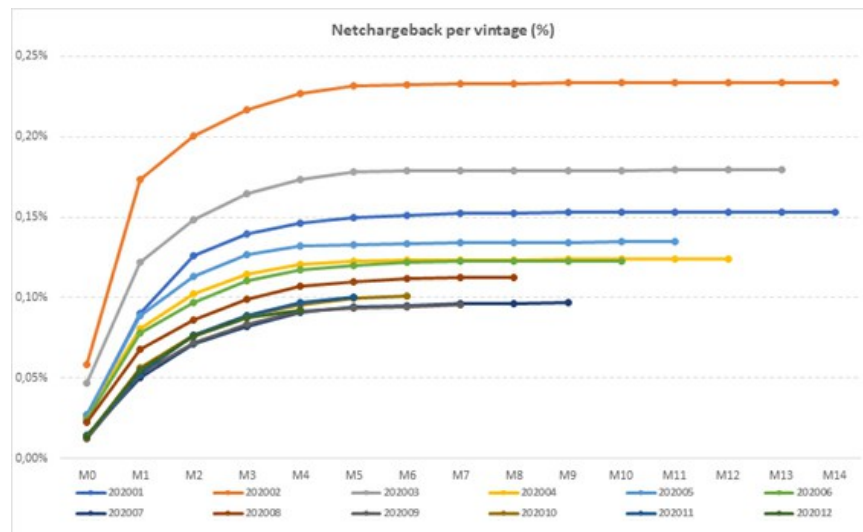
Our efficiencies of scale, relentless cost discipline, and ongoing improvements to systems and processes allow us to continue lowering our costs. As our scale has expanded, our expenses have declined when compared to our Total revenue and income: for example, in the year ended December 31, 2020, our Total expenses increased to 74.0% of our Total revenue and income from 66.5% in the year ended December 31, 2019, while Revenue from transaction activities and other services and Financial income, taken together, increased to 98.1% of our Total revenue and income from 94.7% in the year ended December 31, 2019. In the year ended December 31, 2020, our non-GAAP Total expenses totaled 70.8% of our non-GAAP Total revenue and income, compared to 63.8% in the year ended December 31, 2019. For a reconciliation of our non-GAAP financial measures to the most closely related GAAP financial measures, see "Item 3. Key Information—Non-GAAP Financial Measures—Reconciliation of Non-GAAP Financial Measures." By maintaining our spirit of innovation combined with our focus on reducing costs, we intend to continue to drive costs down to achieve further profitable growth. We anticipate that we will continue to devote considerable resources to research and development in the future as we add new features and functionality to our products and services to strengthen and extend our digital banking solutions. Our market is characterized by rapidly changing and disruptive technologies, as well as evolving industry and regulatory standards, and we seek to remain in the front line of these changes. We believe our ability to adapt to rapidly changing technologies, products and services in an evolving industry is the cornerstone of our future success. For further information on the technological challenges in our industry, see "Item 3. Key Information—Risk Factors—Risks Relating to our Business and Industry—Increasingly intense competition may harm our business."

### **Protecting Our Clients**

Trust and security are essential to success in the digital payments market. Fraud is a constant threat, involving items such as account takeover, identity theft and malicious counterparty activities. The ability to protect our clients from financial loss and data theft has been key to our competing successfully and growing our business sustainably, and we believe security will continue to be a major competitive factor in the future. We invest in providing comprehensive protection for our clients on our ecosystem, focusing on three main areas: transaction security; platform security; and customer service. Our investments in this area have been recognized by our customers and the industry. For example, we were recognized as the "Best Company for Consumers" for electronic payments in 2020, 2019, 2018, 2017 and 2016 and for online payments in 2015 by Época magazine and Reclame Aqui, a consumer protection service, and were recognized for client service excellence in the financial services category in 2015, 2017 and 2019 by Consumidor Moderno and in 2019 by Exame IBRC.

### **Transaction Security**

We have focused since our launch on ensuring the security of payment transactions carried out on our ecosystem. We believe we have been a pioneer in developing technology and expertise against online fraud and chargebacks related to fraudulent transactions in Brazil, backed by the reputation of the PagSeguro and UOL brands. Our transaction approval rate increased slightly in 2020 compared to 2019, from 77% to 81%. In 2016, we were named the Brazilian acquirer with the lowest chargeback-to-sales ratio by Visa. Our net chargeback rates for transactions of six months old averaged 0.12% in 2020, a decrease of 48% from 0.23% in 2019. These net chargeback rates compare highly favorably with the 1.0% limit established by the card schemes. We achieve transaction security through a combination of antifraud technology, the design of our platform, and protection programs for our clients.



As is the case with any digital transaction, those that take place on our digital platform are susceptible to potentially fraudulent or improper sales. We use two main processes to control this fraud risk. The first process consists of monitoring credit card, debit card and *boleto* transactions on a real time basis, through systems that identify potential fraud. This process approves or rejects suspicious transactions at the time of the authorization, based on statistical models that are revised on an ongoing basis. The second process, which occurs after approval of the transaction, consists of a reconciliation process in which PagSeguro Brazil follows up on all chargebacks with the card issuers and, where appropriate, opens a claim process to seek reversal of the chargeback. This is a complementary process and increases our ability to avoid and manage chargebacks.

Our antifraud platform combines proprietary features, such as internal risk modeling and scoring through artificial intelligence and risk assessment tools that collect public and private market information, as well as front-line third-party solutions such as Feedzai, Emailage and Threatmetrics. For more information, see "—Our Products and Services—The Free PagBank Digital Account—The PagSeguro Ecosystem—Advanced Built-In Functionalities and Value-Added Services and Features—Antifraud Platform."

The design of our platform also assists in preserving data confidentiality. Consumers can make payments through PagSeguro without sharing sensitive financial information such as credit card or debit card details with the merchant. Transactions on PagSeguro are tokenized and payment authorization credentials are kept separated from account holder's information, helping us to better detect and prevent fraud when funds enter, flow through and exit our ecosystem. In addition, the ability to make and accept digital payments increases personal security in in-person transactions by reducing the need for both consumers and merchants to carry cash.

Our protection programs guard our clients from loss through fraud and counterparty non-performance. We believe the history and critical mass of our consumer database allows us to provide quicker and more reliable transaction approval when compared with smaller or more recently established digital payments providers in Brazil. Our protection programs, which apply to online purchase transactions completed through our ecosystem, aim to reassure consumers the confidence that they will only be required to pay if they receive the product in the condition as described, and merchants the confidence that they will receive payment for the product that they are delivering to the customer.

Our merchant program protects against losses for chargebacks related to fraudulent transactions and similar claims on substantially all of our online transactions. A chargeback situation may also occur if the card used was unauthorized or if there is a non-fraudulent cardholder claim. If a chargeback claim is valid, the card issuer sends the transaction back to the merchant and charges the merchant the amount of the questioned sale. If the merchant cannot remedy the chargeback, it is the merchant's loss. If there are not sufficient funds in the merchant's account, the chargeback amount is charged to the acquirer.



For consumers, we provide protection against losses under which they can submit a claim if there is a problem with a purchase. The consumer can file a claim through our PagSeguro website, in which case the consumer and the merchant can seek to resolve the claim together. If they cannot resolve the claim within seven days after the claim is filed, the consumer has up to 20 days after filing the claim to request our assistance, in which case we act as mediator to help resolve the issue with the merchant. If a consumer does not request mediation within 20 days after filing a claim, the claim will be resolved in favor of the merchant.

### ***Platform Security***

The architecture of our proprietary end-to-end payments platform coupled with third-party front-line solutions are key to our ability to provide consumers and merchants with continuity and security in their transactions. Through our numerous cash-in and cash-out options we are able to collect data from our clients, which allows us to save important information on customers for purposes of the approval of future transactions. The multiple layers of protection included in our platform help ensure continuity as well as addressing the cybersecurity risks discussed in "—Transaction Security" above.

We have developed intuitive user interfaces, customer tools and transaction processing and database and network applications that help our users complete transactions reliably and securely, both on our platform and on merchant sites integrated with PagSeguro. Our technology infrastructure simplifies the storage and processing of large amounts of data, facilitates the deployment and operation of large-scale global products and services, and automates administrative tasks. This technology infrastructure has been designed around industry-standard architectures to reduce downtime in the event of outages or catastrophic occurrences. We work hard to improve our technology infrastructure continuously in order to enhance customer experience and increase efficiency, scalability and security. We also make use of well-known security protocols and solutions to secure user data, including, among others: EV-SSL certificate, multiple data encryption techniques, intrusion detection (IPS/IDS), application firewalls (WAF), Anti-Distributed Denial-of-Service (Anti-DDoS), Data Loss Prevention (DLP), 2-factor authentication and encrypted communications. We also hold the following certifications: PIN security; MasterCard and Visa merchant acquiring host; MasterCard terminal integration process, or M-TIP; Visa acquirer device validation toolkit, or ADVT; MasterCard end-to-end demonstration services, or ETED; PCI Data Security Standard, or PCI-DSS; and Europay, MasterCard, and Visa, or EMV, Levels 1 and 2. Our data centers are also certified under the International Organization of Securitization, or ISO, standards 9001, 20000 and 27001. We also perform security penetration tests on a regular basis and apply top-most security solutions for code and application scanning (SAST/DAST). For information on new data protection regulations, see "Item 3A. Key Information—Risk Factors—Risks Relating to Our Business and Industry—Our business is subject to cyberattacks and security and privacy breaches."

Our platform's architecture enables us to connect all parties regardless of whether the transaction is occurring at a traditional physical location (such as inside a store), a non-traditional physical location (such as in a park), or online, and whether through a mobile or fixed-line device. We believe that mobile devices, in addition to being the future of e-commerce, create opportunities to make digital payments safer. For example, we are able to use location data from mobile devices to reduce risk for our clients.

### ***Customer Service***

We believe in excellence in customer service and we continually invest in our merchant and consumer relationships by providing continuous customer service, account support and innovative solutions. By helping our clients navigate our applications and answering their questions quickly, we have been able to grow rapidly and to build trust with our clients, which has increased their loyalty and enhanced our reputation.

We provide our customers with an array of digital self-service features including real-time online chat, chatbots, customer service e-mail and a customer service hotline. Our customer service operations are provided by a combination of PagSeguro employees and outsourced providers, which together make up approximately 3,218 full-time equivalent, or FTE, positions.

We maintain service quality by placing emphasis on careful selection of our customer service personnel and regular monitoring of employee performance. Our employees are trained to have in-depth product and service knowledge, professional service attitudes and communication skills to best address customer needs and inquiries.

## Sales and Marketing

Our marketing strategy is designed to grow our platform by building and maintaining the brand recognition and trust of the PagSeguro and UOL brands, attracting new users and generating more frequent activity by our existing users. Our marketing initiatives aiming to recruit merchants to our ecosystem currently focus on our POS devices, web checkout solutions and other online payment solutions. We believe that introducing our digital payment solutions to merchants who are not yet our clients is the most efficient and cost-effective strategy to sustain our growth among both merchants and consumers, creating a "network growth effect." The advantages of our digital payment solutions for merchants drive growth in their businesses, and the advantages of our digital payment solutions for consumers lead them to prefer merchants who offer these solutions, resulting in the acquisition of new clients through word-of-mouth recommendations by both merchants and consumers.

Our existing clients, many of whom use PagSeguro as an exclusive payment method, enable us to grow our merchant base rapidly and organically. Each time a consumer who has not yet registered with PagSeguro visits our website or pays a merchant using one of our online or in-app checkout solutions, the consumer is invited to open a free PagBank digital account to make his or her next purchase with PagSeguro easy and seamless.

We strive to position PagSeguro products and services in top of mind and present them as a desirable, easy and secure means to accept and make payments in Brazil, while accompanying the consumer throughout the purchasing process, from general brand awareness through to actual purchase or account registration. As a digital company, and with the support of UOL's audience, we continue to build and maintain brand recognition and trust through a variety of marketing campaigns, including advertising through traditional media, such as television, magazines and newspapers, and online advertising such as display media, videos, search results and social media, including:

- traditional offline media: television advertisements and merchandising (broadcast and cable), radio, movie theaters, the printed press, festivals and events, and display media such as billboards, urban digital time and weather displays, and airport and bus station displays;
- traditional online advertising: display media (including banners, rich media, interstitials, videos and native ads) on a variety of online platforms, such as premium websites, portals, video platforms such as YouTube, social media platforms such as Facebook and Instagram, mobile apps, e-mail marketing and affiliates programs; and
- search: we have expertise in positioning our products in preferential placements on search platforms displayed on desktops, tablets and smartphones, using specific initiatives such as paid search (Search Engine Marketing, or SEM, which includes bid management tools and keywords analysis) and natural or organic search (Search Engine Optimization, or SEO, which includes website optimization).

Our marketing department develops all these online and offline marketing strategies using single integrated concepts, so that our campaigns include key visual characteristics and consistent messages across all channels. In line with our growth strategy, most of our campaigns focus on micro-merchants and SMEs, with messages that highlight our easy, safe and hassle-free way of accepting payments, such as "a single online contract that allows you to accept more than 39 cash-in methods" and "free yourself from POS rental fees." We regularly compare our pricing to our competitors' and point out the advantages of our products and services for new or growing businesses. At the same time, we also advertise value-added products and services targeted at larger merchants and consumers from higher income sectors, including our business management tools and commercial automation solutions.

We believe that our association with the UOL group brings experience and competitive advantages in designing, negotiating and purchasing advertising space.

The strength of our brand, products and services has been recognized in a number of awards, including:

- Recognized as the 8<sup>th</sup> Most Innovative Company in Latin America by *Fast Company* in 2019 for helping Brazilian businesses manage their finances;
- Recognized for conducting the Initial Public Offering of the Year by *LatinFinance* and Deal of the Year in Latin America by *IFR* in 2018;
- Recognized for conducting the equity deal of the year by the *Prêmio Golden Tombstone* of the Instituto Brasileiro de Executivos de Finanças São Paulo in 2019;

- Recognized as having the most easily memorizable commercial in April 2017 and the commercial that attracted the most attention in 2018 by Forebrain, a consumer opinions research company;
- Named as the "Best Company for Consumers" for electronic payments in 2020, 2018, 2017 and 2016, for payments in 2019 and for online payments in 2015 by *Época* magazine and *Reclame Aqui*, a consumer protection service;
- Recognized as the best company in its industry in terms of client service excellence by *Consumidor Moderno* Award in 2015;
- Recognized for leading performance in Brazilian retail by *Prêmio BR Week* in 2015 and 2016.
- Recognized for innovation in the payments industry by *Prêmio Whow de Inovação* in 2018 and 2020;
- Recognized as the most promising fintech by Best Corporates in the Capital Markets Awards in 2018 by LatinFinance;
- Recognized for its fair stand in the APAS Show (biggest fair directed to supermarket and grocery stores industry in Latin America) by *Prêmio Caio* in 2018;
- Recognized by WOB – Women on Board, a non-governmental organization linked to the United Nations, for having more than two women on its Board of Directors in 2020;
- Recognized as the most innovative company in Brazil in the payments industry by *Consumidor Moderno* Award in 2020;
- Recognized as one of the 1000 largest companies in 2020 by the *Valor Econômico* newspaper;
- Recognized as one of the 500 largest companies by the *Exame* magazine *Melhores & Maiores* Award in 2019;
- Recognized as the most Innovative Electronic Payment Company in Brazil by GBO Awards in 2020; and
- Recognized as one of the most Valuable Brazilian Brands in 2020 by Interbrand.

Further supporting the strength of our brand, PagBank has already shown strong results in brand recognition. Since launch, according to Google Trends on April 5, 2021, the number of internet searches for "PagBank" has grown exponentially when compared to the number of internet searches for "PagSeguro account." Searches for "PagBank" have remained higher than those for "PagSeguro account" since April 2020.

In addition, our PagBank – PagSeguro app had 8,576 million downloads in the fourth quarter of 2020. Further evidencing the strength of our brand, according to an internal survey conducted by us, 94% of our users would hire products and services offered by PagBank. In addition, as of December 31, 2020, our PagBank – PagSeguro app was rated an average of 4.8 stars by 550 thousand reviewers in Apple's Brazilian app store and 4.5 stars by 950 thousand reviewers in Google Play.

These rankings compare favorably to those of our main competitors' apps, which as of the same date were rated between 3.3 to 4.8 stars in Apple's Brazilian app store and 3.2 and 4.7 stars in Google Play.

In addition, from February 2020 to December 2020, according to the December 2020 Google Industry Report –Financial Services, the number of searches for "PagBank checking accounts," increased from 22.9% to 33.5% of all checking account searches, whereas the number of searches among other banks remained relatively stagnant and in some cases decreased: Nubank (9.5% to 7.3%), Banco Inter (2.1% to 1.5%), Banco Original (0.6% to 0.4%), Banco Neon (2.7% to 1.1%) and Next (0.3% to 1.4%). The below table provides a breakdown of these results, where "PagBank" has been assigned an indexed volume (i.e., the volume of internet searches containing each brand or term) of 1.0 for comparison purposes:

Brand	Indexed Volume	Month to Month Growth	Prior Month Ranking
1 PagBank	1.00	-5%	1
2 Caixa	0.72	4%	2
3 Itaú	0.30	-3%	3
4 Nubank	0.22	11%	5
5 Banco do Brasil	0.21	-5%	4
6 Bradesco	0.18	5%	6
7 Santander	0.16	4%	7
8 C6	0.04	25%	9
9 Banco Inter	0.04	3%	8
10 Next	0.04	24%	10

We use our proprietary tools and market measurement systems developed by third parties, such as Adobe and Google, to deepen our knowledge about consumer behavior and, consequently, optimize our marketing efforts and expenditures by customizing our sales messages to make it easier for users to understand, find and buy our products and services.

Our marketing strategy is customized and we manage our desktop sites, mobile websites and mobile applications differently, each optimized for the screens they fit and the way our customers use them.

In addition to our online and offline advertising efforts described above, we developed a broad range of marketing and sales channels to access potential clients, including:

- our own sales team, mainly focused on offering our POS devices and online products and solutions to larger clients, as well as on providing ongoing support to those clients;
- partner companies that distribute PagSeguro devices and solutions to their customer base (mostly point of sale solutions' companies);
- third parties hired as independent sale organizations to distribute our POS devices across Brazil;
- online store platforms and web development companies, which integrate PagSeguro as an exclusive or preferred payment method to their clients; and
- third-party call center service provider hired to answer calls, e-mails and chat inquiries from our clients and prospects, and to offer our devices and solutions.

#### Organizational Structure

We are an exempted company with limited liability incorporated under the laws of the Cayman Islands with the legal name PagSeguro Digital Ltd. and are a subsidiary of Universo Online S.A., or UOL, a Brazilian *sociedade por ações de capital fechado* that was founded in 1996 and Brazil's largest internet content, digital products and services company. Our principal executive office is located at Avenida Brigadeiro Faria Lima, 1384, 01451-001 São Paulo – SP, Brazil and our telephone number is +55 (11) 3914-9524. Our investor relations office can also be reached at +55 (11) 3914-9524 and our website address is [www.pagseguro.uol.com.br](http://www.pagseguro.uol.com.br). Information provided on our website is not part of this annual report and is not incorporated by reference herein.

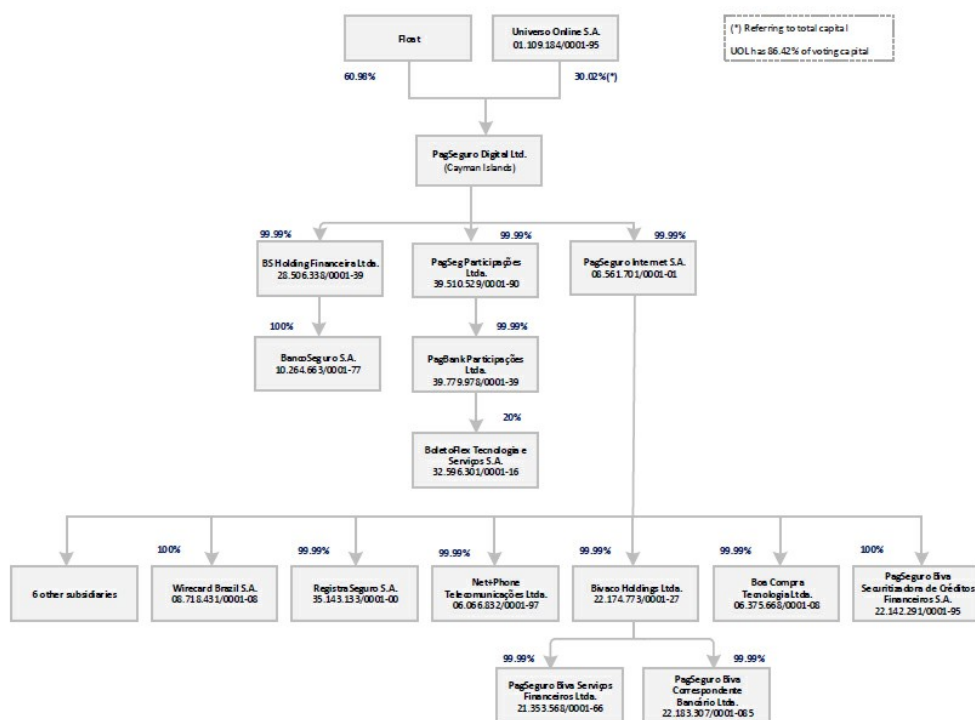
We carry out our operations principally through our Brazilian operating company, PagSeguro Internet S.A., a Brazilian *sociedade por ações*.

PagSeguro Internet S.A. carries out most operations directly, and also has twelve wholly-owned or substantially wholly-owned subsidiaries: (i) R2Tech Informática Ltda., organized in Brazil, which manages our reconciliation product; (ii) Yami Software & Inovação Ltda., organized in Brazil, which is a gateway specialized in split payments and provides a back-office platform for e-commerce and marketplace, assisting merchants, particularly with exchanges and returns, and is compatible with major e-commerce platforms in Brazil such as VTEX and Oracle; (iii) Boa Compra Tecnologia Ltda., organized in Brazil, which operates our online gaming and cross-border digital services in Latin America, Portugal, Spain and Turkey; (iv) NET+Phone Telecomunicações Ltda., organized in Brazil, which handles the exploration and provides services of telecommunications in general; (v) BCPS Online Services, Lda, or BCPS, organized in Portugal, which serves as Boa Compra's hub in Portugal and handles part of its account management; (vi) RegistraSeguro S.A., or RegistraSeguro, organized in Brazil, is expected to administrate payment method operations once it begins operating; (vii) Bivaco Holdings Ltda., organized in Brazil, which is a holding company; (viii) Tilix Digital Ltda., organized in Brazil, which provides software development for payment solutions; (ix) CDS Serviços Financeiros Ltda., organized in Brazil, which provides services as correspondent for financial institutions; (x) Zygo Serviços de Tecnologia S.A., organized in Brazil, which develops computer programs on request; (xi) Wirecard Brazil S.A., organized in Brazil, which provides collection and registration information activities; and (xii) NetPOS Serviços de Informática S.A., an information technology company, which specializes in the development and licensing of software related to store front commercial automation and provides us with a set of solutions for our merchants to perform sales management, inventory control, financial reporting and tax issuing. We acquired 51% of R2Tech in 2017 and the remaining 49% in February 2019. We acquired BCPS in 2017. We acquired Zygo Serviços de Tecnologia S.A. in July 2020, and Wirecard Brazil S.A. in September 2020. We formed RegistraSeguro in October 2019. BIVA has three substantially wholly-owned subsidiaries: (a) PagSeguro Biva Serviços Financeiros Ltda., organized in Brazil, which is a payment scheme owner which provides consulting and financial services; (b) PagSeguro Biva Securitizadora de Créditos Financeiros S.A., organized in Brazil, which provides services related to the acquisition and securitization of financial credit operations and the issuance of securities guaranteed by such credit; and (c) PagSeguro Biva Correspondente Bancário Ltda., organized in Brazil, which provides banking correspondent services. PagSeguro Internet S.A. also holds a non-controlling interest in NetPOS. We incorporated PagSeg Participações Ltda. and PagBank Participações Ltda. in July 2020. We acquired 20% of Boletoflex Tecnologia e Serviços S.A., organized in Brazil, which provides banking financial institutions services, credit analysis, sales promotion, collection, development and licensing of custom computer programs, and development of innovative and customized solutions for the retail, health, data center and industry sectors, among others.

In addition to our operations carried out by PagSeguro Internet S.A., on January 4, 2019, we acquired 100% of BancoSeguro, organized in Brazil, through our wholly-owned direct subsidiary BS Holding, a holding company organized in Brazil, whose sole purpose is to hold interest in financial institutions, as required by current banking regulations and through which we hold BancoSeguro. BancoSeguro holds a license to provide financial services. We expect that this acquisition will allow us to expand our product and services offering.

In November 2017 we set up a FIDC through which we may raise debt to finance the growth of our business. The FIDC is controlled by PagSeguro Brazil and raises capital by issuing senior quotas in the fund to outside investors, who receive interest on these investments from the FIDC. As of the date of this annual report, the FIDC is rated AA+ by Fitch Ratings. In accordance with Brazilian law, the FIDC may use between 50% and 100% of its capital to purchase merchant receivables. The FIDC uses the capital it raises to finance the early payment of receivables feature. Our remuneration from the early payment of receivables feature continues to be reflected as Financial income in our consolidated financial statements. We do not expect the establishment of the FIDC to impact the discount rate we charge in connection with the early payment of receivables feature or the expenses we incur to obtain early payment of note receivables from card issuers and acquirers. The FIDC is a common structure for Brazilian payment providers who offer early payment of merchants' receivables. In addition to broadening our financing options for this feature generally, it reduces certain regulatory constraints since the FIDC structure is specifically designed for this financing activity under Brazilian law, and we also expect it will allow us to defer certain tax obligations. For further information regarding our early payment of receivables feature, see "—Our Products and Services—The Free PagBank Digital Account—The PagSeguro Ecosystem—Early payment of installment receivables."

The chart below shows our corporate structure, including our wholly-owned and majority owned subsidiaries, as of the date of this annual report:



<sup>(\*)</sup> Including 0.007% consisting of treasury shares and shares issued under the LTIP and LTIP-Goals, representing 1.54% of the outstanding shares.

**Competition**

The Brazilian payments industry is highly competitive and fast-changing. We compete in the online digital payments and financial services market and in the POS payments market.

In the online digital payments market, we compete primarily with international online payment services, such as PayPal, and regional players, such as MercadoPago from MercadoLibre. In the POS payments market, we compete primarily with international players, such as SumUp/Payleven, and regional players, such as MercadoPago from MercadoLibre. In the digital banking market, we compete primarily with regional player Nubank and Inter. Our business model differs from the model used by the incumbent Brazilian providers, such as Cielo, Rede, GetNet and Stone, who generally offer their POS devices under long-term monthly rental contracts with pricing that works out to be more expensive than the monthly installments for the lending of our POS devices. These incumbent providers also target larger clients, since their business model results in more expensive products and services, while our primary target customers are currently micro-merchants and SMEs, who are underserved by incumbent payment providers and large financial institutions in Brazil.

Like the digital payments industry in general, we also compete with other means of payment, both digital and traditional, including cash, checks, money orders and electronic bank deposits.

Among our peers, we are the only financial technology provider in Brazil, however, whose business model covers all of the following five pillars:

- multiple digital banking solutions;
- in-person payments via POS devices that we provide to clients;
- free digital accounts that we provide to our consumers and merchants with functionalities such as bill payments, top up prepaid mobile phone, Uber, Spotify or Google Play credits, wire transfers, peer to peer cash transfers, prepaid credit cards, cash cards, loans, investments, QR code payments, and payroll portability, among other digital banking services;
- issuer of prepaid, cash and credit cards; and
- operate as a full acquirer.

We seek to differentiate ourselves from our competitors primarily on the basis of this end-to-end coverage as well as our focus on transaction security, on ease of use, and on the mobile environment. While competitive factors and their relative importance vary based on the size, industry and focus of each merchant, we believe the following factors are key to competition in the digital payments market in Brazil:

- an ecosystem that attracts, retains and engages merchants and consumers;
- speed and simplicity of the customer onboarding process;
- consumer confidence in transaction security, including the ability for consumers to make payments without sharing their financial information with the merchant or counterparty;
- POS devices with affordable prices and no rental fees;
- quality of customer service;
- breadth and depth of features and functionality; and
- brand recognition and reputation.

The Central Bank's regulatory program seeks to increase competition in the banking and payments industry. Recently it terminated the exclusive banking arrangements between banks and some card and meal voucher schemes. By seizing these opportunities, disruptive product offerings like our free PagBank digital account gave unbanked customers access to a free payment account. We were also the first payments provider not linked to a bank in Brazil, other than the incumbent acquirers controlled by banks, to obtain accreditation from MasterCard and Visa as an acquirer, and we have also signed partnerships with Elo, American Express and other card schemes. We will continue using our local knowledge and proximity to customers to seize new business opportunities as the market continues to open.

For information on risks relating to increased competition in our industry, see "Item 3. Key Information—Risk Factors—Risks Relating to our Business and Industry—Increasingly intense competition may harm our business."

#### **Insurance**

We have insurance policies with reputable insurers in amounts that our management considers to be sufficient to cover potential losses arising from events that may affect our assets, as well as for any damages that we may have to pay to third parties due to our business activities. We seek coverage against risks that are appropriate for our business activities and our scale, taking into account the nature of our business, the risks we are exposed to, market practices in our industry, and advice from our insurance consultants. We currently have the following insurance policies, which were contracted by our controlling shareholder, UOL, and list our company or our subsidiaries as co-beneficiaries, as applicable:

- insurance policy for coverage of damages to property, business interruption and lost profits, which expires on December 31, 2021 and has a coverage limit of R\$1,638.7 million;
- D&O insurance, which expires on March 1, 2022 and has a coverage limit of R\$67.2 million;
- warehouse and storage facility insurance policy, which expires on November 17, 2021 and has a coverage limit of R\$90 million; and

- general liability insurance, which covers damage awards paid by us in connection with tort claims. This policy expires on December 31, 2021 and has a coverage limit of R\$15 million.

We review our coverage limits every year when the policies are renewed, to ensure that they remain consistent with the value of our assets and the liabilities linked to our business. We do not currently anticipate any difficulties in renewing any of our insurance policies.

While we believe our insurance contracts reflect standard market practices, there are certain types of risks that may not be covered by our policies (such as war, terrorism, acts of God and force majeure, liability for certain harm or interruption of certain business activities). Therefore, if any of these uncovered events occur, we may be required to incur additional costs to remedy the situation, reconstitute our assets or indemnify our customers, which may adversely affect us. In addition, even if a risk is covered by our policies, we cannot assure you that any payment from our insurers will be sufficient to cover the loss.

### Seasonality

We operate in a somewhat seasonal industry, which tends to experience relatively fewer transactions in the first quarter of the year, increased activity as the year-end holiday shopping season initiates, and fewer transactions after the year-end holidays. While we have not experienced significant seasonality in our results at the date of this annual report due to our ongoing growth, this could change in the future. For additional information, see "Item 3. Key Information—Risk Factors—Risks Relating to Our Business and Industry—Our quarterly results of operations and operating metrics may fluctuate and are unpredictable and subject to seasonality, which could result in the price of our Class A common shares being unpredictable or declining."

### Regulation

#### Regulation of the Payments Industry in Brazil

Our activities in Brazil are subject to Brazilian laws and regulations relating to the payments industry. Law No. 12,865/2013, which took effect on October 9, 2013, sets forth the first set of rules regulating the payments industry within the overall Brazilian Payment System (the *Sistema de Pagamentos Brasileiro*, or SPB), which refers to all the entities, systems and procedures related to the clearing and settlement of funds transfer, including operations in foreign currencies. This law created the concepts of payment schemes (*arranjos de pagamento*), payment scheme owners (*instituidores de arranjos de pagamento*) and payment institutions (*instituições de pagamento*).

Law No. 12,865/2013 gave the Central Bank and the CMN powers to regulate entities involved in the payments industry, including those operating in digital environments. These powers cover matters such as the incorporation and operation of these entities, risk management, the opening and managing of payment accounts, and the transfer of funds to and from payment accounts. After enactment of Law No. 12,865/2013, the CMN and the Central Bank created a regulatory framework regulating the operation of payment schemes and payment institutions. Currently, the main rules of this framework consist of Resolutions No. 4,282/2013 and 4,283/2013 and Circulars No. 3,680/2013, 3,681/2013, 3,682/2013, 3,704/2014, 3,705/2014, 3,721/2014, 3,735/2014, 3,765/2015, 3,815/2016, 3,842/2017, 3,843/2017, 3,854/2017, 3,885/2018 and 3,886/2018, among others.

Circular Nos. 3,885/2018, 3,886/2018 and 3,887/2018, all issued on March 26, 2018, introduced several changes relevant to payment schemes and payment institutions. Such measures included, among others: (i) the introduction of a formal definition of sub-acquirers and determination of conditions that require sub-acquirers to use centralized settlement via the Brazilian Interbank Payments Clearinghouse (CIP) system; and (ii) a cap on interchange fees in debit cards of up to 0.8% in any debit transaction and maximum average interchange fee of 0.5% on total debit transaction volume.

On August 16, 2018, the Central Bank published Circular No. 3,909/2018, which sets forth the cybersecurity policy and requirements for the contracting data processing and storage services as well as cloud based computing services that payment institutions authorized to operate by the Central Bank must follow. In addition to adhering to this policy and requirements, these payment institutions must also establish a plan of action and incident response. The cybersecurity policy and requirements set forth in Circular No. 3,909/2018 had already been published for financial institutions and other entities authorized to operate by the Central Bank through CMN Resolution No. 4,658, published on April 26, 2018. In accordance with Article 25 of Central Bank Circular No. 3,909/2018, payment institutions had until December 1, 2019 to adopt a cybersecurity policy (which we adopted ahead of this deadline) and until December 31, 2021 to be fully compliant with cybersecurity rules. We are fully aware of the due dates and expect to be able to comply with these dates.



On December 20, 2018, Circular 3,925/2018 prompted additional changes to the regulatory regime of the industry: (i) open-loop payment scheme owners (such as Visa and Mastercard), directly or through the acquirers, were permitted to impose to sub-acquirers with whom they have a relationship disclosure and monitoring obligations as to their compliance with relevant rules and adherence to payment scheme owners own regulations; (ii) sub-acquirers that also offer pre-paid payment accounts may act as domicile institution under a payment scheme; and (iii) interoperability between open-loop and closed loop payment schemes was expressly permitted.

Innovative regulatory changes have been recently implemented by the Central Bank, resulting in modifications to the regulatory framework of the Brazilian payments and financial industries. In February 2020, the Central Bank announced its 24/7 instant payments platform, which operates under the name "Pix". It was launched in November 2020 as a new instant payments scheme operated by the Central Bank, which, by promoting the digitalization of payments, is intended to foster competition, reduce social costs associated with paper-based instruments and provide a better payment experience for Brazilians. Pix is based on a centralized and sole settlement infrastructure operated and maintained by the Central Bank, the Instant Payments System (SPI), and in a Account Identifier Directory (DITC), where all final users' information and corresponding accounts are stored. Currently, the main rules governing Pix consists of Central Bank Resolution No. 1/2020, which introduced the Pix payment scheme and approved its regulation, and Circular No. 4,027/2020, which governs the Instant Payments System (SPI). Participation in Pix is mandatory for financial institutions and payment institutions with more than 500 thousand active customer accounts, considering deposit accounts, savings accounts and prepaid payment accounts.

Also aiming to promote competition, in May 2020 the Central Bank issued baseline regulations for open banking. Based on the model used in the United Kingdom, open banking in Brazil will operate through application programming interfaces (API) and customers' consent will be always required before any data sharing. It will be implemented gradually by the Central Bank, in four phases: (i) phase 1, which started on February 2021, required the disclosure to the public of information from participating institutions regarding their customer service channels and their products and services related to demand deposit or savings accounts, payment accounts and credit transactions; (ii) phase 2, which will take place in July 2021, involves the sharing of customers' information and transaction data related to products and services listed in phase 1; (iii) phase 3, which will start in August 2021, includes the sharing of payment initiation services and forwarding of loan proposals; and (iv) phase 4, to be implemented by December 2021, involves the expansion of the scope of covered data, in order to include foreign exchange transactions, investment, insurance and open-loop pension funds, among other financial products. Phase 1 and phase 2 are mandatory only for financial institutions belonging to segments S1 and S2 of the Brazilian financial system (which mainly comprises major banks), according to segmentation rules set forth in Brazil. Institutions offering deposit accounts or payment accounts, as well as payment initiation service providers, are mandatory participants in phase 3, with respect to the sharing of payment initiation services. Banks that hire banking correspondents must take part in phase 3, with respect to the forwarding of loan proposals. The main rules governing open banking are Joint Resolution No. 1/2020 and Central Bank Circular No. 4,015/2020 and further regulations may still be issued.

In addition to instant payments and open banking, the above mentioned authorities have been discussing adjustments to the collection in foreign currency by international card issuers. On March 1, 2020, Circular 3,918/2020 became effective, amending Circular 3,691/2020 in order to improve the provisions related to international credit cards. From the effectiveness of Circular 3,918/2020, the quotation of the foreign currency used for credit card expenses abroad must be that of the day on which the purchase is made.

Moreover, the Brazilian Congress recently enacted Law No. 14,031/2020, amending Law No. 12,865/2013, in order to provide guarantee mechanisms for the financial risks associated with the transfer and settlement of funds between the participants of open-loop payment schemes, particularly issuers and acquirers, to ensure that such funds are received by the merchants (final beneficiaries). Law No. 14,031/2020 was introduced to ensure that, in the event that an issuer or acquirer fails, the merchant receives the values arising from payment transactions carried out with credit cards. The concept of segregate net equity (*patrimônio segregado*) was introduced by Law No. 12,865/2013, when it created a protection against bankruptcy to the funds held in or that flow through payments accounts, setting forth that funds deposited in prepaid payment accounts are segregated from the payment institution's own assets. In addition, in order to enforce those legal requirements, the payment institution must hold all the funds deposited in the prepaid payment account in certain specified instruments: either (i) in a specific account with the Central Bank that does not pay interest, or (ii) in federal government bonds registered with the SELIC. Law No. 14,031/2020 expanded that concept to cover all the funds flowing between participants of an open-loop payment scheme.

#### *Payment Schemes*

A payment scheme, for Brazilian regulatory purposes, is a body of rules and procedures governing certain payment services provided to the public with direct access by its end users (i.e., payors and receivers). In addition, such payment service must be accepted by more than one receiver in order to qualify as a payment scheme.

Not all the payment schemes are subject to the applicable regulation of the payment industry, including license requirements and supervision by the Central Bank. The regulatory framework imposes supervision only over payment schemes that are considered systemically relevant and, thus, are part of the SPB. The requirements for such classification depend on certain features, as follows:

- Payment schemes that exceed certain thresholds on number of payment transactions or aggregate value of transactions are considered to form part of the SPB and are subject to the legal and regulatory framework applicable to the payments industry in Brazil, including the requirement to obtain authorization by the Central Bank.
- Payment schemes that operate below these thresholds are not considered to form part of the SPB and are therefore not subject to the legal and regulatory framework applicable to the payments industry in Brazil, including the requirement to obtain authorization from the Central Bank, although they are required to report certain operational information to the Central Bank if so requested by the regulator. Furthermore, the Central Bank can issue an order requiring these payment schemes to apply for authorization to be part of the SPB on a case-by-case basis. In case an operational threshold is met, the payment scheme become part of the SPB and an application must be filed, but the payment scheme can continue to operate as usual until the authorization is granted by the Central Bank.
- Limited-purpose payment schemes are not considered as part of the SPB and, therefore, not subject to the legal and regulatory framework applicable to the payments industry in Brazil, including the requirement to obtain Central Bank authorization. Limited-purpose payment schemes are those whose payment orders are: (i) accepted only at the network of merchants that clearly presents the same visual identity as the issuer, such as franchisees and other merchant licensed to use the issuer's brand; (ii) intended for payment of specific public services, such as public transportation and public telecommunications; or (iii) related to employee benefits established by law (such as meal vouchers).
- Certain types of payment schemes have specific exemptions from the requirement to obtain authorization from the Central Bank. This applies, for example, to payment schemes set up by governmental authorities, closed-loop payment schemes set up by certain financial institutions and closed-loop payment schemes set up by an authorized payment institution in which financial settlement of payment transactions are carried out exclusively using the book-transfer method.

Moreover, there are two key types of payment schemes:

- (i) Closed-loop payment scheme (*arranjos de pagamento fechados*), in which payment services (management of payment account, issuance and acquiring) are all carried out by the same entity that is the payment scheme owner or by an entity that controls or is controlled by or is under the same control of the payment scheme owner; and
- (ii) Open-loop payment schemes (*arranjos de pagamento abertos*): all other payment schemes that do not fall under the closed-loop category.

#### *Payment Scheme Owners*

Payment scheme owners, for Brazilian regulatory purposes, are the legal entities responsible for managing the rules, procedures and the use of the brand associated with a payment scheme. Central Bank regulations require that payment scheme owners must be incorporated in Brazil, must have a corporate purpose compatible with payments activities, and must have the technical, operational, organizational, administrative and financial capacity to meet their obligations. They must also have clear and effective corporate governance mechanisms that are appropriate for the needs of payment institutions and the users of payment schemes, and rules and procedures contemplating risk management of the participants, minimum operational requirements to be observed by the participants, monitoring of fraudulent actions, settlement of transactions among participants, interoperability mechanism, among others.

Payment scheme settlors that are responsible for managing open payments schemes part of the SPB are also subject to: (i) rules that impose the creation of internal control systems and procedures; (ii) bank secrecy rules; (iii) administrative sanctioning process of the Central Bank; and (iv) the application of preventive measures by the Central Bank, in order to ensure the soundness, efficiency and regular functioning of payment schemes.

### *Payment Institutions*

Payment institutions are classified into the following types under Brazilian regulations, as per Circular No. 3,885, which replaced former Circular No. 3,683:

- Issuers of electronic currency (i.e., e-money, generally in the form of prepaid deposits): these payment institutions manage prepaid payment accounts for cardholders or end-users, carry out payment transactions using electronic currency deposited into these pre-paid such accounts, and convert the deposits into physical or book-entry currency or vice versa.
- Issuers of post-paid payment instruments (principally credit cards): these payment institutions manage payment accounts where the cardholder or end-user intends to make payment on a post-paid basis. They carry out payment transactions using these post-paid accounts.
- Acquirers: these payment institutions do not manage payment accounts, but enable merchants to accept payment instruments issued by a payment institution or by a financial institution that participates in a payment scheme. They participate in the settlement process for payment transactions by receiving the payment from the issuer of the prepaid or post-paid instrument, and settling with the merchant.
- Payment transaction initiators: these payment institutions provide payment transaction initiation services without managing payment accounts nor holding, at any time, the transferred funds. Additionally, they may not store end-users credential data used to authenticate payment transactions. The regulations on payment transaction initiators were recently enacted by the Central Bank and these entities are expected to operate mainly within the scope of open banking.

As for issuers of post-paid payment instruments and acquirers, the regulations apply only to payment institutions that are relevant and thus considered part of the SPB, including the requirement to obtain Central Bank authorization. This depends on certain features, such as the annual cash value of transactions handled by the payment institution. Issuers of post-paid payment instruments and acquirers below the relevant operational threshold can start operations and carry out payment activities immediately, provided that, in case of open-loop payment schemes, they have been granted with a license by the payment scheme owner. While operating below the relevant operational threshold, those payment institutions only need to comply with certain reporting requirements. Once the payment institutions reach the relevant operational thresholds, they need to file the authorization request, but the regulations determined that such entities continue rendering payment services while their applications are being analyzed by the Central Bank. Also, certain financial institutions are waived from requiring an authorization from the Central Bank to render certain payment services. Furthermore, certain payment institutions are not subject to the legal and regulatory framework applicable to the payments industry in Brazil. This applies, for example, to payment institutions that only participate in limited-purpose payment schemes and payment institutions that provide services in the scope of programs set up by governmental authorities and payment schemes related to employee benefits established by law.

Recent regulations issued by the Central Bank tightened the rules applicable to issuers of electronic currency, requiring them to obtain Central Bank authorization before launching operations. Before this change, these issuers could operate without a license until reaching certain operational thresholds. The institutions already operating below the previously established thresholds should seek authorization according to a predetermined schedule. All existing issuers of electronic currency must request authorization by June 2023.

As for payment transaction initiators, applicable regulations provide that they must obtain Central Bank authorization prior to providing payment initiation services. Any payment institution already licensed in another modality may operate as a payment transaction initiator, provided a 90-day prior notification is sent to the Central Bank.

A payment institution must be incorporated in Brazil and must have a corporate purpose that is compatible with payments activities, and, once they become part of the SPB, as described above, they must comply with several requirements. The CMN and Central Bank regulations applicable to payment institutions that are part of the SPB cover a wide variety of issues, including: (i) homologation by the Central Bank of officers and directors; (ii) the transfer of corporate control requires prior approval of the Central Bank; (iii) minimum corporate capital and net equity; (iv) implementation of internal controls and procedures; (v) constitution of an ombudsman's office; (vi) preparation of accounting statements pursuant to the Standard Chart of Accounts of the National Financial System (*Plano Contábil das Instituições do Sistema Financeiro Nacional*—COSIF); (vii) implementation of operational, liquidity and credit risk management structures; (viii) anti-money laundering and know-your-client requirements; (ix) banking secrecy rules; (x) settlement of payment transactions arising under open-loop payment schemes at the centralized settlement system of the Brazilian Interbank Payments Clearinghouse (CIP); and (xi) administrative penalties for non-compliance, among others.

The regulations applicable to payment institutions also cover "payment accounts" (*contas de pagamento*), which are the end-user accounts, in registered (i.e., book-entry) form, which are opened with payment institutions that are issuers of prepaid or post-paid instruments and used for carrying out each payment transaction. Circular No. 3,860/2013 classifies payment accounts into two types:

- Prepaid payment accounts: where the funds have been deposited into the payment account in advance of the intended payment transaction.
- Post-paid payment accounts: where the payment transaction is intended to be performed regardless of whether or not funds have been deposited into the payment account in advance.

In order to provide protection from bankruptcy, Law No. 12,865/2013 sets forth that funds deposited in prepaid payment accounts are considered segregated net equity (*patrimônio segregado*), i.e. such funds are segregated from the payment institution's own assets. In addition, in order to enforce such legal provision, the payment institution must hold all of the funds deposited in the prepaid payment account in certain specified instruments, either: (i) in a specific account with the Central Bank that does not pay interest, or (ii) in federal government bonds registered with the SELIC, the Central Bank's overnight rate. In this regard, PagSeguro Brazil's activities as a payment institution issuer of electronic currency (prepaid account management) have 100% of all deposits received invested in such instruments and protected from PagSeguro Brazil's bankruptcy.

#### *PagSeguro Brazil's, Wirecard Brazil's and BancoSeguro's Regulatory Position*

In December 2014, PagSeguro Brazil applied to the Central Bank for the following authorizations:

1. Authorization as a *payment institution*, as an *issuer of prepaid electronic money*. This application relates to the free PagBank digital account and to our issuance of PagSeguro electronic currency and prepaid cards. The application regarding the free PagBank digital account relates to our rules and our brand, and the application regarding our prepaid cards relates to the third-party payment schemes within which the cards are issued.
2. Authorization as a *payment institution*, as an *acquirer*.

These authorizations were formally approved on October 17, 2018.

PagSeguro Brazil is also a *payment scheme owner* of a closed-loop payment scheme not forming part of the SPB, which relates to peer-to-peer transfers between accounts opened by our clients within the PagBank digital checking account, using our rules applying to the PagBank digital checking account and our brand. Since this payment scheme does not form part of the SPB it does not currently require Central Bank authorization; however, we are required to report certain operational information regarding this scheme to the Central Bank on an annual basis, such as the number of users and the annual cash value of our peer-to-peer transfer transactions.

PagSeguro Brazil also applied to the Central Bank in February 2019 for authorization to conduct activities as a *payment institution* in order to act as an issuer of *post-paid cards* within third-party payment scheme. This authorization was formally approved on March 16, 2019.

PagSeguro Brazil is a participant of the Pix instant payments scheme and will join open banking on its phase 3, as an account service provider. For more information about the Pix payment scheme, see "—Regulation of the Payments Industry in Brazil."

On September 29, 2020, PagSeguro Brazil completed the acquisition of Wirecard Brazil, which is authorized as an issuer of electronic money and acquirer. Wirecard Brazil's authorizations were obtained on January 17, 2019.

Law No. 12,865/2013 prohibits payment institutions from performing activities that are restricted to financial institutions, which are regulated by Law No. 4,595/1964. There is some debate under Brazilian law as to whether providing early payment of receivables to merchants could be characterized as "lending," which is an activity that is restricted to financial institutions. Similarly, there is some debate as to whether the discount rates applicable to this early payment feature should be considered as "interest," in which case the limits set by the Brazilian Usury Law would apply to these rates. In this sense, the Central Bank Office of Legal Counsel (*Procuradoria-Geral do Banco Central*) issued a legal opinion that (i) advance of merchants' trade receivables (credit card installment receivables backed by executed and paid transaction) to them relates to the early payment of an obligation and should not be confused to an activity that is restricted to financial institutions; and (ii) discount rates applicable to this prepayment mechanism are subject to the limits set by the Brazilian Usury Law.

For transactions that form part of the Brazilian financial system, financial institutions may set interest rates freely, provided that they are not excessive for consumers. For transactions that do not form part of the Brazilian financial system, historically, the Brazilian Usury Law (Decree-Law No. 22,623/1933) capped interest rates at 12% per year. Subsequently, the Brazilian Civil Code, which replaced the Usury Law, capped interest rates at two times the interest rates applicable to the National Treasury (*Fazenda Nacional*), which is currently the SELIC rate (although there is some legal debate as to whether the Brazilian Civil Code has effectively replaced the original Brazilian Usury Law). As a result, if the discount rate that we charge merchants for early payment of their receivables is considered to be "interest," it would be capped at two times the SELIC rate. This limitation is mitigated by the FIDC that we use to finance our early payment of receivables feature.

BancoSeguro is a financial institution duly authorized by the Central Bank pursuant to CMN Resolution No. 4,122/2012 to perform banking operations in accordance with current regulation. It also holds a license from the CVM to provide securities custody services, which was obtained on February 22, 2021.

#### *Operations and Register of Receivables from Payment Arrangements*

On December 19, 2018, the CMN and the Central Bank published Resolution No. 4,707/18 and Circular No. 3,924/18, which impose transitional rules regarding credit card receivables and credit operations guaranteed by such receivables.

The main intention of Resolution No. 4,707/18 and Circular No. 3,924/18 is to allow merchants to offer their future credit card receivables as collateral to their banks for loans. In summary, both Resolution No. 4,707/18 and Circular No. 3,924/18 created information exchange obligations between financial institutions and acquirers/subacquirers, in order to facilitate the delivery of information related to merchants' settlement schedules (*agendas de recebíveis*). In accordance with these rules, financial institutions must keep acquirers and subacquirers informed about credit operations linked to credit card receivables. Acquirers, in turn, are required to disclose transaction data, such as settlement schedules (*agendas de recebíveis*), about their respective merchants to (i) financial institutions who have ongoing lending transactions secured by such receivables; and (ii) any other financial institution that is expressly authorized by such merchants to obtain this data.

On June 7, 2021, Resolution No. 4,707/18 and Circular No. 3,924/18 will be replaced by Resolution No. 4,734/19 and Circular No. 3,952/19, which will create new and definitive regulation in order to improve the rules regarding merchants' credit operations guaranteed by receivables from payment arrangements and the prepayment and discount of such operations, increasing competition and thus reducing the cost of credit.

This new regulatory framework brings a number of relevant changes to operations involving credit and debit card receivables, including transactions for the early payment of such receivables by acquirers and subacquirers, which are subject to new procedures, as well as the assignment of these receivables to institutions that do not belong to the Brazilian National Financial System.

The general principle adopted by these new rules is that receivables from payment arrangements that are provided as collateral in credit operations or assigned in discount operations (*desconto de recebíveis*) must be registered in a centralized system operated by an entity authorized by the Central Bank. In this sense, Circular No. 3,952/19 introduces the requirement of a market infrastructure convention, which will create a system allowing for the registration of these receivables as financial assets, interoperability, and the exchange of information between the registration systems and market participants.

Resolution No. 4,734/19 requires that the amount of receivables perfected into guarantees for a certain credit transaction be reduced, whenever applicable, so that such amount is limited to the outstanding balance of the transaction or to the maximum limit available under the credit line, in the case of an extension of a non-dischargeable credit facility by a financial institution on an absolute and unilateral basis.

If we fail to comply with the requirements of the Brazilian legal and regulatory frameworks, we could be prevented from carrying out our regulated activities, we could be (i) required to pay substantial fines (including per transaction fines) and subject to disgorgement of our profits, (ii) required to change our business practices, or (iii) subjected to insolvency procedures such as an intervention by the Central Bank and the out-of-court liquidation of PagSeguro Brazil. We could also be subject to private lawsuits. For additional information, see "Item 3. Key Information—Risk Factors—Risks Relating to Our Business and Industry—Our business is subject to extensive government regulation and oversight and our status under these regulations may change. Violation of or compliance with present or future regulation could be costly, expose us to substantial liability and force us to change our business practices, any of which could seriously harm our business and results of operations."

The Central Bank also regulates our international transfers of funds under foreign exchange regulations. Compliance with these rules is mandatory and any failure to comply may result in penalties against us.

The Central Bank's regulations also allow payment schemes to set additional rules for entities that use their brands. Since we participate in these third-party payment schemes, we must comply with their rules in order to continue accepting payments from payment instruments bearing their brands.

### ***Anti-Money Laundering Rules***

We comply with all anti-money laundering, or AML, rules applicable to us and have implemented policies and procedures to report suspicious activities to the authorities, including any suspected terrorism financing and other potentially illegal activities.

Our activities in Brazil are subject to Brazilian laws and regulations relating to anti-money laundering, or AML, terrorism financing and other potentially illegal activities. These rules require us to implement policies and internal procedures to monitor and identify suspicious transactions, which must be duly reported to the relevant authorities. We have implemented all the required policies and internal procedures to ensure full compliance with these rules and regulations, including structuring a risk and fraud division led by a risk and compliance officer. Our employees are trained and informed of our policies and internal procedures and their compliance is mandatory and supervised.

The Brazilian anti-money laundering law establishes the basic framework to prevent and punish money laundering as a crime. It prohibits the concealment or dissimulation of origin, location, availability, handling or ownership of assets, rights or financial resources directly or indirectly originated from crimes, subjecting the agents of these illegal practices to imprisonment, temporary disqualification from managing enterprises up to 10 years and monetary fines.

The Brazilian anti-money laundering law also created the Financial Activities Control Council, or COAF, which is the Brazilian financial intelligence unit that operates under the jurisdiction of the Ministry of Finance. COAF performs a key role in the Brazilian anti-money laundering and counter-terrorism financing system, and its legal responsibility is to coordinate the mechanisms for international cooperation and information exchange.

On January 7, 2020, Law No. 13,974/2020 came into effect, transferring COAF to the administrative structure of the Central Bank. On January 23, 2020, the Central Bank issued Circular No. 3,978/2020, establishing a new regulatory framework applicable to the policies, procedures and internal controls to be adopted by financial institutions and other institutions authorized to operate by the Central Bank, in order to prevent the financial system from being used to commit money laundering and terrorist financing crimes. Circular No. 3,978/2020 became effective on July 1, 2020, when Circular No. 3,461 of July 24, 2009 was revoked. Circular No. 3,978/2020 is currently the main regulation related to the prevention of money laundering and terrorist financing crimes applicable to institutions regulated by the Central Bank. It applies to several activities conducted by regulated entities, such as foreign exchange and payments.

In compliance with the Brazilian anti-money laundering law, payment institutions and financial institutions in Brazil must establish internal control and procedures aiming at:

- identifying and knowing their clients;
- checking the compatibility between the movement of funds of a client and such client's economic and financial capacity;
- checking the origin of funds;
- carrying out a prior analysis of new products and services, under the perspective of money laundering prevention;
- controls, resources and monitoring systems for the rapid detection and reporting of suspicious activity;
- compliance with all applicable regulatory requirements for recordkeeping and reporting;
- keeping records of all transactions;
- applying special attention to: (i) unusual transactions or proposed transactions with no apparent economic or legal basis; (ii) client and transactions for which the Ultimate Beneficial Owner (UBO) cannot be identified; and (iii) situations in which it is not possible to keep the clients' identification records duly updated;
- offering anti-money laundering training for employees;
- monitoring transactions and situations which could be considered suspicious for anti-money laundering purposes;

- reporting to COAF the occurrence of suspicious transactions, as required under applicable regulations, and also, at least once a year, whether or not suspicious transactions are verified, in order to certify the non-occurrence of transactions subject to reporting to COAF (negative report); and
- ensuring that policies, procedures and internal controls are commensurate with the size and volume of transactions.

In addition, if any person resident in the Cayman Islands knows or suspects or has reason for knowing or suspecting that another person is engaged in criminal conduct or is involved with terrorism or terrorist property and the information for that knowledge or suspicion came to their attention in the course of their business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) a nominated officer (appointed in accordance with the Proceeds of Crime Act (As Revised) of the Cayman Islands) or the Financial Reporting Authority of the Cayman Islands, pursuant to the Proceeds of Crime Act (As Revised), if the disclosure relates to criminal conduct or money laundering or (ii) to a police constable or a nominated officer (pursuant to the Terrorism Act (As Revised) of the Cayman Islands) or the Financial Reporting Authority of the Cayman Islands, pursuant to the Terrorism Act (As Revised), if the disclosure relates to involvement with terrorism or terrorist financing and terrorist property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

### **Regulation of Banking Activities**

In January 2019, we acquired BBN Banco Brasileiro de Negócios S.A. (renamed BancoSeguro S.A. in February 2019), or BancoSeguro, through BS Holding, a holding company incorporated under PagSeguro Digital, whose sole purpose is to hold interest in financial institutions, as required by current banking regulations. BancoSeguro holds a multi-bank license to provide financial services, has commercial and investment bank portfolios, and is duly authorized by the Central Bank pursuant to CMN Resolutions No. 2,099/1994 and No. 4,122/12 to perform banking operations in accordance with current regulation.

Banking activities in Brazil are governed by Law No. 4,594/1964, which created the CMN, responsible for, among others, regulating the establishment and operation of financial entities, and empowered the Central Bank to supervise public and private financial institutions and, when needed, apply the penalties set forth in the law to such institutions. The Central Bank also controls and approves the operation, transfer of control, and corporate reorganization of financial institutions, as well as the transfer of the location of its branches (in Brazil or abroad). CMN and the Central Bank created a vast regulatory framework regulating the National Financial System which may impact BancoSeguro's operations and future products.

In this regard, BancoSeguro must observe certain key governance, compliance and supervision requirements applicable to all the institutions part of the National Financial System, such as:

- minimum capital requirements;
- compulsory deposits requirements;
- fixed asset investment limits;
- limits to exposure on foreign currency;
- limits to charge fees and commissions for certain financial services;
- requirements regarding the establishment of internal controls and procedures;
- requirements regarding implementation of risk management structures;
- observation of know your customer and anti-money laundering rules;
- constitution of ombudsman office;
- preparation of accounting statements pursuant to the Standard Chart of Accounts of the National Financial System (*Plano Contábil das Instituições do Sistema Financeiro Nacional—COSIF*);
- anti-money laundering, anti-terrorist and know-your-client requirements, administrative penalties for non-compliance;
- additional regulations from other agencies that are specific to banking activities, such as the CVM's fundraising rules;
- cybersecurity regulations, notably Resolution No. 4,658/2018;

- limits to acquire real estate properties not intended to be used by the institution, except when such properties are received as payment of non-performing or doubtful loans, or when expressly authorized by the Central Bank, and in accordance with rules to be issued by the CMN; and
- requirements to operate with related parties, as described in Resolution CMN No. 4,693/2018.

Financial institutions are also members of the SPB. Under the SPB, the Central Bank has control over the banks' reserve accounts through the STR – Reserve Transfer System, a computerized system which enables the on line transfer of funds between financial institutions and constitutes a strict control of bank balances.

In addition to regulations affecting the financial system, BancoSeguro is also subject to laws relating to anti-money laundering, banking secrecy, consumer protection, tax, and other regulations applicable to Brazilian companies generally, as discussed above.

If BancoSeguro fails to comply with the requirements of the National Finance System, BancoSeguro could be prevented from carrying out its regulated activities and could be (i) required to pay substantial fines (including per transaction fines) and subject to disgorgement of our profits, (ii) required to change our business practices, or (iii) subjected to insolvency procedures such as an intervention by the Central Bank and the out-of-court liquidation.

### ***Securities Regulations***

Multi-purpose banks with an investment banking portfolio (also known as investment banks), such as BancoSeguro, may, among other roles, provide securities distribution and custody services, which are subject to Brazilian securities laws and regulations.

The main laws governing the Brazilian capital markets are Law No. 4,728/1965 and Law No. 6,385/1976. Among other provisions, they regulate the distribution and issuance of securities in the market, the trading of securities and the settlement and/or clearance of securities transactions. The regulatory framework in Brazil is further supplemented by regulations issued by the CMN, the CVM, the Central Bank, and self-regulation policies, such as those issued by various associations, over-the-counter organized markets and securities exchanges, that govern their members and participants (for example, the B3 and the ANBIMA). In addition to the regulatory and supervision powers of the Central Bank, all Brazilian financial institutions are subject to oversight by the CVM when they participate in the Brazilian capital markets (such as BancoSeguro).

Multi-purpose banks with an investment banking portfolio are also regulated by CMN Resolution No. 2,624, which allows these entities to carry out, among others, the following activities in the capital markets: (i) participate in the processes of issuance, subscription for resale and distribution of securities; (ii) enter into securities purchase and sale transactions, for their own account or for the account of third parties; (iii) operate in commodities and futures exchanges, and in organized OTC markets, on its own or third-parties' account; and (iv) coordinate reorganization and restructuring processes of companies and conglomerates, through consultancy services, equity interest and/or granting of funding or loans. Investment banks are also allowed to provide other services in the securities market, such as bookkeeping, custody, and management of third-parties' assets, among others.

### ***E-Commerce, Banking Secrecy, Data Protection, Consumer Protection and Taxes***

In addition to regulations affecting digital payment schemes, we are also subject to laws relating to internet activities and e-commerce, as well as banking secrecy laws, consumer protection laws, tax laws and other regulations applicable to Brazilian companies generally. Internet activities in Brazil are regulated by Law No. 12,965/2014, known as the Brazilian Civil Rights Framework for the Internet, which embodies a substantial set of rights and obligations relating to internet service providers. This law exempts intermediary platforms such as PagSeguro from liability for activities carried out by their users. Since there are no settled court decisions in this area, however, it is still possible that we may be subject to joint civil liability for activities carried out by our users.

Law No. 8,078/1990, known as the Consumer Protection Code, regulates consumer relations in Brazil, including matters such as: commercial practices; product and service liability; areas where suppliers of products or services are subject to strict liability; the reversal of the burden of proof so as to benefit consumers; the joint and several liability of all companies within a supply chain; unfair contract terms; advertising; and information on products and services that are offered to the public. Consumers have the right to receive clear and accurate information regarding retail products and services, with correct specification of characteristics, structure, quality, price, risks, and consumers' rights to access and amend personal information collected about them and stored in private databases.



Customer accounts on our digital platform are subject to data protection under the Brazilian Civil Rights Framework for the Internet and bank secrecy laws (Complementary Law 105/01, which had its provisions extended to payment institutions through Article 17 of CMN Resolution No. 4.282/13). We are also subject to trademark protection rules, and to tax laws and related obligations such as the rules governing the sharing of customer information with tax and financial authorities. It is unclear whether the tax and regulatory authorities would seek to obtain information regarding our customers. Any such request could come into conflict with the data protection rules, which could create risks for our business.

The laws and regulations applicable to the Brazilian digital payments industry are subject to ongoing interpretation and change, and our digital payments business may become subject to regulation by other authorities. For further information on the risks relating to regulation of business, please see "Item 3. Key Information—Risk Factors—Risks Relating to our Business and Industry."

## **Property, Plant and Equipment**

### ***Our Facilities***

We do not own any real estate. Our head office and operations center in São Paulo are provided by UOL on a cost-sharing basis under an agreement for apportionment of expenses signed between us and UOL. For more information on this agreement, see "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions—Agreements with UOL and UOL Subsidiaries—Cost-Sharing Agreements." We also lease office space for our subsidiaries.

### ***Other Equipment***

The majority of our equipment consists of POS devices, which made up 90.9% of our equipment costs in 2020. The rest of our equipment consists of data processing equipment, machinery, building leasing, facilities and furniture and fittings.

## **Intellectual Property**

We regard the protection of our trademarks, copyrights, logos, service marks, trade dress, domain names, patents and trade secrets as critical to our future success. To establish and protect our proprietary rights in our products and services, we rely on a combination of trademark, copyright, service mark, patent and trade secret laws, administrative procedures and contractual restrictions. We have entered into confidentiality and invention assignment agreements with our employees and certain outside contractors. We have also established non-disclosure agreements with our employees, strategic partners and some suppliers in order to limit access to and disclosure of our proprietary information and technology.

We actively pursue registration of our trademarks, copyrights, logos, service marks, trade dress and domain names. We have registered or applied for registration of trademarks with the Brazilian Patent and Trademark Office (*Instituto Nacional da Propriedade Industrial*, or INPI) including, among others, the trademarks and logos of "PagSeguro," "Modeminha," "Minizinha," "PlugPag," "PagInvest," "PedeFácil" and "PagVendas." We have also registered several domain names with NIC.br, Brazil's internet domain name registry, and domain registrars in the United States and elsewhere, including "pagseguro.com.br," "pagseguro.com," "modeminha.com.br," "modeminhapro.com.br," "modeminhax.com.br," "modeminhaplus.com.br," "modeminhapro2.com.br," "modeminhasmart.com.br," "minizinha.com.br," "minizinhachip.com.br," "minizinhanc.com.br," "boacompra.com.br," "pagbank.com.br" and "pagbank.com." We own or have the right to use all of the material intellectual property that we use.

We have material contracts with Visa, MasterCard and Elo in connection with our activities as an acquirer for these card schemes. Our Visa Payment Arrangements Participation and Trademark License Agreement, dated as of August 24, 2015 and amended on July 3, 2017, between Visa do Brasil Empreendimentos Ltda. and PagSeguro Brazil, sets forth the general terms and conditions under which PagSeguro Brazil acts as a merchant acquiring principal participant for Visa in Brazil and provides PagSeguro Brazil with a non-exclusive and non-transferable license to use certain trademarks owned by Visa in connection with its activities as an acquirer in Brazil. Under this agreement, PagSeguro Brazil is exclusively responsible for all the costs and risks associated with its participation as a merchant acquiring principal, and fees payable to Visa under this agreement is determined by the standard payment terms set forth in the Visa Core Rules and Visa Product and Service Rules, available on Visa's website. Our License Agreement, dated as of June 18, 2015 and as amended from time to time, between MasterCard International Incorporated and PagSeguro Brazil sets forth the general terms and conditions under which MasterCard grants PagSeguro Brazil a non-exclusive license to use certain trade names, trademarks, service marks and logotypes (including MasterCard, Cirrus and Maestro branded marks) in Brazil in connection with PagSeguro Brazil's issuing and acquiring activities. No consideration is due to MasterCard under this agreement. Our Agreement for Accreditor Participation in ELO Payment Arrangements, dated as of February 13, 2019, between Elo Serviços S.A. and PagSeguro Brazil, sets forth the general terms and conditions under which PagSeguro Brazil acts as a merchant acquiring principal participant for Elo and provides PagSeguro Brazil with a non-exclusive and non-transferable license to use certain trademarks owned by Elo in connection with its activities as an acquirer. Under this agreement, PagSeguro Brazil is exclusively responsible for all the costs and risks associated with its participation as a merchant acquiring principal, and fees payable to Elo under this agreement is determined by the standard payment terms set forth in the Elo Arrangements Manual, available on Elo's website.

We operate software products under licenses, including certain open source licenses, from our vendors, including, among others, Verifone, Oracle, Feedzai and Cisco. Even if any such third-party technology did not continue to be available to us on commercially reasonable terms, we believe that alternative technologies would be available as needed in every case.

The standard online contract entered into between us and our merchants when they open a free PagBank digital account provides a limited, non-transferable license to certain of our proprietary rights, such as our name and logo, for use by our merchants for commercial purposes. We expect to continue this practice in the future as part of our marketing strategy. While we attempt to ensure that our licensees maintain the quality of the PagSeguro brand, they may take actions that could materially adversely affect the value of our proprietary rights or reputation.

For information about risks affecting our intellectual property, see "Item 3. Key Information—Risk Factors—Risks Relating to our Business and Industry—We have only a limited ability to protect our intellectual property rights, which are important to our success."

## **Our Industry and Total Addressable Market**

### ***Micro-Merchants and SMEs Drive the Brazilian Economy***

According to SEBRAE (*Portal do Empreendedor*) and Brazil's Internal Revenue Services (*Receita Federal*), there were 11.3 million micro-merchants in Brazil at December 31, 2020. Also, according to the most recent Annual Social Information Report (*Relação Anual de Informações Sociais - RAIS*), published by the Ministry of the Economy, at December 31, 2019, there were 3.8 million SMEs. Additionally, according to IBGE's PNAD, at December 31, 2020, there were 17.7 million individuals self-employed in the informal economy, usually individual customers of card acquirers. Taken together, this totals an addressable market of approximately 33 million formal and informal businesses. In addition, according to SEBRAE, the number of Individual Micro Entrepreneurs in Brazil increased significantly from 2010 to March 2021, from 780 thousand to 11.9 million.

Business and consumers in developed economies are moving away from cash and paper payments at a slow but steady rate and migrating to electronic payment mechanisms. Since this trend has not yet fully impacted the Brazilian economy, the opportunity for expansion of digital payments in Brazil remains significant. The migration away from checks, in particular, creates efficiencies for businesses, who can reduce cost and accelerate cash flow if their accounts payable and accounts receivable functions are automated through electronic payments and reconciliation. Similar opportunities exist for consumer bill payment, direct deposit, and person-to-person payments.

According to information from eMarketer, and internal estimates, the mobile payments purchase volume in Brazil increased to US\$9.9 billion in 2020 from US\$1.0 billion in 2014, while in the United States the volume was approximately US\$350 billion in 2020; yet only 18% of the Brazilian population above age 15 reported having paid bills or made a purchase online in 2017, compared to 77% in the United States and 81% in the United Kingdom, according to the World Bank's most recent Global Findex database published in 2017.

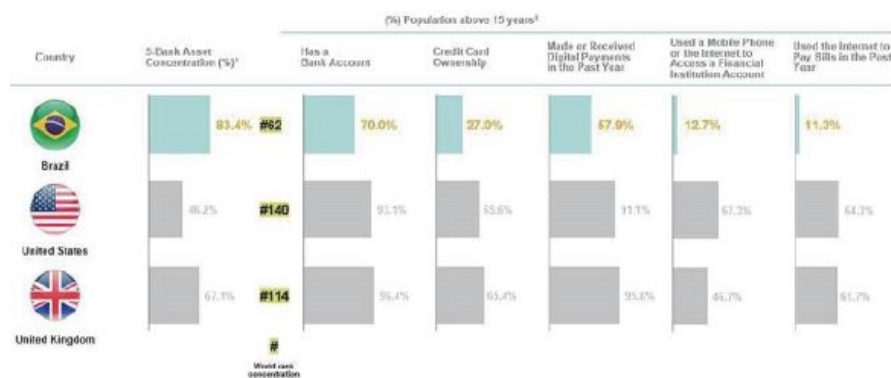
In e-commerce, transaction volumes in Brazil grew to R\$87.4 billion in 2020 from R\$18.7 billion in 2011 according to Ebit, representing average growth of 19.4% per year for the period. In addition, the growth of e-commerce over mobile devices, which, according to data most recently made available by Statista, in 2018 represented 43% of e-commerce transactions in Brazil, compared to 48% in Spain, 50% in Germany and 55% in the United Kingdom, creates new payments options for both sellers and buyers, bringing business opportunities for acquirers and digital payments providers. Also, according to eMarketer, mobile commerce is expected to generate the majority of e-commerce sales by 2021, with mobile e-commerce sales expected to account for 67.3% of global e-commerce sales by 2021.

**The Structure of the Brazilian Financial Market Creates Significant Opportunities for Disruption**

The structure of the Brazilian financial market creates significant opportunities for technology-driven disruptors, who seek to break up the highly concentrated supply of services, particularly when compared to more developed markets. The banking market is relatively concentrated for global standards. Retail banking leaders are local, with no global retail banking players around the world. In 2017, Brazil's five largest institutions held 83.4% of its financial assets, which makes it one of the world's most concentrated markets according to the most recent World Bank's Global Financial Development database published in 2017. Further showing this banking concentration, global banks, such as ABN/AMRO, Citibank and HSBC, have entered Brazil, only to later leave the market or reduce their local presence. In that same year, the United Kingdom and the United States had banking concentrations of 67.1% and 46.2%, respectively.

Payment card use also remains relatively low in Brazil compared to more developed markets. According to a report by ABECS, debit and credit card payments accounted for 46.4% of Brazilian household consumption in December 2020. In 2019, the same indicator for Brazil was only 38.8%, compared with 46.0% in the United States and 68.6% in the United Kingdom, according to the most recent data made available by Bank of International Settlements (BIS) and the most recent data from the World Bank, indicating the potential for expansion and the growth already observed in just two years in Brazil. Credit card penetration levels are a fundamental driver for the digital payments industry.

The World Bank's most recent Global Findex database published in 2017 shows that banking penetration in Brazil also significantly lags behind more developed markets in terms of the percentage of the population that had a bank account, had a credit card, or had made or received a digital payment. Brazil's relative lack of penetration was even greater with respect to the use of the internet to pay bills and the use of mobile phones or the internet to access a financial institution account.



Source:  
 (1) The World Bank's Global Financial Development database published in 2017.  
 (2) The World Bank's most recent Global Findex database published in 2017.

These lower penetration levels are amplified among the lower income classes in Brazil. The unbanked population remains significantly high in Brazil. According to the most recent data available from IBGE and the Central Bank (the Banking Relationship Statistics (*Cadastro de Clientes do Sistema Financeiro*)), 33 million Brazilians (16% of the Brazilian population) did not have a bank account or a banking relationship in December 2020.

Although lack of access to banking services account for less than one-third of Brazilian adults, 58% of the unbanked population come from the poorest 40% of the Brazilian population, with 28 million of Brazil's low income population without bank accounts in 2017, according to the most recent World Bank's Global Findex database published in 2017.

### ***Commerce Is Increasingly Digital and Mobile Worldwide***

According to the International Telecommunications Union, an estimated 4 billion people, or 51% of the total global population, used the internet in 2019, compared with 2.2 billion people, or 32% of the total global population, in 2011. Of this user base, 58.3% carried out e-commerce transactions in 2016, which is the most recent year for which such data is available, compared with 37.2% in 2011, showing significant growth in e-commerce. This growth is supported by the global increase in mobile device penetration, reductions in the cost of internet access in various markets, and improving telecommunications network infrastructure.

The increasing number of businesses offering online shopping is fueling consumer demand for faster and more reliable payment methods. We believe these trends create an environment where merchants feel compelled to interact more closely with a broader range of customers, through the use of online stores, mobile-friendly technologies and extensive compatibility with digital payment methods, such as cards. We believe that there is a significant market opportunity for growth in e-commerce in Brazil.

### ***Businesses Are Shifting Towards Increasingly Non-Bureaucratic, Friendly and All-in-One Services***

As technology and the regulatory environment evolve, sellers of all types and sizes face a continuous need for new solutions. A significant number of businesses in Brazil remain unserved or underserved in terms of online payments, POS and mPOS services as well as value-added financial services tools for a number of reasons, including lack of access, lack of all-in-one offerings, time-consuming, limited access to conventional funds and lack of transparency.

### ***Internet and Technology Pave the Way for Digitization of Financial Services***

Brazil is a reference in global internet adoption. According to the 2020 Global Digital Report from "We Are Social" and Hootsuite, Brazil is the fifth largest country in terms of number of internet users, with a 71% penetration of the Brazilian population, the second largest country in terms of time spent on the internet and the third largest country in terms of time spent on social media. According to the Connected Consumer Survey by Google and a McKinsey analysis, since 2014, Brazil's ratio of cell phone numbers to inhabitants has surpassed one, with smartphone penetration reaching 71% of the Brazilian population.

The fact that over 60% of the unbanked population had access to the internet or to cell phones in 2017, according to World Bank's most recent Global Findex database published in 2017, demonstrates that digital transformation of financial services favors the inclusion of a large portion of this unserved population.

According to the EY Fintech Adoption Index, Brazil is one of the most prolific homes to fintechs worldwide. In 2017, among 20 developed and emerging markets, Brazil had the fourth largest adoption rate of fintechs. Brazil's 40% rate compares with the United Kingdom's 42% rate and the United States' 33% rate.

### ***Increasing Significance of Digital Banking and Digital Banks in Brazil***

The adoption of technology and focus on transparency, security and simplicity has transformed the consumer habits of the Brazilian population. According to the most recent research report prepared by Deloitte on behalf of the Brazilian Bank Federation (*Federação Brasileira de Bancos*, or Febraban), mobile banking increased 24% from 2017 to 2018, with 40% of all online banking transactions in 2018 being made on cell phones or tablets. Febraban's 2019 Banking Technology Survey shows that mobile banking transactions account for 40% of all banking transactions. Moreover, six out of ten transactions are already carried out through mobile and internet banking, with 29.1 billion mobile bank transfers taking place in 2018, according to the Central Bank. Consequently, banks have been reducing their number of overall branches as a response to the digitization of banking, with bank managers and clerks mainly focusing on advising clients and services with greater complexity. According to the Central Bank, as of December 31, 2018, there were 21,189 bank branches in Brazil, compared to 21,408 bank branches as of December 31, 2017.

The traditional financial system has been falling short of meeting expectations of different and complementary social and economic profiles. According to the World Bank's most recent Global Findex database published in 2017, in 2017, 65% of bill payments made in Brazil were paid in cash. According to a study by *Instituto Locomotiva*, approximately 30% of the Brazilian population, or approximately 47 million Brazilians, received their salary in cash and approximately 39% of Brazil's low income population received their salary in cash. However, Qualibest's Banking and Fintech Insights Report published in 2019 shows that 57% of Brazilians that either had not previously heard of or recently learned of digital banks are interested in adopting digital banks and 51% of new bank accounts were opened in order to receive payroll. According to the World Bank's most recent Global Findex database published in 2017, the main reason hindering Brazil's unbanked population from opening bank accounts is the combination of insufficient funds, high fees associated with services and the long distance to physical branches, mentioned by 58%, 57% and 32% of the unbanked population, respectively.

Clients of traditional banks also complain about high fees and spreads, limited product offerings and the level of poor customer service provided in return. According to results reported by Brazil's five largest banks and internal estimates, financial institutions' annual revenues from services grew 20.2% from 2016 to 2020, while checking account fees charged to individuals and legal entities grew 26.3% during the same period.

Moreover, according to a survey conducted by the Brazilian Institute for Consumer Defense (*Instituto Brasileiro de Defesa do Consumidor*), tariff packages charged by Brazil's top five banks rose 6% between June 2019 and June 2020, or 3 times the inflation rate of 1.88% during that same period.

The increasing adoption of digital banks in Brazil is expected to continue as a strong trend, rendering numerous advantages such as the reduction in operational costs, maximized revenues due to increased customer attraction and retention, and new technologies and advancements in the regulatory framework. Brazilians have been responding well to this adoption as, according to Qualibest's Banking and Fintech Insights Report published in 2019, 57% of Brazilians that either had not previously heard of or recently learned of digital banks have an interest in adopting digital banks and 66% of Brazilians who were previously aware of digital banks have an interest in opening an account at or working with a digital bank.

### ***Trends Shaping the Banks of the Future***

Fintechs have been splitting apart services once provided through one trusted relationship with a traditional bank in order to meet customers' specific needs with highly specialized offerings and superior customer service. The current unbundling of financial products has created a fragmented landscape that is expected to gradually shift towards trusted, centralized and digitally-enabled financial services platforms. The following principles have an imperative role in building the banks of the future:

- Best-in-class customer experience is digital and requires continuous investment in innovative technologies: mobile banking has succeeded in providing greater flexibility for customers to bank at home, at work or while socializing, in enhancing the financial awareness of its users and in retaining the client base due to user experience.
- Rich data enables more personalized customer experience: customer experience is expected to overtake price and product as the key brand differentiator in the near future. In addition to being more likely to do business with a company that offers a personalized experience, consumers expect companies to anticipate their needs and make relevant suggestions before first contact and will not have issues with sharing personal data in exchange for that.
- Security, exceptional customer service and transparency strengthen trustworthy relationships: trust surpasses convenience, reliability, value and time as the key attribute in the decision to adopt innovative payment and banking solutions, thus being indispensable when acquiring and retaining customers at scale. It is critical to secure the vast amounts of data and the consumer's digital identity, and to constantly delight customers, while receiving high net promoter scores, engagement and retention in return. Equally important is companies' ability to convincingly communicate their added value, align the timeline of consumer costs and value received and emphasize the many steps taken, special assets used, time saved and complexity eliminated throughout the customer journey.

### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with our audited consolidated financial statements and the notes thereto included elsewhere in this annual report, as well as the data set forth in "Item 3. Key Information—Selected Financial and Operating Data." The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this annual report, particularly in "Item 3. Key Information—Risk Factors."

### *Operating and Financial Review and Prospects*

#### *Overview*

We are a disruptive provider of financial technology solutions focused primarily on consumers, individual entrepreneurs, micro-merchants, small companies and medium-sized companies, or SMEs, in Brazil. Among our peers, we are the only financial technology provider in Brazil whose business model covers all of the following five pillars:

- multiple digital banking solutions;
- in-person payments via POS devices that provide to merchants;
- free digital accounts that we provide to our consumers and merchants with functionalities such as bill payments, top up prepaid mobile phone, Uber, Spotify or Google Play credits, wire transfers, peer to peer cash transfers, prepaid credit cards, cash cards, loans, investments, QR code payments, and payroll portability, among other digital banking services;
- issuer of prepaid, cash and credit cards; and
- operate as a full acquirer

Our end-to-end digital ecosystem enables our merchants not only to accept payments, but also to grow and manage their businesses. Before PagSeguro, many of these individual entrepreneurs, micro-merchants and SMEs were overlooked or underserved by incumbent payment providers and large financial institutions in Brazil. For example, according to a survey conducted by us in January 2021, 79% of merchants who own our entry-level mPOS device, the Minizinha, did not accept card payments prior to signing up with PagSeguro. We offer safe, affordable, simple, mobile-first solutions for merchants to accept payments and manage their cash through their free PagBank digital accounts, without the need for a bank account. Our digital banking ecosystem features our free PagBank digital account, under the brand PagBank, and offers 39 payment methods and thirteen cash-out options including bill payments, top up prepaid mobile phone, Uber, Spotify or Google Play credits, wire transfers, peer to peer cash transfers, prepaid credit cards, cash cards, loans, investments, QR code payments, and payroll portability, among other digital banking services. Our free PagBank digital account serves both consumers and merchants.

#### *Financial Presentation and Accounting Practices*

For information on our consolidated financial statements, see "Presentation of Financial and Other Information."

#### *Principal Factors Affecting Our Financial Condition and Results of Operations*

We believe our operating and business performance is driven by various factors that affect the global and Brazilian economy, the Brazilian digital payments market, trends affecting the broader Brazilian financial technology solutions industry, and trends affecting the specific markets and customer base that we target, particularly micro-merchants and SMEs in Brazil. The following key factors may affect our future performance.

#### *Adoption of our digital payment services and POS devices, and usage of our early payment of receivables feature*

We believe our digital platform, digital payment services and POS devices are the foundation of our relationship with our clients. We generate revenue through the commissions and other fees that we charge for electronic payment intermediation, as well as fees for other services and revenues from the provision of POS devices and related items, and we generate financial income through the early payment of receivables feature that we offer our merchant clients. We intend to continue to drive growth in our digital payment services, POS devices and early payment of receivables feature by scaling our solutions to meet the needs of our clients.

Our digital payment solutions and POS devices are the principal way in which our clients become familiar with our full range of products and services. We seek to leverage the familiarity generated by these services, features and devices to encourage merchants to sign up for our other services, which can help them increase their sales and, in turn, generate incremental revenue for us. As a result, the number of new merchants who adopt our digital payment services and purchase our POS devices will affect our growth.

Furthermore, our customer base consists primarily of micro-merchants and SMEs, who tend to generate relatively high levels of early payment of receivables from installment transactions in order to fulfill their working capital needs. These micro-merchants and SMEs are at the core of our strategy. In the future, however, as we sign up a greater proportion of larger merchants, we expect early payment to represent a smaller relative proportion of our overall results, since larger merchants tend to request significantly lower volumes of early payment, given their easier access to alternative funding. Hence, we believe that while our financial income will continue to increase in absolute terms as our client base grows, it may decrease as a proportion of our Total revenues and income in the medium and longer term.

#### ***Increased use of credit and debit cards and expanded card payments network***

The results of our operations depend to a significant degree on the use of credit and debit cards to make digital payments in Brazil. According to ABECS, credit and debit cards transactions will account for half of household consumption in 2021 in Brazil. Credit and debit card transaction volume in Brazil has increased at a compound annual growth rate of 13.4% from 2016 to 2020 according to ABECS, in which 62% of the transactions volume corresponds to credit card transactions and 38% corresponds to debit card transactions. According to ABECS estimates, 2021 is expected to have R\$2.38 trillion in credit and debit card transactions, representing an increase of between 18% and 20%. As a further indication of this growth, MasterCard stated in its annual report on Form 10-K that the Brazilian real was one of its three primary revenue billing currencies in 2020, surpassing the British pound and only behind the U.S. dollar and the Euro.

#### ***Growth of e-Commerce***

Our results of operations depend in part on consumers' widespread acceptance and use of the internet as a way to conduct commerce and financial transactions. E-commerce is also underpenetrated compared to e-commerce levels in more developed economies. In Brazil, e-commerce accounted for only 5.3% of retail sales in 2020, compared to 18% worldwide, according to eMarketer.

Furthermore, according to eMarketer's Latin America Mobile Payment Users 2019 report, Brazil is the only country in the region where Samsung Pay, Google Pay and Apple Pay are all present. In addition, proximity payment penetration in Brazil ties with Argentina, both reaching 14.5%. This is higher than the penetration rate in Mexico (10.2%), the second-largest e-commerce market in Latin America. According to eMarketer, Brazil is expected to have 21 million proximity payment users by 2023, representing a 75% increase from the 12 million current proximity payment users. This increase is mainly expected to be driven by QR code adoption and NFC payments (including NFC payments made to pay public transportation fares in Brazil).

According to ABECS, online purchases made up only 33% of the total credit card transactions volume in Brazil in the third quarter of 2020, an increase of 10 percentage points from 23% in 2018.

Since we view commerce via mobile devices as a key driver of growth going forward, we focus on maintaining a mobile-first digital platform, and we design our solutions on a mobile-first basis so that our merchants can be self-sufficient at all times.

Purchases made through mobile devices (m-commerce) accounted for 51% of all online retail sales in Brazil in 2020, according an analysis of online retail conducted by FIS, a global leader in financial technology.

In addition, according to data from the Worldpay's 2020 Retail Global Payments Report, which highlights current payment trends around the world and also predicts trends, digital/mobile wallet gains in e-commerce came largely at the expense of credit cards, bank transfers and cash on delivery (COD). The projections expect digital wallets to account for 51.7% of e-commerce payment volumes by 2024 with slight declines in credit cards (to 20.8%) and debit cards (to 12%). By 2024, digital wallets, credit and debit cards will account for 84.5% of e-commerce spend. Buy now, pay later (BNPL) continues to earn market share, expecting to double from 2.1% in 2020 to 4.2% by 2024, also according to Worldpay.

Furthermore, according to eMarketer, mobile transactions are expected to be the primary driver of retail e-commerce sales in Latin America in 2021. According to eMarketer, Latin America has one of the fastest-growing smartphone markets worldwide, with inexpensive smartphone options from China having allowed those from lower socioeconomic levels to purchase smartphones and take part in the digital economy. This increase in the number of smartphone users and improved connection speeds favor the growth of m-commerce adoption.

According to eMarketer, in 2020, while "Total Retail Sales Worldwide" decreased 3.0% and "Retail E-commerce Sales Worldwide" grew 27.6%, Retail M-commerce Sales Worldwide" grew 32.0% — and this growth is 44.5% for Latin America in 2020, according to eMarketer.

#### ***Launch of new products and services and cross-selling to our clients***

We strive to stay on the cutting edge of the financial technology solutions industry by developing and launching new products and services to offer to both new and existing clients and intend to continue to invest in product development to build new products and services and to bring them to market. This allows us to continue to meet the needs of our clients, as these needs grow and change over time. While we expect our total expenses to increase in the short term as we plan for growth, we expect our expenses to decline as a percentage of our Total revenue and income over the medium term as these investments benefit our business and our business grows.

Our existing clients represent a sizable opportunity to cross-sell products and services with relatively low incremental marketing and advertising expenses for us. We believe that our range of services, many of which can be used for both business and personal needs, represents an opportunity to further increase engagement with our existing clients. We plan to continually invest in product development so as to maintain and increase the attractiveness of our products and services. To the extent that we are able to cross-sell these products and services and develop and introduce new products and services to our existing clients and attract new clients, we expect our revenues and financial income to continue to grow and our margins to increase.

#### ***Marketing and advertising***

For information regarding our marketing and advertising, see "Item 4. Information on the Company—Sales and Marketing."

#### ***Merchant size***

We benefit from our primary focus on micro-merchants and SMEs, who we believe were overlooked or underserved by incumbent payment providers and large financial institutions in Brazil before PagSeguro. As our existing merchants grow and as we serve increasingly larger merchants we expect our TPV to grow accordingly, while we will remain focused on micro-merchants and SMEs. Serving an increasing number of larger merchants also presents an opportunity to cross-sell value-added services and features such as accounting reconciliation, which generate incremental revenues and margin with low or no customer acquisition costs.

#### ***Consumer adoption of our products and services***

Many of our products and services reach consumers directly. Our escrow period service for consumer protection and mediation services make e-commerce safer for consumers, and we believe our digital account and PagSeguro prepaid cards provide easy, attractive alternatives for consumers who do not have bank accounts. In addition, our social payment solutions, such as Pag.ae, allow our clients to use their PagSeguro account for either business or personal needs. We have made significant investments in the development of these consumer-facing products and services, and our ability to grow our consumer network going forward will be important for strengthening our ecosystem and driving our growth.

#### ***Currency fluctuations***

We do not generate material revenues in foreign currencies that could substantially affect our results of operations. Certain of our expenses are subject to currency fluctuation, as the prices of the POS devices we purchase are set in U.S. dollars (both for the devices we imported from outside Brazil prior to mid-2015, and for the locally-made devices we have been purchasing since then).

#### ***Inflation***

Inflation, government policies adopted to curb inflationary pressures and uncertainties regarding possible future governmental intervention have contributed to economic uncertainty in Brazil. According to the IPCA, Brazilian inflation rates were 4.52%, 4.31% and 3.75 % in 2020, 2019 and 2018, respectively, while the SELIC rate, the Central Bank's overnight rate, reached a high point of 14.25% in 2016, before a series of rate reductions in 2017, bringing the SELIC rate down to 7.00% as of December 7, 2017, where it remained at year-end 2017. The COPOM reduced the SELIC rate to 6.75% on February 7, 2018, and further reduced it to 6.50% on March 21, 2018. In 2019, the COPOM reduced the SELIC rate further to 4.5%. As of December 31, 2020, the SELIC rate was 2.0%. For more information, see "—Brazilian political environment and macroeconomic conditions, interest rates, consumer credit and consumer spending" and "Item 3. Key Information—Risk Factors—Risks Relating to Brazil—Inflation and certain measures by the Brazilian government to curb inflation have historically harmed the Brazilian economy and Brazilian capital market, and high levels of inflation in the future would harm our business and the price of our Class A common shares."



Inflation has a direct effect on our contracts with certain suppliers, such as telecommunications operators, whose costs are indexed to the IPCA, and data processors, whose labor costs are adjusted according to inflation. While inflation may cause our suppliers to increase their prices, we are generally able to offset this effect by increasing the prices we charge for our products and services.

When merchants adjust their prices for inflation, the purchasing power of consumers may be reduced, which may adversely affect our revenue if it results in a reduction in the number and volume of transactions. However, if our merchants raise their prices due to inflation, the amount we receive on each transaction also increases.

#### ***Pricing and revenue mix in our payment processing services***

We generate revenue in the form of commissions and fees on the capture, transmission, processing and settlement of transactions carried out using credit, debit and meal voucher cards, as well as fees for other services. Credit and debit cards generate commissions in the form of the merchant discount rate, or MDR, which is a commission withheld by us from the transaction value paid to the merchant. The MDR we charge may vary over time and we may make different commercial offers for different services or for larger clients. However, overall, the MDR for debit cards is lower than that for credit cards. Our current standard MDR rates are 1.99% for POS debit card transactions. The MDR rates for credit card transactions vary according to whether the merchant has opted for the same-day, or 14-day or 30-day payment service under our payment date election service. For merchants who select the same-day payment date election, the standard MDR is 4.99% for POS credit card transactions not paid in installments and 5.59% for POS credit card transactions paid in installments. For merchants who select the 14-day payment date election, the standard MDR is 3.99% for POS credit card transactions not paid in installments and 4.59% for POS credit card transactions paid in installments. For merchants who select the 30-day payment date election, the standard MDR is 3.19% for POS credit card transactions not paid in installments and 3.79% for POS credit card transactions paid in installments. For online transactions, the standard MDR is 3.99% for merchants who select the 14-day payment date election or who have a verified account and select a two-day payment date election, and 3.19% for merchants who select the 30-day payment date election. Payments made using meal voucher cards and other payment methods generate per-transaction or percentage commissions at various rates. Our revenues are therefore impacted by the mix of these types of services that we sell, as well as any changes in the pricing for each service.

We face competition in all of our payment services and provision of POS devices, and we expect this competition to intensify in the future. For further information, see "Item 3. Key Information—Risk Factors—Increasingly intense competition may harm our business." In addition, we currently offer lower pricing to certain of our clients who generate higher TPV, and we may be required to extend this pricing to other clients as our merchant base expands to include a greater proportion of larger merchants.

#### ***Financing of our early payment of merchants' receivables feature***

We receive significant financial income from offering our merchants the option to obtain early payment of their receivables from credit card installments. We also incur significant financial expenses in order to fund this optional feature. Through the date of our IPO, we funded this feature (i) principally by obtaining early payment of note receivables due to us from the card issuers and acquirers, enabling us to provide the related early payment to merchants, as well as (ii) through our general third party borrowings and own capital. Our ability to maintain adequate funding for the early payment feature is important for our operations and future income generation. For further information, see "—Principal Components of Our Results of Operations—Financial Expenses."

#### ***Interchange fees***

We rely on card issuers and card schemes to process our transactions, and we are required to pay fees for this service. In addition, although we are accredited as an acquirer, we also use third-party acquirers. From time to time, card schemes such as MasterCard and Visa may increase the interchange fees that they charge for each transaction using one of their cards. Credit card schemes have the right to pass any increases in interchange fees on to us as well as increase their own fees for processing. In addition, card schemes have imposed and may again impose special assessments for transactions that are executed through a "digital wallet," and these fees could particularly affect us and significantly increase our costs. Although our standard contract with our merchant clients allows us to adjust our rates and tariffs at our discretion by notice to the merchant, our ability to vary our pricing remains subject to a variety of factors, including competition from other payment providers, market conditions and, in certain cases, direct price negotiations with the merchant. As a result, we may not necessarily be able to pass through all interchange and processing fees to our merchant clients and increases in these fees may therefore increase our Cost of sales and services and reduce our margins.

The interchange fee, which we record as Transaction costs within Cost of sales and services, has the potential to affect our margins. An increase in interchange fees will result in an increase in our Cost of sales and services and if we cannot pass the interchange fees onto customers via a corresponding increase in MDR, our margin will also be affected. Currently, the difference between interchange fees and the MDR we charge is less for debit card transactions than for credit card transactions, so our margins on credit card transactions are greater. We cannot predict if or when the card schemes will increase their interchange fees, or what the amount of any such increases may be. For further information, see "Item 3. Key Information—Risk Factors—Risks Relating to Our Business and Industry—We partially rely on card issuers or card schemes to process our transactions. Changes to credit card scheme fees, rules or practices may harm our business."

**Brazilian political environment and macroeconomic conditions, interest rates, consumer credit, consumer spending and responses to the COVID-19 pandemic**

Substantially all of our operations are located in Brazil. As a result, our revenues, financial income and profitability are affected by political and economic developments in Brazil and the effect that these factors have on the availability of credit, disposable income, employment rates and average wages in Brazil. Our operations, and the financial technology solutions industry in general, are particularly sensitive to changes in economic conditions.

Our Total revenue and income are affected by levels of consumer spending, interest rates and the expansion or retraction of consumer credit in Brazil, each of which impact the number and overall value of payment transactions. The interest rates charged on consumer credit transactions have an indirect effect on us to the extent that lower interest rates can lead to increases in private consumption, and therefore increases in the number of credit and debit card transactions or decreases in the number of installments consumers elect when making a purchase. Increases in interest rates, on the other hand, may lead to a decrease in private consumption or an increase in the number of installments consumers elect when making a purchase. Increases in interest rates may also cause fewer merchants to decide to use our early payment of receivables feature if our overall financing costs require us to increase the discount rate we charge for this feature.

The recent economic instability in Brazil has contributed to a decline in market confidence in the Brazilian economy as well as to a deteriorating political environment. For more information, see "Item 3. Key Information—Risk Factors—Risks Relating to Brazil—Ongoing political instability may adversely affect our business, results of operations and the trading price of our Class A common shares."

According to a 2018 report by SEBRAE (the latest available), 46% of entrepreneurs in Brazil own POS devices, of which PagSeguro has the leading market share at 35% of such POS devices. According to the same report, this percentage is even higher for Individual Micro Entrepreneurs, with 54% using PagSeguro's POS devices. Furthermore, according to the same report, 72% of entrepreneurs are served by only one acquiring company. This illustrates the potential for the provision of additional financial services by us in this segment, which is insufficiently served by the banking sector. We believe that a significant portion of this underpenetration is due to the number of unbanked individuals, who make up a major target sector for us. According to the most recent data available from IBGE and the Central Bank (the Banking Relationship Statistics (*Cadastro de Clientes do Sistema Financeiro*)), 33 million Brazilians (16% of the total Brazilian population) did not have a bank account or a banking relationship in December 2020.

The following table shows data for real GDP, inflation and interest rates in Brazil and the U.S. dollar/*real* exchange rate at the dates and for the periods indicated.

	For the Years Ended December 31,		
	2020	2019	2018
Real growth (contraction) in gross domestic product	(4.1) %	1.4 %	1.8 %
Inflation (IGP-M) <sup>(1)</sup>	23.1%	7.30 %	7.55 %
Inflation (IPCA) <sup>(2)</sup>	4.5%	4.31 %	3.75 %
Long-term interest rates – TJLP (average) <sup>(3)</sup>	4.5%	6.2 %	6.7 %
CDI interest rate (average) <sup>(4)</sup>	2.8%	5.9 %	6.5 %
LIBOR <sup>(5)</sup>	0.7%	2.4 %	2.8 %
Period-end exchange rate— <i>reais</i> per US\$1.00	5.2%	4.03	3.87
Average exchange rate— <i>reais</i> per US\$1.00 <sup>(6)</sup>	5.2%	3.95	3.66
Change in average exchange rate of the <i>real</i> vs. US\$	(30.6)%	(7.9)%	(14.7)%
Average unemployment rate <sup>(7)</sup>	13.9%	11.9 %	12.3 %

Source: FGV, IBGE, Central Bank and Bloomberg

- (1) Inflation (IGP-M) is the general market price index measured by the FGV.
- (2) Inflation (IPCA) is a broad consumer price index measured by the IBGE.
- (3) TILP is the Brazilian long-term interest rate (average of monthly rates for the period).
- (4) The CDI interest rate is an average of interbank overnight rates in Brazil (daily average for the period).
- (5) Average US dollar three-month London Interbank Offer Rate.
- (6) Average of the exchange rate on each business day of the period.
- (7) Average unemployment rate for year as measured by the IBGE.

The Brazilian political and economic environment has recently been characterized by high levels of uncertainty and instability, including a contraction of economic growth, despite a recent appreciation, an overall sharp depreciation of the real against the U.S. dollar, increased levels of unemployment and depressed levels of consumer confidence and spending. For further information, see "Item 3. Key Information—Risk Factors—Risks Relating to Brazil—Ongoing political instability may adversely affect our business, results of operations and the trading price of our Class A common shares."

In addition, there is a high level of uncertainty related to the COVID-19 pandemic and negative impacts have already been seen on the Brazilian macroeconomic environment. For example, as a result of the current COVID-19 pandemic, the Brazilian economy in 2020 underwent a contraction of 4.1% in GDP. As of January 31, 2021, according to the IMF, Brazil's GDP growth rate for 2021 is expected to be 3.6%. For more information on risks relating to COVID-19, see "Item 3. Key Information—Risk Factors—Risks Relating to our Business and Industry—An occurrence of a natural disaster, widespread health epidemic or pandemic or other outbreaks could seriously harm our business and results of operations. Furthermore, the spread of communicable diseases such as the COVID-19 outbreak on a global scale may affect investment sentiment, cause disruptions and result in sporadic volatility in global markets. As a result, the Brazilian economy and outlook may be affected, and consequently, our business and trading price of our common shares could be adversely affected."

Our business has grown rapidly, driven by new clients and increased TPV, with our Total revenue and income increasing to R\$6,814.7 million in 2020 from R\$5,707.2 million in 2019. In addition to continuing to grow our client base, we believe that our business model will allow us to benefit from Brazil's economic growth potential, particularly among micro-merchants, SMEs and individuals without bank accounts.

#### *Effects of the COVID-19 pandemic*

We have observed that the main impact of the COVID-19 pandemic on our TPV occurred between late March and June 2020, as most of Brazilian cities were under certain restrictive measures, such as social isolation and partial shutdowns. The partial shutdowns affected all in store and non-essential businesses, resulting in a severe impact in the Brazilian economy, but also driving small and medium business to pivot to a digital first mindset and adopt online sales channels, resulting in an unprecedented digitalization process of payments and banking in Brazil. As a result of these restrictive measures, we have faced transportation difficulties in seeking new clients and almost our entire team has been working remotely. Two years before the COVID-19 pandemic, we had already implemented a home office format for our employees, which allowed for a smooth shift to a remote working format once these restrictive measures were imposed, without compromising our customer service quality despite a slight deterioration in quality.

In addition, we observed a change in the mix of processed debit and credit card payments containing a higher percentage of debit card payments and, within the processed credit card payments, a lower percentage of credit card transactions made in installments in the year ended December 31, 2020 compared to the year ended on December 31, 2019. We believe that this trend may be explained by a change in consumer behavior since the beginning of the pandemic, reflecting (i) a slowdown in consumption and transactional activities made in installments, which affected sectors of the economy involving significant purchases in installments, such as general merchandise retailers (e.g., apparel, white goods and electronics), (ii) a decrease in personal credit cards' limits, and (iii) the payment of the COVID-19 voucher by the Brazilian government, consisting of financial assistance from the Brazilian government for economically vulnerable people, providing them with cash for debit card payments, as well as the payment of other benefits by Brazilian states and municipalities.

The outbreak of COVID-19 presented rapid changes in the Brazilian economy and in the payments industry, accelerating the secular shift from cash to electronic transactions. We entered this crisis leading the financial inclusion process and fostering the adoption of electronic payments, reaching 7.0 million active merchants and 7.9 million PagBank active users. The change in consumer behavior described above combined with our recent investments, including the acquisition of Wirecard Brazil, has allowed our results of operations to continue growing and continue balanced.

In March 2020, at the beginning of the COVID-19 pandemic, the financial markets presented greater liquidity restrictions and a higher cost for raising funds. In response to this scenario, we increased our liquidity reserves to levels sufficient to conclude the first half of 2020 without risking our working capital and restricting transactions for advances or credit to clients. In the second half of 2020, we observed a recovery requiring stronger working capital, especially due to the share that receivables' advances has in our business model. We have diversified the sources from which we raise funds and were able to reduce the share of each such source to

mitigate risks from market volatility. The recent increase in the SELIC rate and its upward trend add to the challenges to our working capital arising from the COVID-19 pandemic and reinforces our need to diversify our funding sources.

We have a significant variable cost structure mainly related to TPV, such as processing, interchange, card scheme fees and chargebacks. Our marketing and sales expenses are also variable and depends on our strategy to leverage new products and services such as PagBank. Additionally, we had a solid position in terms of cash, liquidity and working capital levels in the twelve-month period ended December 31, 2020 and have not faced any impairment of our assets because of the COVID-19 pandemic. We will continue to follow the effects of COVID-19 on the Brazilian economy and on our operations and will reassess, if necessary, the provisions for loss allowance for expected credit losses. For more information, see Note 1.2 to our audited consolidated financial statements.

In response to the COVID-19 pandemic, we have taken the following actions, among others:

- Acquisition of Wirecard Brazil, which has an innovative and experienced team that has built a powerful online payment solution with more than 400 thousand merchants, including e-commerce, marketplaces, and virtual store platforms. Their online solutions are also available through APIs and are integrated into more than 40 different virtual store platform systems (e-commerce).
- We have implemented a remote working arrangement for our employees and almost 100% of our workforce is still working from home. We have also suspended new hires in our administrative departments but have accelerated hiring in our research and development department to continue implementing new products and services seeking to develop a more complete ecosystem, as well as in our sales department.
- Additionally, we have anticipated our receivables with issuers using our liquidity policy in order to protect our cash flow.
- We have also implemented the following initiatives to support our merchants: (i) promotion of online and alternative payment methods: Link of Payments, Online Check out, NFC transactions, and QR Code, (ii) food delivery service *PedeFácil*, (iii) virtual shopping *Zap Commerce*, (iv) partnership with Brazilian Post Offices *Envio Fácil*, (v) virtual QR Code and card for using the COVID-19 voucher payment that can be used through PagBank accounts, (vi) 10% QR Code cash back, (vii) cash back for COVID-19 related programs, including COVID-19 vouchers and *Bolsa Merenda* (Brazilian social security benefits for underprivileged students) in the State of Minas Gerais using free PagBank digital accounts, and (viii) unlimited wire transfers.
- On April 28, 2020, we announced a new partnership with the Government of the State of Minas Gerais, to offer our digital bank account as the mean for more than 270 thousand families to receive the *Bolsa Merenda* (R\$200 voucher program paid by the State of Minas Gerais) to some of the most vulnerable students from the state school system, whose families have a monthly income up to R\$89 per person. In addition to the assistance of R\$200 (paid in four monthly installments of R\$50) offered by Government of the State of Minas Gerais, PagBank deposited an extra R\$20 in the first month for beneficiaries who opened their free digital account. Through this program, we were able to assist 270 thousand families and approximately 380 thousand students of the public school system.
- On April 30, 2020, we announced the creation of *PagPerto*, an initiative to support and encourage micro and small entrepreneurs to adopt digital and online operations during the COVID-19 pandemic. In a virtual shopping format, *PagPerto* allows sellers to offer a digital product catalog, and through geolocation find buyers in their neighborhood for online shopping. In addition, *PagPerto* also allows sellers to create shopping vouchers ("*vale-compras*") with benefits (such as pay one now, get two later) to be used in the future.
- Additionally, we have taken the following actions to support our community: (i) donating thousands of masks to public hospitals located in the most vulnerable regions of the State/city of São Paulo, (ii) donating thousands of packets containing staple food products and packets containing meals before Christmas, (iii) promoting online concerts with donations of cash, food, and health items to UNICEF Brasil, and (iv) providing assistance to the most vulnerable families in Brazil.

#### **Seasonality**

For information regarding our seasonality, see "Item 4. Information on the Company—Seasonality."

### ***Trend Information***

We believe that demand for our products and services will remain strong in coming years, since our addressable market remains significant. We believe that this market opportunity will continue to fuel volume growth in our business, supported by increasing levels of penetration and usage of credit cards among the Brazilian population and the introduction of new products and services. However, our results are subject to uncertainties related to the COVID-19 pandemic.

On March 11, 2020, the WHO designated COVID-19 as a pandemic. The spread of this virus has caused certain business, market and travel disruption globally and particularly in infected regions. These disruptions have already had a direct impact on our TPV in the first and the second quarters of 2020 as most of the Brazilian state capitals were under partial shut down since mid-March 2020. Partial shut downs are affecting all non-food retail stores, shopping malls, cinemas, soccer matches, concerts, public parks, among other businesses. Under the partial shut downs, bars and restaurants may operate only through home delivery or takeout process. Further, there is uncertainty around the duration of these disruptions, the possibility of any government intervention or other measures, or the possibility of other economic effects on the stock market, foreign exchange rates and otherwise. In addition, negative impacts have already been seen on the Brazilian macroeconomic environment. For example, the Brazilian economy in 2020 underwent a contraction of 4.1% in GDP. As of January 2021, according to the IMF, Brazil's GDP growth rate for 2021 is expected to be 3.6%.

At this time, we have not faced any material impairment of our assets and we do not believe we will not be able to continue as a going concern for at least the next 12 months based on our current liquidity and current working capital levels. However, the extent to which the consequences of the COVID-19 pandemic impact our results, including the results of our clients, will depend on future developments and extensions of partial shut downs that are highly uncertain and cannot be predicted, such as any new information which may emerge concerning the severity of the coronavirus, the potential spread to other regions and the actions to contain the coronavirus or treat its impact, among others. For more information on risks relating to COVID-19, see "Item 3. Key Information—Risk Factors—Risks Relating to our Business and Industry—An occurrence of a natural disaster, widespread health epidemic or pandemic or other outbreaks could seriously harm our business and results of operations. Furthermore, the spread of communicable diseases such as the COVID-19 outbreak on a global scale may affect investment sentiment, cause disruptions and result in sporadic volatility in global markets. As a result, the Brazilian economy and outlook may be affected, and consequently, our business and trading price of our common shares could be adversely affected."

### ***New Accounting Pronouncements Effective for Periods Beginning On or After January 1, 2020***

Certain IFRS accounting pronouncements became effective for periods beginning on or after January 1, 2020. The nature and effect of these changes did not have material impacts on our audited consolidated financial statements. For further information, see Note 2.20 and Note 2.21 to our audited consolidated financial statements.

### ***New accounting standards adopted in 2020.***

The accounting policies adopted in the preparation of our audited consolidated financial statements for the year ended December 31, 2020 are consistent with those adopted for the year ended December 31, 2019, except for the changes required by the pronouncements, interpretations and standards which became effective on January 1, 2020, as described below.

#### ***Amendments to IFRS 3 Definition of a Business***

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 - Business Combinations to help entities determine whether an acquired set of activities and assets qualifies as a business. The IASB clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

#### ***Amendments to IAS 1: Definition of Material***

IASB has made amendments to IAS 1 – Presentation of Financial Statements that use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

We have adopted the amendments on their effective date, January 1, 2020, and they did not have a material impact on our consolidated financial statements and disclosures.

#### *IFRS 16 – Leases*

This standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and replaces IAS 17 – "Leases" and related interpretations. Management has performed an assessment and did not identify any material impacts in the implementation. In January 2020, PagSeguro entered into a lease agreement and recorded in its financial statements, the office (right-of-use) and a liability.

#### ***New Accounting Pronouncements Issued but Not Yet Effective***

As of the date of our audited consolidated financial statements, the following new and amended accounting standards and interpretations had been issued, but were not yet effective. We intend to adopt these new and amended accounting standards and interpretations, if applicable, when they become effective.

#### *IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 - Insurance Contracts, or IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 - Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. We do not expect IFRS 17 to materially impact our results of operations.

### ***Principal Components of Our Results of Operations***

The following is a summary of the items comprising our statements of income:

#### ***Total revenue and income***

Our Total revenue and income consists of the total of our Revenue from transaction activities and other services, Revenue from sales, Financial income and Other financial income.

#### ***Revenues***

We generate revenues from transaction activities and other services, and from sales. In each case, our revenues consist of gross revenues less deductions from those revenues.

#### ***Revenue from transaction activities and other services***

Our Revenue from transaction activities and other services consists of Gross revenue from transaction activities and other services, less deductions from those gross revenues.

Our main source of Gross revenue from transaction activities and other services is commissions and fees on the capture, transmission, processing and settlement of transactions carried out using credit, debit and meal voucher cards and fees for other services. We have the primary responsibility for providing the services to our clients and we also directly set the prices for such services, independently from the related transaction costs agreed between us and the card schemes or card issuers. Since we have primary responsibility for providing our merchant clients with the intermediation service, and we have price discretion to adjust the rates and tariffs we charge merchants, we are the principal in the intermediation transaction. We therefore recognize our transaction fees as revenue on a gross basis, and we recognize the transaction costs separately as discussed below. Depending on the type of cash-in payment or transaction, these commissions and fees consist of the MDR, which is a commission withheld by us from the transaction value paid to the merchant, or other commissions or per-transaction fees. This line item also includes the fees we charge for other services, such as revenues received from the one-time and non-refundable membership fee that we began charging merchants on September 1, 2019 in order to simplify inventory control and the acquisition of POS devices by our clients. We recognize revenues from these commissions and fees when the purchase is approved by the card issuer, in the case of cash-in payments made via payment cards; when the transaction is carried out, in the case of payments made via other cash-in payment methods; or in the case of services, when the service, is rendered.

Our membership fee arrangement is currently for an indeterminate period and does not change the way our clients access our POS devices. We currently offer the Minizinha for a price of 12 monthly installments of R\$4.90, the Minizinha Chip for a price of 12 monthly installments of R\$9.90, the Minizinha Chip 2 (which we launched in July 2019) for a price of 12 monthly installments of only R\$7.90, the Modeminha Plus for a price of 12 monthly installments of R\$12.90, the Modeminha Pro 2 (which we launched in December 2019) for 12 monthly installments of R\$16.90, the Modeminha Smart (which we launched in October 2018) for 12 monthly installments of R\$39.90, and the Modeminha X (which we launched in October 2019) for a price of 12 monthly installments of only R\$19.90. Prior to the introduction of this membership fee, we recognized revenue from the sale to merchants of our POS devices under Revenue from sales, as discussed under "—Revenue from sales" below.

The amounts deducted from our Gross revenue from transaction activities and other services consist principally of the applicable Brazilian sales taxes and social security contributions: service tax (*Imposto sobre Serviços*, or ISS); contributions to the Brazilian government's Social Integration Program (*Programa Integração Social*, or PIS); and contributions to the Brazilian government's social security program (*Contribuição para o Financiamento da Seguridade Social*, or COFINS). We are required to collect each of these on our transaction activities and other services.

### **Revenue from sales**

Our Revenue from sales consists of Gross revenue from sales, less deductions from those gross revenues. In the year ended December 31, 2019, we recognized Revenue from sales between January and August 2019, before we began providing POS devices to our clients through a one-time and non-refundable membership fee on September 1, 2019 as discussed in "—Revenue from transaction activities and other services" above. Prior to September 1, 2019, when we introduced our membership fee for our POS devices, we earned revenue from the sale to merchants of our POS devices. We recognized this revenue at the point in time when the POS device was transferred to the merchant, which generally occurred upon delivery of the POS device to the merchant's location. This line item also includes revenues from sales of POS device peripherals such as charging bases and protective covers. We recognize these revenues at the point in time when the equipment is transferred to the merchant, which generally occurs upon delivery of the equipment to the merchant's location.

The amounts deducted from our Gross revenues from sales consist of: (i) PIS and COFINS, as well as the *Imposto sobre Circulação de Mercadorias e Serviços* tax, or ICMS, that we are required to collect on sales of devices and peripherals; and (ii) amounts corresponding to defective POS devices that are returned to us and purchases that are cancelled by merchants.

The applicable taxes and contributions vary according to whether the device and peripheral was manufactured in Brazil or imported. For locally-made devices, when we purchase the device we pay the taxes and contributions to the supplier at standard rates; and when we offer the device to our clients, we collect these taxes at the same rates on the offering price, record the tax on the sale in this line item as a deduction, and remit the difference between the taxes on or input cost and our offering price to the taxing authorities. For imported devices, we pay a lower rate of tax in place of ICMS on the purchase, and are not required to charge ICMS when we offer the device to our clients, meaning that the amount recorded in this deductions line item is relatively lower for imported devices.

### **Financial Income**

As described under "Item 4. Information on the Company—Our Products and Services—Cash-in Solutions—Credit Cards," our early payment of receivables feature consists of paying our merchants their installment receivables upfront when consumers paying by credit card choose to pay the merchant in installments. We account for the remuneration from this feature as Financial income. This Financial income makes up a significant portion of our overall Total revenue and income.

Our remuneration from the early payment of receivables feature consists of a discount that we withhold from the transaction value of the receivables that we pay to merchants in advance. We recognize this discount as Financial income (separate from and in addition to the MDR fee for the payment processing transaction, which we recognize as Gross revenue from transaction activities and other services). We recognize the discount amount as Financial income at the time a sale transaction is approved involving a merchant who has opted to receive early payments of the receivables from their credit card installment sales. The discount that generates our Financial income relates only to the early payment of the second and successive installments of the purchase; the first installment is not paid early as it is disbursed to the merchant within the normal billing cycle, so it does not generate remuneration in the form of Financial income (although it does generate MDR, which is recognized as Gross revenue from transaction activities and other services).

In addition, the Financial income line item does not include the fees we charge for the merchant's payment date election within the monthly billing cycle, which are part of the MDR and are accounted for in Gross revenue from transaction activities and other services.

Our Financial income relates to early payments to merchants of amounts related to receivables from purchase transactions that have been approved by the card issuer and the card scheme.

The financial expenses we incur in funding this early payment of receivables feature are accounted for in our Financial expenses, discussed below.

For more information regarding our early payment of receivables feature and the FIDC that we established in the fourth quarter of 2017 to finance a portion of our related Financial expenses, see "Item 4. Information on the Company—Our Products and Services—Advanced Integrated Functionalities and Value-Added Services and Features—Early Payment of Receivables."

### **Other Financial Income**

Our Other financial income consists principally of interest generated by bank savings accounts and by deposits we make with Brazilian courts, known as judicial deposits, which guarantee any compensation we may be required to pay in litigation matters.

Our Other financial income also includes our net foreign exchange variations, i.e., the net gain or loss on our assets and liabilities related to the appreciation or depreciation of the *real* against foreign currencies, which has limited impact on our cash position.

### **Cost of Sales and Services**

Our Cost of sales and services represents the amounts that make up the cost of the services and devices we offer. These amounts are divided into Transaction costs, Cost of goods sold, Marketing and advertising, Personnel expenses, Financial expenses, Chargebacks, Depreciation and amortization and Other costs. For further information on these costs, see Note 23 to our audited consolidated financial statements.

- Our Transaction costs consist of interchange fees set by card schemes that are owed to the issuer of the card; assessment fees owed to card schemes; fees paid to third-party payment processors; fees paid to acquirers; and bank settlement fees. All of our Transaction costs are accounted for within our Cost of sales and services. Since we are the principal in the intermediation transaction, we recognize the transaction costs that we pay to third parties, such as card schemes and card issuers who process these transactions, within our Cost of sales and services separately from the transaction fees we receive, which we recognize on a gross basis. The transaction costs are agreed between the card schemes or card issuers and us, independently from the fees we charge our merchant clients.
- Cost of goods sold consists of the amounts we spend in purchasing POS devices and peripherals from our suppliers, together with the related shipping charges and applicable purchase tax. All of our Cost of goods sold is accounted for within our Cost of sales and services.



- Our Marketing and advertising expenses are divided between our Cost of sales and services as well as our Selling expenses. Of this total, the portion of Marketing and advertising that is accounted for within our Cost of sales and services relates to customer support.
- Our Personnel expenses consist of wages, overtime, benefits (such as meal vouchers, transportation vouchers and medical insurance, among others), profit sharing, and social contribution and payroll taxes. In Brazil, social contribution and payroll taxes consist of the Brazilian Social Security Institute (*Instituto Nacional de Seguridade Social – INSS*) contribution and the Brazilian Unemployment Compensation Fund (*Fundo de Garantia por Tempo de Serviço – FGTS*) contribution. Our Personnel expenses are divided between our Cost of sales and services as well as our Selling expenses and our Administrative expenses. Of this total, the portion of our Personnel expenses that is accounted for within our Cost of sales and services refers to employees engaged in activities related to the cost of goods and services that we offer, such as technology, customer support, logistics, antifraud activities and mediation services.
- Our Financial expenses consist of: (i) expenses when an election to receive early payment of accounts receivable from financial institutions is made. This financial expense is recognized at the time the financial institution agrees to liquidate the accounts receivable due in installments on a prepaid basis, and (ii) interest on deposits in our accounts.
- Our Chargebacks consist of transactions that are susceptible to potentially fraudulent or improper sales.
- Our Depreciation and amortization expenses are allocated to our Cost of sales and services as well as our Selling expenses and our Administrative expenses. The portion of our Depreciation and amortization expenses that is included in our Cost of sales and services consists mainly of: (i) the depreciation of equipment, furniture, technology and installations that form part of the cost of the goods and services that we offer; and (ii) the amortization of software that we develop internally for use in our operations.
- Our Other expenses are allocated to our Cost of sales and services as well as our Selling expenses and our Administrative expenses. Of this total, the portion of our Other expenses that is included in our Cost of sales and services consists mainly of items such as travel expenses and office supplies that form part of the cost of the goods and services that we offer.

### ***Selling Expenses***

Our Selling expenses represent the amounts that we spend on publicity, marketing, quality control and direct or indirect relations with our clients. These amounts are divided into Marketing and advertising, Personnel expenses, Chargebacks, Depreciation and amortization expenses and Other expenses. For further information on these expenses, see Note 23 to our audited consolidated financial statements.

- The portion of Marketing and advertising expenses included in our Selling expenses relates to the production and distribution of our marketing and advertising campaigns on traditional offline media, traditional online advertising, the positioning of our products in search platforms, telemarketing related to offering our POS devices, commissions to our third party sales force and partners such as platforms, bloggers and developers, expenses incurred in relation to trade marketing at events, and amounts that we spend on consulting services and call centers for our telemarketing campaigns.
- The portion of our Personnel expenses included in our Selling expenses relates to employees engaged in marketing and advertising of our services, POS devices and features.
- Chargebacks consist of transaction losses arising from chargebacks related to fraudulent transactions, which occurs, principally in online transactions, when a consumer makes a purchase via credit card and then requests a chargeback from the issuing bank after receiving the goods or services purchased. All of our Chargeback expenses are accounted for within our Selling expenses.
- The portion of our Depreciation and amortization expense included in our Selling expenses consists of the depreciation of equipment used for client relationships.
- The portion of our Other costs included in our Selling expenses consist of expenses related to travel, lodging and insurance, facilities, rent, consultancy fees and office supplies relating to marketing and advertising of our services, POS devices and features.

### **Administrative Expenses**

Our Administrative expenses represent the amounts that we spend on back office and overhead expenses. These amounts are divided into Personnel expenses, Depreciation and amortization expenses and Other costs. While we expect our Administrative expenses to increase in the short term as we plan for growth and as we incur costs of compliance associated with being a public company, we expect these expenses to decline as a percentage of our Total revenue and income over the medium term as our business grows.

- The portion of our Personnel expenses that form part of our Administrative expenses relates to our finance, legal, human resources, and administrative personnel, as well as fees paid for professional services, including legal, tax and accounting services.
- The portion of our Depreciation and amortization expenses that form part of our Administrative expenses relates to: (i) the depreciation of the equipment, furniture, tools and technology used in our head office and back-office operations; and (ii) the amortization of software developed internally to support our head office and back-office needs, which is shown in Note 13 to our audited consolidated financial statements.
- The portion of our Other costs that form part of our Administrative expenses includes items such as bank charges, travel, reimbursement of staff expenses and office supplies.

### **Financial Expenses**

Our Financial expenses include the charges we incur to obtain early payment of note receivables owed to us by card issuers and acquirers in order to finance the early payment of receivables feature that we offer merchants. Variations in our Financial expenses when expressed as a percentage of Financial income are driven by Brazilian interest rates, which determine the cost of most of our financing, together with changes in the mix of the financing we use for our early payment of receivables feature.

Through the date of our IPO, we funded the early payment of receivables feature (i) principally by obtaining early payment of receivables owed to us by card issuers and acquirers, as well as (ii) through our general third party borrowings and own capital. In addition, in November 2017 we set up a Brazilian investment fund to purchase and hold receivables known as a *Fundo de Investimento em Direitos Creditórios* (a Fund for Investment in Credit Rights, or FIDC) through which we may raise debt to finance the early payment of receivables feature. The FIDC is controlled by our Brazilian operating company (by virtue of subscribing for its subordinated quotas) but raises capital by issuing senior quotas in the fund to outside investors, who receive interest on these investments from the FIDC. The FIDC uses the capital it raises to finance the growth of our early payment of receivables feature. Our remuneration from the early payment of receivables feature continues to be reflected as Financial income in our consolidated financial statements. We do not expect the establishment of the FIDC to impact the discount rate we charge in connection with the early payment of receivables feature or the expenses we incur to obtain early payment of note receivables from card issuers and acquirers. For further information regarding the FIDC, see "Item 4. Information on the Company—Organizational Structure."

We did not have any outstanding borrowings at December 31, 2020, 2019 and 2018. For further information on our borrowings, see "—Loans and Financing."

### **Other Income (Expenses), Net**

Our Other income (expenses), net line item consists mainly of contingencies, charges and miscellaneous income or expense items.

### **Current Income Tax and Social Contribution**

Current income tax and social contribution consists of tax assets and liabilities for the current year. Our liability to income tax principally reflects the level of our Profit before income taxes; this line item also varies, however, to the extent that we are entitled to defer tax on certain investments in technological innovation, in which case our tax base for income tax for the year is reduced and the related deferred tax liability is accounted for in the Deferred income tax and social contribution line item below.

Our tax assets for the current year are calculated based on the expected recoverable amount, and tax liabilities for the current year are calculated based on the amount payable to the applicable tax authorities. The tax rates and tax laws used to calculate this amount are those enacted or substantially enacted at the balance sheet date. Current income tax and social contribution related to items recognized directly in equity is also recognized in equity. We periodically evaluate our tax positions with respect to interpreting tax regulations and, when appropriate, establish provisions.

### ***Deferred Income Tax and Social Contribution***

Deferred income tax and social contribution consists of temporary differences between the tax basis of assets and liabilities and their carrying amounts at the balance sheet date. This line item refers principally to deferrals of tax liability that we are entitled to take on capital investments that we make in technological innovation under Brazilian Law No. 11,196/2005, known as the Technological Innovation Law or "*Lei do Bem*." We are able to use this tax deferral law principally for the investments we make in developing software internally, where we capitalize the labor and other costs involved as an intangible asset rather than accounting for these amounts as expenses, and we depreciate the accounting value of the intangible asset over its useful life. The *Lei do Bem* allows us to defer our tax liability on these investments. Other Brazilian tax rules also allow us to defer tax on certain items, for example on unpaid amounts due from creditors. The Deferred income tax and social contribution line item consists of our liability to future tax under the *Lei do Bem* and these other tax laws, less the depreciation and amortization that we take during the year on the respective capitalized assets, and less the tax losses carried forward from prior years that we are able to offset against our tax liability during the year. For further information on this line item, see Note 19 to our audited consolidated financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences, except in certain situations explained in Note 2.15 of our audited consolidated financial statements. The carrying amount of deferred tax assets is reviewed at each balance sheet date and derecognized to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reviewed, at each balance sheet date, and recognized to the extent that it is probable that future taxable profit will be available to allow for their utilization.

There is no Cayman Islands taxation on the income earned by PagSeguro Digital and as such, we do not have any tax impacts at the PagSeguro Digital level.

### ***Results of Operations***

The following discussion of our results of operations is based on the financial information derived from our audited consolidated financial statements included elsewhere in this annual report.

For a discussion of our results of operations for the year ended December 31, 2018, see "Item 5. Operating and Financial Review and Prospects—Results of Operations—Results of Operations in 2019 and 2018" of our annual report on Form 20-F for the fiscal year ended December 31, 2019, filed with the SEC on April 22, 2020.

**Results of Operations in 2020 and 2019**

	<b>For the Years Ended December 31,</b>		
	<b>2020</b>	<b>Percent Change</b>	<b>2019</b>
	<b>(in millions of reais, with the exception of percentages and per-share amounts)</b>		
Revenue from transaction activities and other services	4,508.7	33.5%	3,376.1
Revenue from sales	—	(100)%	174.2
Financial income	2,177.4	7.2%	2,030.5
Other financial income	128.6	1.7%	126.4
<b>Total revenue and income</b>	<b>6,814.7</b>	<b>19.4%</b>	<b>5,707.2</b>
Cost of sales and services	(3,772.3)	36.6%	(2,762.1)
Selling expenses	(617.5)	9.3%	(565.2)
Administrative expenses	(563.9)	31.9%	(427.4)
Financial expenses	(109.2)	186.6%	(38.1)
Other income (expenses), net	22.9	(1305.3)%	(1.9)
<b>Operating profit before income taxes</b>	<b>1,774.7</b>	<b>(7.2)%</b>	<b>1,912.5</b>
Current income tax and social contribution	(62.8)	156.3%	(24.5)
Deferred income tax and social contribution	(419.6)	(19.5)%	(521.0)
<b>Income Tax and Social Contribution</b>	<b>(482.4)</b>	<b>(11.6)%</b>	<b>(545.5)</b>
<b>Net Income for the Year</b>	<b>1,292.3</b>	<b>(5.5)%</b>	<b>1,367.0</b>
Attributable to:			
Equity holders of the parent	1,291.7	(5.4)%	1,365.6
Non-controlling interests	0.6	(57.1)%	1.4
<b>Basic earnings per share attributable to equity holders of the parent – R\$</b>	<b>3.9225</b>	<b>(5.7)%</b>	<b>4.1613</b>
<b>Diluted earnings per share attributable to equity holders of the parent – R\$</b>	<b>3.9163</b>	<b>(5.6)%</b>	<b>4.1475</b>

**Total revenue and income**

Our Total revenue and income amounted to R\$6,814.7 million in 2020, an increase of 19.4% from R\$5,707.2 million in 2019. This increase was primarily due to an increase in our TPV and will be detailed in each revenue and income lines described below.

*Revenue from transaction activities and other services*

Our Revenue from transaction activities and other services in 2020 amounted to R\$4,508.7 million, an increase of R\$1,132.6 million, or 33.5%, from R\$3,376.1 million in 2019, as a result of the factors described below.

Our Gross revenue from transaction activities and other services in 2020 amounted to R\$5,059.5 million, an increase of R\$1,196.9 million, or 31.0%, from R\$3,862.6 million in 2019.

The increase in Gross revenue from transaction activities and other services during 2020 compared to 2019 was mainly due to an increase of 34.6% in our active merchant base and an increase of 40.7% in our TPV. In addition, in 2020, we recognized R\$140.8 million in membership fees, an increase of R\$132.0 million, from R\$8.8 million in 2019. Our Gross revenue from transaction activities and other services increased by a lesser percentage than our TPV, which increased to R\$161.5 billion from R\$114.8 billion in 2019. This difference in the growth rate was driven by the mix of debit and credit card payments, in which debit card payments represented a higher share of our processed payments versus credit card payments, combined with a lower percentage of credit card transactions made in installments in 2020 compared to 2019. These trends are mainly explained by consumer behavior during the period, reflecting (i) a reduction in credit limits from issuing banks; (ii) a slowdown in consumption activities made in installments, in part resulting from the COVID-19 pandemic, which affected sectors of the economy involving significant purchases in installments, such as general merchandise retailers (e.g., apparel, white goods and electronics), and (iii) the prevalence of the financial assistance paid by the Brazilian government to economically vulnerable people, providing them with cash that was used mainly in debit card transactions.

Our Deductions from gross revenue from transaction activities and other services, which consist principally of sales taxes, amounted to R\$550.7 million in 2020, or 10.9% of our Gross revenue from transaction activities and other services for the year. In 2019, Deductions from gross revenue from transaction activities and other services, totaled R\$486.6 million, or 12.6% of our Gross revenue from transaction activities and other services for the year. The R\$64.1 million, or 11.7%, increase in these Deductions from gross revenue in 2020 when compared to 2019 was due to our higher TPV, and the decrease in the percentage that such Deductions represent in relation to our Gross revenue is due to our new revenue initiatives that resulted in lower tax deductions. Additionally, in 2020, R\$13.3 million of these Deductions corresponded to membership fee taxes, an increase of R\$12.4 million, from R\$0.9 million in 2019.

#### *Revenue from sales*

As of September 1, 2019, instead of selling our POS devices to our clients, we began to charge a non-refundable set-up fee for the use of our POS devices. Therefore, in 2020 we did not have any amount classified as revenue from sales.

#### *Financial income*

Our Financial income, which represents the volume of the discount fees we withhold from TPV in the early payment of receivables feature that we offer merchants, amounted to R\$2,177.4 million in 2020, an increase of R\$146.9 million, or 7.2%, from R\$2,030.5 million in 2019. The increase in this activity in 2020 compared to 2019 was driven by higher TPV, on the one hand, and fewer credit card transactions in installments and higher debit card transactions, on the other hand.

#### *Other financial income*

Our Other financial income amounted to R\$128.6 million in 2020, an increase of R\$2.2 million, or 1.7%, from R\$126.4 million in 2019. The increase of R\$2.2 million in our Other financial income in 2020 when compared with 2019 was due to the increased income from exchange variation gains on our cash position outside of Brazil, which was partially offset by a decrease related to the reduction in the SELIC rate.

#### *Expenses*

Our total expenses amounted to R\$5,040.0 million in 2020, an increase of R\$1,245.4 million, or 32.8%, from R\$3,794.6 million in 2019. As a percentage of our Total revenue and income, our total expenses in 2020 increased by 7.5 percentage points, to 74.0% in 2020 from 66.5% in 2019.

#### *Cost of sales and services*

Our Cost of sales and services amounted to R\$3,772.3 million in 2020, an increase of R\$1,010.2 million, or 36.6%, from R\$2,762.1 million in 2019. As a percentage of the total of our Revenue from transaction activities and other services and our Revenue from sales, our Cost of sales and services increased by 5.9 percentage points, to 83.7% in 2020 from 77.8% in 2019.

Within our Cost of sales and services line item, our Cost of services, expressed as a percentage of our Revenue from transaction activities and other services, increased to 83.7% from 66.2% in 2019. This increase is due to the implementation of our membership fee model for POS devices, under which all costs are classified as costs of services, instead of costs of sales, including maintenance of POS devices and freight, as explained below.

As of September 1, 2019, instead of selling our POS devices to our clients, we began to charge a non-refundable set-up fee for the use of our POS devices. Therefore, after September 1, 2019, we changed the way we provide POS devices to our clients. The introduction of this membership fee model impacted our Cost of sales and services in the following ways in 2020 and 2019: (i) we incurred ICMS and PIS/COFINS taxes in the amount of R\$186.5 million in 2020, compared to R\$83.4 million in 2019, on the transfer of inventory from Net+Phone (a PagSeguro Brazil subsidiary) to PagSeguro Brazil, (ii) as a result of our reclassification of the POS devices from inventory to fixed assets, we began to depreciate the POS devices, with our depreciation related to the POS devices in 2020 amounting to R\$172.5 million, compared to R\$25.2 million in 2019, and (iii) as a result of our reclassification of certain costs of sales to costs of services, such as maintenance of POS devices and freight, in 2020, our costs of services increased by R\$212.8 million, compared to R\$120.9 million in 2019. Additionally, in 2020, (i) the interchange costs paid to card issuers amounted to R\$1,680.4 million, compared to R\$1,390.6 million in 2019, and (ii) the costs related to card scheme fees in 2020 amounted to R\$432.4 million, compared to R\$292.7 million in 2019. These increases in costs relating to interchange with card issuers and card scheme fees are mainly related to our higher TPV and, consequently, our increase in revenues from transactions and other services.

### *Selling expenses*

Our Selling expenses amounted to R\$617.5 million in 2020 an increase of R\$52.3 million, or 9.3%, from R\$565.2 million in 2019. As a percentage of our Total revenue and income, our Selling expenses decreased by 0.8 percentage points, to 9.1% in 2020 from 9.9% in 2019. This decrease in our Selling expenses as a percentage of our Total revenue and income was driven by lower marketing expenses.

### *Administrative expenses*

Our Administrative expenses amounted to R\$563.9 million in 2020, an increase of R\$136.5 million, or 31.9%, from R\$427.4 million in 2019. This increase was mainly due to an increase in our Share based long term incentive plan (LTIP) expenses. As a percentage of our Total revenue and income our Administrative expenses increased by 0.8 percentage points, to 8.3% in 2020 from 7.5% in 2019.

### *Financial expenses*

Our Financial expenses amounted to R\$109.2 million in 2020, an increase of R\$71.1 million, or 186.6%, from R\$38.1 million in 2019. Expressed as a percentage of our Financial income, our Financial expenses represented 5.0% in 2020 and 1.8% in 2019. The increase in our Financial expenses is mainly driven by the accrual of interest related to Certificates of Deposits issued in 2020.

### *Other income (expenses), net*

Our Other income (expenses), net, recorded revenues of R\$22.9 million in 2020 and expenses amount R\$1.9 million in 2019. This increase in our expenses was mainly driven by the accrual in contingencies and legal matters and disposals of fixed and intangible assets.

### ***Profit before income taxes***

Our Profit before income taxes amounted to R\$1,774.7 million in 2020, a decrease of R\$137.8 million, or 7.2%, from R\$1,912.5 million in 2019.

### ***Income tax and social contribution***

Income tax and social contribution amounted to expenses of R\$482.4 million in 2020, a decrease of R\$63.1 million, or 11.6%, from expenses of R\$545.5 million in 2019. This total item consists of Current income tax and social contribution and deferred income tax and social contribution. Our total effective tax rate was 27.2% in 2020, compared to 28.5% in 2019. In both periods, the difference between the effective income tax and social contribution rate and the rate computed by applying the Brazilian federal statutory rate was mainly related to the tax benefit under the *Lei do Bem*, which reduces income tax charges based on investments made in innovation and technology, such as those made by PagSeguro Brazil, our Brazilian operating subsidiary.

Under Brazilian income tax law, income taxes are paid by each entity on a stand-alone basis.

### ***Net income for the year***

Our Net income for the year in 2020 amounted R\$1,292.3 million in 2020, a decrease of R\$74.7 million, or 5.5%, from R\$1,367.0 million in 2019. As a percentage of our Total revenue and income, our Net income for the year decreased by 5.0 percentage points, to 19.0% in 2020 compared with 24.0% in 2019.

### ***Liquidity and Capital Resources***

The following discussion of our liquidity and capital resources is based on the financial information derived from our audited consolidated financial statements included elsewhere in this annual report.

For a discussion of our liquidity and capital resources for the year ended December 31, 2018, see "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Cash Flows—Cash Flows in 2018" of our annual report on Form 20-F for the fiscal year ended December 31, 2019, filed with the SEC on April 22, 2020.

**General**

Our principal liquidity requirements relate to the early payment of receivables feature that we offer merchants. We believe our current working capital is sufficient for present requirements. Through the date of this annual report, we have satisfied our funding and working capital requirements (i) through the cash generated by our businesses, and (ii) by obtaining early payment of note receivables due to us from the card issuers and acquirers.

The table below presents our cash position at the beginning of each period, and our net cash provided by operating activities, net cash used in investing activities and net cash provided by financing activities during the periods indicated:

	At and for the Year Ended December 31,		
	(in millions of reais)		
	2020	2019	2018
<b>Liquidity and Capital Resources</b>			
Cash and cash equivalents	1,640.1	1,404.0	2,763.0
Net cash provided by (used in) operating activities	2,152.7	479.6	(1,763.2)
Net cash (used in) investing activities	(1,861.5)	(1,820.8)	(44.3)
Net cash provided by (used in) financing activities	(55.1)	(17.9)	4,503.8

Our cash and cash equivalents, which are held in *reais*, include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less, and with immaterial risk of change in value. For more information, see Note 6 to our audited consolidated financial statements.

**Cash Flows**

Our Net Cash provided by operating activities consists of: (i) our Profit before income taxes for the year; (ii) amounts that are recorded as expenses or revenues in our statement of income but which do not affect cash; (iii) amounts representing changes in our operating assets and liabilities; (iv) the cash amounts of income taxes and social contributions that we pay during the period; and (v) the cash amounts of interest income received.

Our Cash flows used in investing activities consist of amounts paid on acquisitions, our purchases of property and equipment, our purchases of intangible assets, and our new financial investments less the payments we make to redeem existing financial investments.

Our Cash flows from financing activities consist of the proceeds from our January 2018 IPO and June 2018 follow-on offering and respective transaction costs. In 2020, 2019 and 2018, we also repurchased shares in accordance with our share repurchase program, which was approved by our board of directors in October 2018. For more information on our share repurchases, see "Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers."

**Cash Flows in 2020**

Our Cash and cash equivalents at the year ended December 31, 2020 amounted to R\$1,640.1 million.

Our Profit before income taxes for the year ended December 31, 2020 was R\$1,774.7 million.

The adjustments for revenue, income and expenses recorded in our statement of income in the year ended December 31, 2020 but which did not affect our cash flows totaled the positive amount of R\$728.1 million, mainly due to R\$122.9 million of Share-based long-term incentive plan (LTIP) expenses, R\$288.3 million in Chargebacks, R\$376.3 million of Depreciation and amortization recorded in our statement of income and R\$84.3 million of Reversal of taxes and contributions. LTIP expenses relate to equity awards under our LTIP, Chargebacks relate to amounts that we initially recorded as revenues but for which we did not receive the related cash payment due primarily to fraud and delinquency on unsecured loans.

The adjustments for changes in our operating assets and liabilities in the year ended December 31, 2020 amounted to a negative cash flow of R\$570.5 million:

- Our Accounts receivable item, mainly related to receivables derived from transactions where we act as the financial intermediary in operations with the issuing banks, which is presented net of transaction costs and financial expenses we incur when we elect to receive early payment of the accounts receivable owed to us by card issuers, consists of the difference between the opening and closing balances of the Accounts receivable item of Current Assets and Non-current assets on our balance sheet (R\$16,076.5 million at December 31, 2020, compared to R\$10,507.1 million at December 31, 2019) excluding interest income received in cash and chargebacks, which are presented separately in the statement of cash flows. Accounts receivable represented a negative cash flow of R\$5,586.9 million in the year ended December 31, 2020.
- Our Payables to third parties item, which is presented net of revenue from transaction activities and financial income we receive when merchants elect to receive early payments, consists of the difference between the opening and closing balances of the Payables to third parties item of Current Liabilities on our balance sheet (R\$10,101.5 million at December 31, 2020, compared to R\$5,326.3 million at December 31, 2019). Payables to third parties represented a positive cash flow of R\$4,173.3 million in the year ended December 31, 2020.
- Our Receivables from (payables to) related parties item consists of the difference between the opening and closing balances of the Payables to related parties item (i.e., UOL) of Current Liabilities on our balance sheet (R\$58.3 million at December 31, 2020, compared to R\$22.2 million on December 31, 2019). Receivables from (payables to) related parties represented a positive cash flow of R\$38.3 million in the year ended December 31, 2020.
- Our Salaries and social charges item represents amounts that were recorded on our statement of income, but which remained unpaid at the end of the period. This item represented a positive cash flow of R\$7.6 million in the year ended December 31, 2020 as we changed our employees' pay day from the fifth day of the following month to the last day of the current month.
- Our Trade payables item consists of the difference between the opening and closing balances of the trade payables (R\$335.5 million at December 31, 2020, compared to R\$256.3 million at December 31, 2019). Trade payables represented a positive cash flow of R\$72.3 million in the year ended December 31, 2020.
- Taxes and contributions item consists of sales taxes (ISS, ICMS, PIS and COFINS). This item represented negative cash flow of R\$34.4 million in the year ended December 31, 2020.
- Our financial investments (mandatory guarantee) item consists in the minimum amount that we need to maintain available as requested by Brazilian central bank. This item represented a positive cash flow of R\$43.2 million in the year ended December 31, 2020.
- Our Taxes recoverable item consists of withholding taxes and recoverable taxes on transaction activities and other services and purchase of POS devices. This item represented negative cash flow of R\$206.2 million in the year ended December 31, 2020, mainly related to withholding taxes from FIDC quotas redeemed in 2020.
- Our deposits item consists of issued certificates of deposit, excluding paid interest income, which are presented separately in the statement of cash flows. This item represented a positive cash flow of R\$758.0 million in the year ended December 31, 2020.

We paid income tax and social contribution in cash totaling R\$46.4 million and recorded a positive cash flow of R\$266.7 million related to interest income received in cash in 2020.

As a result of the above, our Net Cash provided by operating activities in the year ended December 31, 2020 totaled R\$2,152.7 million.

Our Cash flows used in investing activities in the year ended December 31, 2020 totaled R\$1,861.5 million. This amount consisted of R\$523.8 million in purchases and development of intangible assets, which represent purchases of third-party software and salaries and other amounts that we paid to develop internally software and technology, which we capitalize as intangible assets, R\$1,522.8 million in purchases of property and equipment, mainly related to POS device purchases, R\$530.7 million related to the acquisitions of investments in Brazil's government treasury bonds ("LFTs") and R\$345.6 million related to acquisition of companies, which are mainly related to the acquisition of Wirecard Brazil.

Our Cash flows used in financing activities in the year ended December 31, 2020 totaled R\$55.1 million, principally related to R\$44.8 million in acquisition of treasury shares and the withdrawal of R\$10.3 million in third party capital of FIDC.



After considering the total decrease in Cash and cash equivalents of R\$236.1 million in 2020, as discussed above, our Cash and cash equivalents at December 31, 2020 amounted to R\$1,640.1 million.

#### *Cash Flows in 2019*

Our cash and cash equivalents at the beginning of the year ended December 31, 2019 amounted to R\$2,763.1 million.

Our Profit before income taxes in the year ended December 31, 2019 was R\$1,912.5 million.

The adjustments for revenue, income and expenses recorded in our statement of income in the year ended December 31, 2019 but which did not affect our cash flows totaled the positive amount of R\$325.2 million, mainly due to R\$93.4 million of Share-based long-term incentive plan (LTIP) expenses, R\$200.6 million in Chargebacks, R\$128.3 million of Depreciation and amortization recorded in our statement of income and R\$105.4 million of other (income) cost, net, mainly due to interest income received from financial investments. LTIP expenses relate to equity awards under our LTIP. Chargebacks relate to amounts that we initially recorded as revenues but for which we did not receive the related cash payment due primarily to fraud.

The adjustments for changes in our operating assets and liabilities in the year ended December 31, 2019 amounted to a negative cash flow of R\$2,192.5 million:

- Our Accounts receivable item, mainly related to receivables derived from transactions where we act as the financial intermediary in operations with the issuing banks, which is presented net of transaction costs and financial expenses we incur when we elect to receive early payment of the accounts receivable owed to us by card issuers, consists of the difference between the opening and closing balances of the Accounts receivable item of Current Assets and Non-current assets on our balance sheet (R\$10,477.2 million at December 31, 2019 compared to R\$8,104.7 million at year-end 2018) excluding interest income received in cash and chargebacks, which are presented separately in the statement of cash flows. Accounts receivable represented a negative cash flow of R\$3,125.5 million in the twelve months ended December 31, 2019.
- Our Payables to third parties item, which is presented net of revenue from transaction activities and financial income we receive when merchants elect to receive early payments, consists of the difference between the opening and closing balances of the Payables to third parties item of Current Liabilities on our balance sheet (R\$5,326.3 million at December 31, 2019 compared to R\$4,324.2 million at year-end 2018). Payables to third parties represented positive cash flow of R\$1,002.1 million in the year ended December 31, 2019.
- Our Receivables from (payables to) related parties item consists of the difference between the opening and closing balances of the Payables to related parties item (i.e., UOL) of Current Liabilities on our balance sheet (R\$22.2 million on December 31, 2019 compared to R\$30.8 million at year-end 2018). Receivables from (payables to) related parties represented negative cash flow of R\$8.6 million in the year ended December 31, 2019.
- Our Inventories item represents changes in the carrying value of the Inventories item of Current Assets on our balance sheet. This item represented positive cash flow of R\$14.2 million in the year ended December 31, 2019.
- Our Salaries and social charges item represents amounts that were recorded on our statement of income, but which remained unpaid at the end of the period, principally because they related to the final month of the period. This item represented positive cash flow of R\$32.9 million in the year ended December 31, 2019.
- Our Trade payables item consists of the difference between the opening and closing balances of the trade payables (R\$256.3 million at December 31, 2019 compared to R\$165.2 million at year-end 2018). Trade payables represented positive cash flow of R\$90.0 million in the year ended December 31, 2019.
- Our financial investments (mandatory guarantee) item consists in the minimum amount that we need to maintain available as requested by Brazilian central bank. This item represented negative cash flow of R\$161.4 million in the year ended December 31, 2019.

We paid income tax and social contribution in cash totaling R\$88.2 million and recorded a positive cash flow of R\$522.5 million related to interest income received in cash in 2019.

As a result of the above, our Net Cash provided by operating activities in the year ended December 31, 2019 totaled R\$479.6 million.

Our Cash flows used in investing activities in the year ended December 31, 2019 totaled R\$1,820.8 million. This amount consisted of R\$365.1 million in purchases and development of intangible assets, which represent purchases of third-party software and salaries and other amounts that we paid to develop internally software and technology, which we capitalize as intangible assets, R\$328.3 million in purchases of property and equipment, mainly related to POS device purchases and R\$1,109.6 million related to the acquisitions of investments in Brazil's government treasury bonds ("LFTs").

Our Cash flows used in financing activities in the year ended December 31, 2019 totaled R\$17.9 million, principally related to our acquisition of a 49% non-controlling interest in R2Tech Informática Ltda. in February 2019.

After considering the total decrease in Cash and cash equivalents of R\$1,359.1 million in 2019, as discussed above, our Cash and cash equivalents at December 31, 2019 amounted to R\$1,404.0 million.

**Loans and Financings**

We had no third-party borrowings at December 31, 2020 and 2019. For further information on our financing activities, see Note 24 to our audited consolidated financial statements.

For a discussion of third-party borrowings at December 31, 2018, see "Item 5. Operating and Financial Review and Prospects—Loans and Financings" of our annual report on Form 20-F for the fiscal year ended December 31, 2019, filed with the SEC on April 22, 2020.

**Capital Expenditures**

The net total of our capital expenditures (purchases of property and equipment and purchases and development of intangible assets), for each of the years ended December 31, 2020 and 2019 were R\$2,046.6 million and R\$693.4 million, respectively, most of which related to data processing equipment, machinery and equipment, development of software and technology and software licenses, all in Brazil. All of our capital expenditures are funded with internal resources.

For further information on our capital expenditures, see Notes 12 and 13 to our audited consolidated financial statements.

For a discussion of our capital expenditures for the year ended December 31, 2018, see "Item 5. Operating and Financial Review and Prospects—Capital Expenditures" of our annual report on Form 20-F for the fiscal year ended December 31, 2019, filed with the SEC on April 22, 2020.

**Commitments and Contractual Obligations**

Our contractual obligations at December 31, 2020 consisted of obligations to purchase POS devices, platform technology for our acquirer operations and deposits obligations as follows:

	At December 31, 2020				Total
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
	(R\$ millions)				
POS device purchases	1,386.3	-	-	-	1,386.3
Acquirer platform technology	2.0	-	-	-	2.0
Deposits obligations	572.0	194.1	-	-	766.1
<b>Total</b>	<b>1,960.3</b>	<b>194.1</b>	<b>-</b>	<b>-</b>	<b>2,154.4</b>

**Off-Balance Sheet Arrangements**

Other than the contractual obligations shown above, we do not have any off-balance sheet arrangements and did not have any such arrangements for the years ended December 31, 2020 and 2019.

For a discussion of off-balance sheet arrangements for the year ended December 31, 2018, see "Item 5. Operating and Financial Review and Prospects—Off-Balance Sheet Arrangements" of our annual report on Form 20-F for the fiscal year ended December 31, 2019, filed with the SEC on April 22, 2020.

### ***Significant Accounting Estimates and Judgments***

The preparation of financial statements requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are described below and in Note 3 to our audited consolidated financial statements.

Significant accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Based on assumptions, PagSeguro Digital makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The main estimates and assumptions year are addressed below:

#### ***Estimated useful life of intangible assets***

PagSeguro Digital uses an estimated useful life to calculate and record the amortization applied to its intangible assets which may differ from the actual term over which the intangible assets are expected to generate benefits for PagSeguro Digital.

The amortization of software usage rights is defined based on the effective period of the license contracted. The amortization of internally developed software is defined based on the period over which the software will generate future economic benefits.

#### ***Deferred income tax and social contribution***

PagSeguro Digital recognizes deferred income tax and social contribution based on future taxable profit estimates for the next ten years. These projections are periodically reviewed and approved by management.

#### ***Provision for contingencies***

PagSeguro Digital recognizes provisions for civil and labor suits. We recognize provisions for legal proceedings in our financial statements when we have a present legal or constructive obligation as the result of past events and we are advised by independent outside counsel that: (i) it is probable that an outflow of resources will be required to settle the obligation; and (ii) a reliable estimate can be made of the amount of the obligation. The assessment of probability of loss includes assessing the available evidence and jurisprudence, the hierarchy of laws and most recent court decisions. Provisions are reviewed and adjusted to take into account changes in circumstances such as the applicable limitation period, findings of tax inspections and additional exposures identified based on new issues or decisions of courts.

#### ***Measurement of loss allowance for expected credit losses***

For accounts receivable from cards issuers, PagSeguro Digital uses a provision matrix to calculate expected credit losses. The provision rates are based on the internal credit rating that consider external information, such as ratings given by major rating agencies and forward-looking factors specific to the debtors and the economic environment.

For loans and credit cards receivable with our clients, the provision rates are based on days past due and internal credit rating (i.e. the capacity and historical payments linked to the client). The provision is initially based on our historical observed default rates. We periodically reassess the assumptions to adjust the historical credit loss experience with prospective information every year. Therefore, if any external factor, as a representative fall-off in forecast economic indicators and unstable economic scenario indicates an increase in number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the future estimates are analyzed and adjusted.

#### ***Business combinations***

Businesses combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by us to, and liabilities assumed by us, from the former owners of the acquiree, the amount of any non-controlling interest in the acquiree, and the equity interests issued by us in exchange for control of the acquiree.

For each acquisition, management's judgment must be exercised to determine the fair value of the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, applying estimates or judgments in techniques used, especially in forecasting

cash-generating units, cash flows, in the computation of weighted average cost of capital and estimation of inflation during the identification of intangible assets with indefinite life, mainly, goodwill and developed softwares.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### *Directors and Senior Management*

#### *Board of Directors*

Our board of directors is responsible for, among other things, establishing our overall strategy and general business policies, supervising management, electing and removing our executive officers, and appointing our independent auditors.

Our board of directors is composed of seven members. Each director holds office for the term, if any, fixed by the shareholders' resolution that appointed him or her or, if no term is fixed on the appointment of the director, until the earlier of his or her death, resignation or removal. Directors appointed by the board of directors hold office until the next annual general meeting. Our directors do not have a retirement age requirement under our Articles of Association. Maria Judith de Brito was appointed to our board of directors on July 19, 2017, Luis Frias, Eduardo Alcaro and Ricardo Dutra da Silva were appointed on December 18, 2017, Noemia Gushiken was appointed on January 23, 2018, Cleveland Prates Teixeira was appointed on December 18, 2018, effective January 1, 2019, and Marcia Nogueira de Mello was appointed on March 16, 2020. All current members of our board of directors have been appointed to serve for an indefinite period.

We do not have any service contracts with our executive directors that provide benefits upon termination of employment.

In 2020, we were recognized by WOB – Women on Board, a non-governmental organization linked to the United Nations, for having more than two women on our board of directors.

The table below sets forth certain information of the current members of our board of directors:

<b>Name</b>	<b>Title</b>	<b>Date of Birth</b>
Luis Frias	Chairman	April 6, 1963
Eduardo Alcaro	Director	April 26, 1972
Maria Judith de Brito	Director	April 30, 1958
Ricardo Dutra da Silva	Director	December 1, 1975
Noemia Gushiken*	Director	November 3, 1972
Cleveland Prates Teixeira*	Director	August 15, 1966
Marcia Nogueira de Mello*	Director	March 14, 1965

\* Independent according to SEC and NYSE rules.

The following is a brief summary of the business experience of our current directors. Unless otherwise indicated, the current business address for our directors is Av. Brigadeiro Faria Lima, 1384, 4º andar, parte A, São Paulo, SP, 01451-001, Brazil.

*Luis Frias.* Mr. Frias has been the Chairman of our board of directors and our Principal Executive Officer since December 18, 2017. He joined Grupo Folha in 1981 and was its principal executive officer from 1989 to 2019, and he is currently the Publisher of Grupo Folha. In 1996, he founded UOL, a pioneering Brazilian internet company. As Principal Executive Officer and Chairman of the Board of Directors of UOL, he has expanded UOL's business, through organic growth and dozens of acquisitions, to cover digital content and products, e-learning and cloud/IT services, as well as the PagSeguro financial technology business. He holds a bachelor's degree in economics from the University of São Paulo (*Universidade de São Paulo – USP*).

*Eduardo Alcaro.* Mr. Alcaro has been a member of our board of directors since December 18, 2017 and currently holds the position of our Chief Business Development Officer. He has been the Chief Financial Officer of the UOL group and Executive Officer of the Folha Group since 2011. He holds a bachelor's degree in business administration from the Getulio Vargas Foundation (*Fundação Getulio Vargas – FGV-SP*) in São Paulo. Before joining our group, Mr. Alcaro held several positions, including Finance Vice President at Walmart Brazil from 2008 to 2011, Financial Planning and Investors Relations Director at Walmart USA from 2006 to 2008, Mergers & Acquisitions Director at Walmart International from 2003 to 2006, Finance Manager at Walmart Brazil from 1997 to 2003 and Auditor at PricewaterhouseCoopers from 1992 to 1997.

*Maria Judith de Brito.* Mrs. de Brito has been a member of our board of directors since July 19, 2017. She has also been head of human resources, legal matters and institutional relations of the UOL group since its creation in 1996, and has been the Vice Chairman of UOL's board of directors since 2005. She has worked for Grupo Folha since 1990, and is the current Principal Executive Officer of Grupo Folha. She holds a bachelor's degree in public administration from the Getulio Vargas Foundation (*Fundação Getulio Vargas – FGV-SP*) in São Paulo and a master's degree in political science from the Pontifical Catholic University of São Paulo (*Pontifícia Universidade Católica de São Paulo – PUC-SP*). Mrs. de Brito was a professor of the undergraduate course in Business Administration at the Getulio Vargas Foundation from 1986 to 1990, and professor of the graduate program in journalism at ESPM (*Escola Superior de Propaganda e Marketing*) from 2011 to 2013. She was president of the National Newspaper Association (*Associação Nacional de Jornais*) from 2008 to 2012.

*Ricardo Dutra da Silva.* Mr. Dutra has been a member of our board of directors and our Executive Officer since December 18, 2017. He has been Chief Executive Officer of PagSeguro Brazil and Chief Executive Officer of UOL Digital Content and Products since 2016. Mr. Dutra worked for the UOL group from 1997 to 2005, holding management positions in operations, marketing and sales, and rejoined the group in 2009 as Country Manager at UOL Argentina in Buenos Aires, where he served until 2010. He holds a bachelor's degree in electrical/industrial engineering from the Industrial Engineering University (*Centro Universitário da Faculdade de Engenharia Industrial – FEI*), a post-graduate degree in business from the Getulio Vargas Foundation (*Fundação Getulio Vargas – FGV*) in São Paulo, and a full-time MBA from Darden Graduate School of Business Administration at the University of Virginia. Prior to rejoining UOL, he was a management consultant at Bain & Company from 2007 to 2009.

*Noemia Gushiken.* Ms. Gushiken has been a member of our board of directors since January 23, 2018. She has more than 20 years of experience in the technology and consumer industries. She advises and assists companies in Brazil in operations, management, and legal, corporate governance and compliance matters. She is also a partner at Esper, Gushiken Advogados. Ms. Gushiken served as strategic advisor for family offices and start-ups in Brazil, as well as the operations director at Cerveja Proibida from 2013 to 2017, legal counsel at Microsoft from 2007 to 2013, and as the head of legal at UOL from 2000 to 2007. She has also represented these companies in industry associations and corporate affairs initiatives in Brazil. She holds a law degree and a post-graduate degree in Commercial and Corporate Law, both from the Pontifical Catholic University of São Paulo (*Pontifícia Universidade Católica de São Paulo – PUC*). Ms. Gushiken also studied Japanese Constitutional Law at the University of Shizuoka – Japan from 1993 to 1994. She is admitted to the Brazilian Bar in São Paulo.

*Cleveland Prates Teixeira.* Mr. Teixeira holds a master's degree in Economics from Getulio Vargas Foundation (*Fundação Getulio Vargas – FGV-SP*) in São Paulo and a bachelor's degree in economics from the University of São Paulo (*Universidade de São Paulo – USP*). From 2002 to 2004, he served as a Commissioner of the Administrative Counsel for Economic Defense (*Conselho Administrativo de Defesa Econômica – CADE*), the Brazilian antitrust agency, and from 1999 to 2002, he served as Deputy Secretary for Economic Monitoring (*Secretaria de Acompanhamento Econômico – SEAE*) of the Brazilian Ministry of Finance, and as Coordinator General of Trade and Services and Cartel Prosecution for the same department. In 2002, he was a member of the Federal Fund for the Defense of Collective Rights of the Brazilian Ministry of Justice, and from 2006 to 2008, he was Council of the Brazilian Institute of Economics (*Instituto Brasileiro de Economia – IBRE*) at Getulio Vargas Foundation (*Fundação Getulio Vargas – FGV*). Since 2007, he has taught courses on Microeconomics, Economic Analysis of Law, Antitrust and Regulation at the GVLaw graduate program at the law school of Getulio Vargas Foundation (*Fundação Getulio Vargas – FGV-SP*) in São Paulo, and has coordinated a course in Market Regulation at the Foundation Institute of Economic Research (*Fundação Instituto de Pesquisas Econômicas – FIPE*). He is also the Managing Partner of Microanalysis Consultoria Econômica, having worked on economic issues and coordinated projects in financial, regulatory and competition affairs in various sectors of the economy, including consultancy to both national and international government agencies, such as the Applied Economic Research Institute (*Instituto de Pesquisa Econômica Aplicada – IPEA*), the United Nations Conference on Trade and Development (UNCTAD) and the World Bank.

*Marcia Nogueira de Mello*. Ms. Mello holds a bachelor's degree in computer science from the Mackenzie Presbyterian University (*Universidade Presbiteriana Mackenzie*) in São Paulo, Brazil. From 1984 until 1997, she worked for several information technology services companies, and since 1997 she has dedicated her career to the payments market, working for a series of companies in the industry, including Hypercom (1997/2004), Verifone (2004/2006), Sagem (2006/2007), and Electronic Data Systems (2007/2008), an HP company focusing on payments processing systems, business process outsourcing (BPO) and infrastructure. From 2008 until 2011 she worked at Cielo, first as IT Director, managing architecture, IT innovation and strategy, projects and certification and later as Commercial Director, to develop alternative sales channels (banks, enterprise resource planning (ERP) companies, independent sales organizations (ISO), etc.). From 2011 until 2013 she rejoined the VeriFone Group to develop the Brazilian market for Point, a new business unit dedicated to expanding alternative payments infrastructure. After that, from 2013 until 2014 she acted as the Commercial Director for Elavon do Brasil for medium and large accounts. In mid-2014, she assumed the role of CEO of Global Payments South America and of member of the Board of Directors at Global Payments Serviços de Pagamentos Brazil. Since the beginning of 2020, Ms. Mello has focused on mentoring young executives and preparing women from underprivileged communities to enter the job market. In July 2020, she assumed the role of president of the Board of Smartbank, and since March 2021, she has been a member of the consulting board of DMCard. Since October 2020, she has been a volunteer mentor for Quintessa, a start-up accelerator for companies with a social or environmental purpose.

#### *Executive Officers*

Our executive officers are primarily responsible for the day-to-day management of our business and for implementing the general policies and directives established by our board of directors. Our board of directors is responsible for establishing the roles of each executive officer. Our executive officers were appointed by our board of directors for an indefinite term.

The table below shows our current executive officers:

<b>Name</b>	<b>Title</b>	<b>Date of Birth</b>
Luis Frias	Principal Executive Officer	April 6, 1963
Eduardo Alcaro	Co-Chief Financial and Investor Relations Officer and Chief Business Development Officer	April 26, 1972
Artur Schunck	Co-Chief Financial and Investor Relations Officer and Chief Accounting Officer	June 11, 1979
Ricardo Dutra da Silva	Executive Officer	December 1, 1975

On November 18, 2020, our board of directors approved the appointment Eduardo Alcaro as our Chief Business Development Officer and Artur Schunck as our Chief Financial and Investor Relations Officer and Chief Accounting Officer, effective immediately. Our board of directors also approved that during the first six months of transition following these appointments, Mr. Alcaro and Mr. Schunck will both exercise the role of our Co-Chief Financial and Investor Relations Officer. Therefore, Mr. Alcaro's and Mr. Schunck's role of Co-Chief Financial and Investor Relations Officer will end on May 18, 2021, when they will no longer act as Co-Chief Financial and Investor Relations Officer.

The following is a brief summary of the business experience of our current executive officers. The business address of each of our executive officers is Avenida Brigadeiro Faria Lima, 1384, 01451-001 São Paulo, SP, Brazil.

*Luis Frias*. See "—Board of Directors" for a brief biographical description of Mr. Frias.

*Eduardo Alcaro*. See "—Board of Directors" for a brief biographical description of Mr. Alcaro.

*Artur Schunck*. Mr. Schunck has held multiple roles in the finance department at our company, acting as PagBank's Finance Director since April 2015. In that role, he has led the company's finance, treasury, controllership, financial planning and analysis, logistics, financial services and credit products teams. From February 2014 to April 2015, he was the Director of Financial Planning and Treasury for UOL, and from January 2006 to December 2013 he held several financial management positions at Walmart Brasil Ltda., including Director of Financial Planning & Analysis and Strategy. Mr. Schunck holds a bachelor's degree in business administration from the Pontifical Catholic University of the State of Rio Grande do Sul (*Pontifícia Universidade Católica do Rio Grande do Sul*) in Porto Alegre, Brazil and an MBA in business management from the Getulio Vargas Foundation (Fundação Getulio Vargas -FGV) in São Paulo, Brazil.

*Ricardo Dutra da Silva*. See "—Board of Directors" for a brief biographical description of Mr. Dutra da Silva.

*Audit Committee*

Our board of directors has established an audit committee. Members will serve on this committee until the earliest of: (i) the moment they cease to be a director; (ii) their resignation; or (iii) as otherwise determined by our board of directors. Our audit committee currently consists of three members, including Marcia Nogueira Mello, Noemia Gushiken and Cleveland Prates Teixeira. All of our audit committee members satisfy the "independence" requirements of the NYSE rules and meet the independence standards under Rule 10A-3 under the Exchange Act. Noemia Gushiken satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC.

The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. Our audit committee is responsible for, among other things:

- selecting our independent auditor, approving related fees and terminating our relationship with our independent auditor in the committee's discretion;
- pre-approving audit and non-audit services permitted to be performed by the independent auditor;
- annually reviewing the independent auditor's report describing the auditing firm's internal quality control procedures, any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors and all relationships between the independent auditor and our company;
- reviewing with the independent auditor any audit problems or difficulties and management's response, as well as resolving any disagreements between management and the independent auditor regarding financial reporting;
- reviewing and discussing the annual audited financial statements with management, internal audit team (or third-service provider performing this function) and the independent auditor, as well as quarterly unaudited financial statements;
- reviewing and discussing with management and the independent auditors major issues regarding accounting principles and financial statement presentations;
- discussing earnings press releases with management, as well as financial information and earnings guidance provided to analysts and rating agencies;
- reviewing the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on our financial statements;
- overseeing our disclosure controls and procedures and internal control over financial reporting;
- assessing and monitoring our risk exposures, as well as the policies and guidelines with respect to risk management;
- timely reviewing reports from the independent auditor regarding all critical accounting policies and practices to be used by our company, all alternative treatments of financial information within IFRS that have been discussed with management and all other material written communications between the independent auditor and management;
- establishing procedures for the receipt, retention and treatment of complaints received by our company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- analyzing our related-party transactions based on our policy for these transactions;
- periodically reviewing and reassessing the adequacy of our audit committee charter;
- any other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- periodically meeting with management, internal audit team (or third-party service providers performing this function) and the independent auditors, separately; and
- reporting regularly to the full board of directors.

### *Duties of Directors*

Directors are responsible to the company and not, in the absence of special circumstances, to the shareholders as individuals. For the purposes of describing directors' duties, the company is generally defined with reference to the interests of both present and future shareholders of the company as a whole. Under Cayman Islands law, a director owes two types of duties to the company: fiduciary duties and duties of skill and care. In fulfilling their duty of care to us, our directors must ensure compliance with our Memorandum and Articles of Association, as amended and restated from time to time. You should refer to "Item 10. Additional Information—Memorandum and Articles of Association—Principal Differences between Cayman Islands and U.S. Corporate Law" for additional information on our standard of corporate governance under Cayman Islands law.

### **Compensation**

#### *Management Compensation*

Our executive officers, directors and management receive fixed and variable compensation. They also receive benefits in line with market practice in Brazil. The fixed component of their compensation is set on market terms and adjusted annually.

The variable component consists of cash bonuses and awards of restricted shares (or the cash equivalent) under the LTIP and the LTIP-Goals, as discussed below. Cash bonuses are paid to executive officers and members of our management based on the previously agreed corporate results-sharing plan (*plano de participações nos resultados*) and overall targets for the business.

Certain of our directors and officers receive compensation from UOL for services rendered to PagSeguro. The related cost is apportioned between UOL and PagSeguro in accordance with the services that are rendered.

The aggregate compensation paid to the executive officers of PagSeguro Brazil in 2020 was R\$104.6 million. This includes benefits paid in kind and variable compensation.

#### *Long-Term Incentive Plan – Goals*

LTIP-Goals was established by PagSeguro Brazil on December 18, 2018, as approved by our board of directors, and ratified on August 7, 2019, February 21, 2020 and January 19, 2021. We believe the LTIP-Goals will help us attract and retain individuals who have a high potential to contribute to our success, and further align their interests with ours. Beneficiaries under the LTIP-Goals are selected by the LTIP-Goals Committee, which consists of our Chairman of our board of directors and two officers of UOL.

Beneficiaries under the LTIP-Goals are granted awards, which may be payable in cash, Class A common shares or a combination of the two, at the discretion of the LTIP-Goals Committee based on the goals established in our corporate results-sharing plan for any given year. If any portion of an award is payable in Class A common shares, the relevant value will be converted into Class A common shares on the last business day of January 2020 for awards related to 2019 and, starting in 2021, by March following the year for which such amount was awarded.

At March 31, 2021, a total of 238,843 Class A common shares held as treasury shares were granted and allocated, without cash consideration, to certain members of our management who are beneficiaries under the LTIP-Goals.

We expect that all of our directors, except for Noemia Gushiken, Cleveland Prates Teixeira and Marcia Nogueira Mello will be named beneficiaries under the LTIP-Goals.

If a beneficiary is dismissed by us, resigns, retires or dies before of any given year, the beneficiary will not be entitled to any awards under the LTIP-Goals for that year. If a beneficiary is dismissed by us, resigns, retires or dies after the end of any given year, but before the date on which the value of such beneficiary's award is converted into our Class A common shares, the beneficiary will be entitled to his or her award under the LTIP-Goals, provided that the goals for the previous year have been met.

The maximum number of Class A common shares that can be delivered to beneficiaries under the LTIP-Goals may not exceed 1% of our total issued and outstanding share capital at any time.



### *Long-Term Incentive Plan*

Members of our management participated in the LTIP (replaced by the LTIP-Goals on December 18, 2018), which was established by UOL for its group companies on July 29, 2015 and was adopted by PagSeguro Digital Ltd. Beneficiaries under the LTIP were selected by UOL's LTIP Committee, which consists of our Chairman and two officers of UOL. Since the establishment of LTIP-Goals on December 18, 2018, no new rights have been, nor will be, granted under the LTIP.

Beneficiaries under the LTIP were granted rights in the form of notional cash amounts without cash consideration. These rights vest in five equal annual installments starting one year after the beneficiary's grant date. Under the terms of the LTIP, upon completion of our IPO, the vested portion of each beneficiary's LTIP rights was converted into Class A common shares of our company at our IPO price. The number of Class A common shares issued with respect to the vested LTIP rights was calculated, pursuant to each beneficiary's individual LTIP agreement, based on our IPO price of US\$21.50 per Class A common share. The unvested portions of each beneficiary's LTIP rights will be settled on each future annual vesting date, at the discretion of the LTIP Committee, by either (i) delivery of a fixed number of Class A common shares of PagSeguro Digital, or (ii) the equivalent in cash of the fixed number of shares at the current fair value. The vesting conditions of the LTIP awards include the completion of our IPO and the attainment of certain service conditions. Upon completion of our IPO in January 2018, payment of future LTIP rights became probable, resulting in us commencing to recognize compensation expenses related to each beneficiary's LTIP rights.

At March 31, 2021, a total of 5,068,482 new Class A common shares were issued without cash consideration to certain members of our management who are beneficiaries under the LTIP, upon closing of our IPO and in the following months.

All of our directors, except for Noemia Gushiken, Marcia Nogueira Mello and Cleveland Prates Teixeira, are beneficiaries under the LTIP.

If a beneficiary is dismissed by us, resigns, retires or dies, the portion of his or her rights under the LTIP that has vested at that date will be delivered, but the non-vested portion will be cancelled. If a beneficiary is terminated for cause, all of his or her rights under the LTIP will be cancelled.

The shares issued under the LTIP upon completion of our IPO were subject to a one-year lock-up period under the terms of the LTIP. Any shares that were issued on a subsequent vesting date during the first year after our IPO were subject to the remainder of that same lock-up period, expiring one year after the closing of our IPO. After the close of that one-year period, shares issued or to be issued under the LTIP are no longer be subject to a lock-up. As such, shares issued under the LTIP are now freely tradable without restriction or further registration under the Securities Act by persons other than our affiliates within the meaning of Rule 144 of the Securities Act. For further information, see "Item 3. Key Information—Risk Factors—Risks Relating to our Business and Industry—Class A common shares eligible for future sale may cause the market price of our Class A common shares to drop significantly."

The maximum number of Class A common shares that can be delivered to beneficiaries under the LTIP may not exceed 3% of our issued share capital at any time.

### **Share Ownership**

The total number of common shares owned by our management as of March 2021 was 5,307,325 Class A common shares (including treasury shares). Except for Luis Frias, no member of our management beneficially owns one percent or more of our common shares.

### **Our Team**

We believe that our team is one of PagSeguro's most important assets. Our highly experienced management team has extensive experience in all areas of the Brazilian payments market, with in-depth knowledge of online payments, retail, financial services, technology, payment processing, in-person electronic payments, acquiring and card issuance. Together, this management experience covers all of our customers' needs, allowing us to plan the future of PagSeguro.

Our culture reflects UOL's innovation-driven focus, instilling in our professionals a passion for customers and merchants and motivating them to provide next-generation payment capabilities in Brazil. At December 31, 2020, our total team consisted of 5,836 people, including 1,225 employees plus outsourced staff, and 13 employees under BCPS in Portugal. The rest of our team is located in Brazil. At December 31, 2020, our employees had an average age of 33 years, 90.0% of whom held a bachelor's degree or higher and 36.4% of whom were women, with 33.7% of our employees specializing in products and engineering. We also offer a long-term motivation plan for key professionals and apply meritocratic methods to engage all our professionals, recognize their value and keep them motivated. The following table sets forth the number of our employees and a breakdown of employees by category of activity as of the dates indicated in each area of our operations. We regularly evaluate the allocation of our employees to the categories of activity indicated in the following table and, in certain instances, we have made corresponding updates to the breakdowns for the periods presented.

	As of December 31,		
	2020	2019	2018
Products and Engineering	1,556	1,070	515
Commercial, Marketing and Operations	2,820	1,293	499
Administrative	235	215	140
<b>Total</b>	<b>4,611</b>	<b>2,578</b>	<b>1,154</b>

Together, our management team and employees represent experience in all areas of the Brazilian payments market, with in-depth knowledge of online payments, retail and financial services, technology, payment processing, in-person electronic payments, acquiring and card issuance. They therefore represent a complete picture of all of our customers' needs and can prepare the future of our organization.

We seek to attract and train the best professionals in the market. We seek to motivate our employees to provide next-generation payment capabilities through a corporate results-sharing plan for all employees and a long-term motivation plan for key professionals. Our corporate results-sharing plan includes salary multiples of two for coordinators, three for managers, 3.5 for general managers, 4.1 or more for directors and one for other employees and is based on annual targets for metrics such as free cash flow, net income, revenues, working capital and TPV. Through the LTIP-Goals, part or all of a beneficiary's award under our corporate results-sharing plan may be paid in Class A common shares. See "—Long-Term Incentive Plan-Goals" and "—Long-Term Incentive Plan." We believe that we offer competitive compensation packages and a dynamic culture, and have therefore been able to attract and retain qualified personnel and a stable management team. We also offer our employees medical and dental insurance, life insurance, meal voucher cards and a retirement savings plan, among other benefits. In a 2017 survey carried out by the website LinkedIn, UOL was named as the second best place to work in Brazil. We are aware, however, that our continued success will depend on our ability to continue to attract and retain these qualified professionals. See "Item 3. Key Information—Risk Factors—Risks Relating to our Business and Industry—The loss of any member of our management team and our inability to make up for such loss with a qualified replacement, could harm our business."

We train our teams in the use of modern management tools such as Agile, Lean, Kanban and Management 3.0.

Our employees are represented by the Union of Employees of Information Technology Businesses and Course Providers of the State of São Paulo (*Sindicato dos Trabalhadores nas Empresas e Cursos de Informática do Estado de São Paulo—SINDIESP*). We consider our relations with our employees to be good. We have not experienced any significant labor disputes.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### Major Shareholders

The table below contains information regarding the beneficial ownership of PagSeguro Digital's Class A common shares and Class B common shares by UOL (our controlling shareholder and parent company), our major shareholders and members of our management, as a single group, as of December 31, 2020.

Beneficial ownership, which is determined under SEC rules, generally includes voting or investment power over securities or the right to receive the economic benefit of ownership of the securities. We believe that each shareholder identified in the table below possesses sole voting and investment power over all the Class A common shares or Class B common shares shown as beneficially owned by the shareholder in the table. Common shares subject to options, warrants or rights that are exercisable at the date of this annual report, or that will be exercisable within 60 days thereafter (which in the case of the Company, only consist of Class A common shares), are considered to be outstanding and beneficially owned by the person who holds such options, warrants or rights for purposes of computing that person's common share ownership, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

The percentages of beneficial ownership in the table below are based on 201,461,511 outstanding Class A common shares (including treasury shares) and 127,554,861 outstanding Class B common shares. As of December 31, 2020, approximately 79.3% of our Class A common shares (including treasury shares) were held of record by 252 record holders in the United States, and 0.0% of our Class B common shares were held of record in the United States.

The holders of our Class A common shares and Class B common shares have identical rights, except that UOL as holder of Class B common shares: (i) is entitled to 10 votes per share, whereas holders of our Class A common shares are entitled to one vote per share; (ii) has certain conversion rights; and (iii) is entitled to maintain a proportional ownership interest in the event that additional Class A common shares are issued. For more information, see "Item 10. Additional Information—Memorandum and Articles of Association—Preemptive or Similar Rights" and "Item 10. Additional Information—Memorandum and Articles of Association—Conversion." Each Class B common share is convertible into one Class A common share.

Name	Shares Beneficially Owned				% of Total Voting Power <sup>(1)</sup>
	Class A		Class B		
	Shares	%	Share	%	
Universo Online S.A. <sup>(2)</sup>	814,862	0.4%	127,554,861	100%	86.4%
Capital Group <sup>(3)</sup>	58,463,820	29.0%	-	-	4.0%
Artisan Partners <sup>(4)</sup>	15,411,674	7.6%	-	-	1.0%
Sylebra Capital Management <sup>(5)</sup>	11,406,517	5.7%	-	-	0.8%
Invesco Ltd. <sup>(6)</sup>	11,367,600	5.6%	-	-	0.8%
Treasury Management	168,636	0.1%	-	-	0.0%
	5,149,671	2.6%	-	-	0.3%
Others	98,678,731	49.0%	-	-	6.7%
<b>Total</b>	<b>201,461,511</b>	<b>100.0%</b>	<b>127,554,861</b>	<b>100%</b>	<b>100.0%</b>

(1) Percentage of total voting power represents voting power with respect to all of our Class A common shares and Class B common shares, as a single class. UOL as holder of our Class B common shares is entitled to 10 votes per share, whereas holders of our Class A common shares are entitled to one vote per share. For more information about the voting rights of our Class A common shares and Class B common shares, see "Item 10. Additional Information—Memorandum and Articles of Association—Voting Rights."

(2) Consists of shares held of record by UOL, a company controlled by OFL Participações S.A., in turn controlled by Luis Frias.

(3) Consists of shares beneficially owned by the Capital Group. The address for the Capital Group is 333 South Hope Street, Los Angeles, CA, USA 90071.

(4) Consists of shares beneficially owned by Artisan Partners LP, Artisan Investments GP LLC, Artisan Partners Holdings LP and Artisan Partners Asset Management Inc. The address of Artisan Partners LP, Artisan Investments GP LLC, Artisan Partners Holdings LP and Artisan Partners Asset Management Inc is 875 East Wisconsin Avenue, Suite 800, Milwaukee, WI 53202.

(5) Consists of shares beneficially owned by Sylebra Capital Management and Sylebra Capital Limited. The address of Sylebra Capital Management is 28 Hennessy Road, Floor 20, Wan Chai, Hong Kong.

(6) Consists of shares beneficially owned by Invesco Ltd. (parent holding company to its investment advisers Invesco Advisers, Inc., Invesco Asset Management Ltd and Invesco Capital Management LLC). The address for Invesco Ltd. is 1555 Peachtree Street NE, Suite 1800, Atlanta, Georgia, USA 30309.

Prior to our IPO, UOL held 100% of our outstanding common shares, totaling 262,288,607 Class B common shares. In our IPO, UOL converted 70,267,746 Class B common shares to Class A common shares. Such converted shares were subsequently sold in our IPO, bringing UOL's total number of Class B common shares held to 192,020,861. In our June 2018 follow-on offering, UOL converted 26,400,000 Class B common shares to Class A common shares. Such converted shares were subsequently sold in our June 2018 follow-on offering bringing UOL's total number of Class B common shares held to 165,620,861. In our October 2019 follow-on offering, UOL converted 16,750,000 Class B common shares to Class A common shares. Such converted shares were subsequently sold in our October 2019 follow-on offering bringing UOL's total number of Class B common shares held to 148,870,861.

On July 15, 2020, UOL reached agreements for the exit of certain of UOL's minority shareholders. As a result of this transaction, and following the related share transfers involved, UOL continues to be our controlling shareholder with 39.02% of total outstanding share capital and 86.42% of voting power. In connection with the private transaction, the UOL minority shareholders involved received from UOL at closing, and in exchange for their shares of UOL, a total of 21,316,000 of our Class A common shares (following conversion of Class B common shares into Class A common shares).

There is currently no shareholders' agreement in place.

#### ***Related Party Transactions***

The total amount of costs and expenses incurred by PagSeguro Digital for shared services and sales of services provided by UOL and other affiliated companies in the year ended December 31, 2020 was R\$294.2 million, representing 5.8% of our total expenses for the year. Of the total amount of costs and expenses incurred by PagSeguro Digital for shared services, sales of services and deposits provided by affiliated companies during the year, 74.1% were provided by UOL, 16.9% were provided by UOL Diveo, 8.0% were provided by Transfolha and 1.0% were provided by other related parties. PagSeguro also provided services to UOL and certain UOL affiliates during the year ended December 31, 2020 for an amount of R\$3.5 million. For more information, see Note 10 to our audited consolidated financial statements.

Prior to our IPO, PagSeguro's cash management was centralized with UOL, leading to positive or negative balances with UOL from time to time as referred to in Note 10 to our audited consolidated financial statements. When PagSeguro provided cash to UOL or UOL provided cash to PagSeguro, these transactions did not include interest. Our cash management was separated from UOL's cash management starting from the date of completion of our IPO. Any remaining balances that relate to prior cash management activities began accruing interest from the date of completion of our IPO, and any such balances were repaid by UOL following completion of our IPO.

#### **Agreements with Our Management and Directors**

Certain of our directors and officers receive compensation from UOL for services they provide to PagSeguro. The cost is apportioned between UOL and PagSeguro in accordance with the services provided. In addition, we have entered into indemnification agreements with our directors and officers, as described below.

#### ***Indemnification Agreements***

We have entered into or will enter into indemnification agreements with each of our directors and officers. Pursuant to these agreements, we have agreed to indemnify and hold harmless each director and officer to the full extent permitted by applicable law in the event of any claim made against him or her in any proceeding due to the fact that he or she is or was a director or officer of our company or served at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

In addition, under the terms of these agreements we have agreed to cover all expenses actually and reasonably incurred by each director and officer in connection with any such proceeding, with certain limited exceptions.

The indemnification extends to the beneficiary's services as a director or officer prior to the date of the indemnification agreement as well as afterward. It continues after the beneficiary ceases to be a director or officer.

#### **Agreements with UOL and UOL Subsidiaries**

PagSeguro Brazil was incorporated as a legal entity in 2006, although it did not operate the PagSeguro business prior to August 1, 2015 since most of the PagSeguro business activities were operated by other UOL group members prior to that date. On August 1, 2015, UOL carried out a corporate reorganization in which it segregated some of the PagSeguro Brazil activities from its other activities and contributed them to PagSeguro Brazil. Following this reorganization, PagSeguro Brazil entered into the contracts summarized below governing its relationship with UOL and its subsidiaries.

### ***Advertising Space Assignment Agreement***

Under this agreement, UOL may assign to PagSeguro Brazil certain advertising and media space on UOL's own website, as well as other space that UOL obtains from unrelated third parties. We pay UOL monthly fees for this space, based on the actual amount of advertising and media space we use. For advertising and media space on UOL's own website, UOL charges us a price that it determines on market terms. For space that UOL obtains from unrelated third parties, UOL charges us the same price as it pays for the space.

### ***Cost-Sharing Agreements***

PagSeguro Brazil is party to two agreements with UOL under which UOL apportions to PagSeguro Brazil the expenses of certain services and personnel hired by UOL for the benefit of PagSeguro Brazil and expenses related to our head office and operations center in São Paulo, which are provided by UOL. Under one agreement, UOL apportions to PagSeguro Brazil expenses relating to call center services, marketing activities, certain ordinary corporate services, and certain contingency expenses related to litigation. All insurance policies listed under "Business – Insurance" are contracted by UOL under this agreement. Under the other agreement, UOL apportions to PagSeguro Brazil expenses relating to certain back-office personnel who are employed by UOL but allocated to work on matters related to our business.

The two agreements apportion the costs and expenses for these services as between PagSeguro Brazil and UOL. The amounts PagSeguro Brazil pays to UOL are based on different criteria depending on the type of service:

- for marketing, financial and legal services, the amount payable is based on the number of hours actually worked by UOL personnel on PagSeguro Brazil's behalf;
- for human resources services, the amount payable is based on the number of hours actually worked by UOL personnel on PagSeguro Brazil's behalf and on the number of UOL personnel dedicated to PagSeguro Brazil matters;
- for call center services, the amount payable is based on the number of UOL personnel dedicated to PagSeguro Brazil matters;
- for technology services, the amount payable is based on the expenses incurred by UOL on PagSeguro Brazil's behalf.

### ***Platform Licensing Agreements***

PagSeguro Brazil and UOL are party to an agreement under which UOL provides services related to the development, maintenance and management of the software used to conduct PagSeguro Brazil's business. The services include the development of new software, analysis and improvement of the efficiency of existing software and resolution of technical issues. The services are provided in accordance with parameters set by PagSeguro Brazil. The amount payable under this agreement is based on the number of hours actually worked by UOL personnel.

Boa Compra and UOL are party to an agreement under which UOL provides services related to software for Boa Compra's business on substantially the same terms.

### ***Software Development and Implementation Services Agreement***

PagSeguro Brazil and Compasso Tecnologia Ltda., or Compasso, a subsidiary of UOL Diveo, are party to a software development and implementation services agreement under which Compasso provides software development or implementation services to PagSeguro Brazil through a series of related services agreements and technical and commercial proposals. Such services include the allocation of software development professionals to PagSeguro Brazil for the development of a financial conciliation system and an application programming interface (API) system.

## ***UOL Diveo Agreements***

### **Cloud Services Agreement**

PagSeguro Brazil is party to two agreements with UOL Diveo under which UOL resells cloud services provided by Microsoft Ireland Operations Limited, or Microsoft, and Google Cloud Brasil Computação e Serviços de Dados Ltda., or Google, to PagSeguro Brazil, through technical and commercial proposals. PagSeguro is also party to an agreement with Compasso Informática S.A., or COSA, under which COSA resells cloud services provided by Amazon Web Services, Inc, or AWS. These cloud services include the storage of PagSeguro Brazil data on the cloud managed by the respective services providers and related technical support and information technology infrastructure services. PagSeguro Brazil may manage its data through online access or specific software provided by AWS, Microsoft and Google. UOL Diveo, as a reseller of the services, is not responsible for the quality, warranty, technical support, efficiency or results of the services or for any losses incurred by PagSeguro Brazil deriving from these services.

### **UOL Cloud Agreement**

PagSeguro Brazil and UOL Diveo are party to an agreement pursuant to which UOL Diveo provides PagSeguro Brazil with information technology infrastructure services and access to the OpenStack public cloud and the VirtuStream virtual private cloud. Under this agreement, UOL Diveo also provides PagSeguro with virtual computational resources and services for the creation and use of a processing environment, data storage and provision of internet access.

### **Hosting Agreement**

PagSeguro Brazil and UOL Diveo are party to a hosting agreement under which UOL Diveo provides data storage services to PagSeguro Brazil through a series of technical, commercial and business proposals. These services include the lease of equipment, software licenses and assignment of information technology infrastructure to PagSeguro Brazil. In addition, under technical proposal OPT-17-21638 related to the hosting agreement, UOL Diveo also provides PagSeguro Brazil with payment methods monitoring and invoice issuing services and under technical proposal OPTs 18/25482 and 19/26811, UOL Diveo provides PagSeguro Brazil with services related to the monitoring and response to possible cyberattacks.

### **Telecommunications Services Agreement**

PagSeguro Brazil and UOL Diveo are party to an agreement under which UOL Diveo provides telecommunication services, through a series of technical, commercial and business proposals, that allow PagSeguro Brazil to establish a point-to-point network connection (Lan to Lan). UOL Diveo also provides support and maintenance of certain telecommunications equipment.

### **Internet Security Agreements**

PagSeguro Brazil is party to one agreement with UOL Diveo under which UOL Diveo provides internet security services to PagSeguro Brazil. The payments under this agreement is made on a monthly basis in fixed amounts previously agreed between the parties.

Under this agreement, UOL Diveo provides internet security services against denial-of-services attacks (DoS attacks) that may impact PagSeguro Brazil's technological infrastructure or online services. This service uses technology to prevent and mitigate such attacks through the behavioral analysis of the data flowing through PagSeguro Brazil's network.

## ***UD Tecnologia Agreements***

### **Colocation Agreement**

PagSeguro Brazil and UOL Diveo entered into a colocation agreement dated as of July 1, 2019, as amended from time to time, under which UOL Diveo provided colocation services to PagSeguro Brazil, including the provision of space and information technology infrastructure services at UOL Diveo's data centers. On December 1, 2019, UOL Diveo assigned this colocation agreement to UD Tecnologia, which in turn began providing these services to PagSeguro Brazil. In April 2021, UD Tecnologia was sold to Digital Colony, which is not a related party of the company and which rebranded as Scala.

## ***Transfolha Agreements***

### **Transportation Services Rendering Agreement**

Net+Phone and Transfolha Transporte e Distribuição Ltda. entered into a service rendering agreement dated October 8, 2019, as amended from time to time, under which Transfolha Transporte e Distribuição Ltda. provides Net+Phone with certain logistics and equipment handling services, including inventory control in warehouses and receiving and shipping POS devices and chips.

In connection with the service rendering agreement, Transfolha Transporte e Distribuição Ltda., Net+Phone and PagSeguro Brazil entered into three commercial sublease agreements under which Transfolha Transporte e Distribuição Ltda. subleases commercial space in Minas Gerais, Rio de Janeiro and São Paulo to Net+Phone and PagSeguro Brazil for the each sublessee to use for its business activities. The commercial sublease agreement with respect to the sublease of commercial space in Minas Gerais and the commercial sublease agreement with respect to the sublease of commercial space in Rio de Janeiro are both dated as of August 19, 2019. The commercial sublease agreement with respect to the sublease of commercial space in São Paulo is dated as of September 30, 2019.

Net+Phone and Transfolha Transporte e Distribuição Ltda. entered into a transportation services rendering agreement dated December 23, 2015, as amended from time to time. On October 25, 2016, pursuant to the first amendment to the transportation services rendering agreement, PagSeguro Brazil became a party to the transportation services rendering agreement. Pursuant to the transportation services rendering agreement, as amended, Transfolha Transporte e Distribuição Ltda. provides Net+Phone and PagSeguro Brazil with certain multimodal mobile equipment transportation services, including delivery of mobile equipment.

## **ITEM 8. FINANCIAL INFORMATION**

### ***Consolidated Statements and Other Financial Information***

See Item 18. Financial Statements.

### ***Legal Proceedings***

From time to time, we are involved in proceedings that arise in the ordinary course of our business. Any claims against us, whether or not they have merit, can be time consuming, result in costly litigation, and require significant management time and operational resources.

We are subject to a number of proceedings in the Brazilian judicial and administrative court systems, relating to civil, tax and labor law claims. We believe these proceedings are normal and incidental to the operation of a business in Brazil. We recognize provisions for legal proceedings in our financial statements when we are advised by independent outside counsel that: (i) it is probable that an outflow of resources will be required to settle the obligation; and (ii) a reliable estimate can be made of the amount of the obligation. The assessment of the likelihood of loss includes analysis by outside counsel of available evidence, the hierarchy of laws, available case law, recent court rulings and their relevance in the legal system. Our provisions for probable losses arising from these matters are estimated and periodically adjusted by management. In making these adjustments our management relies on the opinions of our external legal advisors.

The amounts we had accrued in our financial statements as of December 31, 2020 for all types of legal proceedings for which we believe a loss is probable were R\$13.0 million. However, legal proceedings are inherently unpredictable and subject to significant uncertainties. If one or more cases were to result in a judgment against us in any reporting period for amounts that exceeded our management's expectations, the impact on our operating results or financial condition for that reporting period could be material. See "Item 3. Key Information—Risk Factors—Risks Relating to our Business and Industry—Unfavorable outcomes in litigation or our inability to post judicial collateral or provide guarantees in pending legal or administrative proceedings could have a material adverse effect on our business, financial condition and Results of Operations of PagSeguro Digital."

We make judicial deposits, which are court-ordered deposits that serve as collateral until the final settlement of the disputes to which they are related, in connection with certain of these civil proceedings. As of December 31, 2020, we had judicial deposits in an aggregate amount of R\$3.8 million.

### ***Civil Proceedings***

The civil claims to which we are party generally relate to customer claims, including those related to non-delivery of products by merchants, denials by PagSeguro of requests for withdrawal of digital account balances and allegations of POS device defects.

As of December 31, 2020, we were party to approximately 6,605 proceedings of a civil nature (consisting of proceedings with PROCONs and small claims courts relating to consumer rights). PagSeguro does not appear in the rankings of companies with large numbers of consumer claims published by the PROCON. As of December 31, 2020, we had recorded R\$11.8 million in provisions for current civil proceedings and no provisions for non-current civil proceedings. Most of these proceedings are related to consumer allegations of non-delivery of products by merchants and requests for the withdrawal of digital account balances that were blocked by PagSeguro because they were under investigation for fraud or undergoing claim resolution.

As of December 31, 2020, we were party to 1 civil lawsuit involving risks classified by management as possible losses. For more information, see Note 18 of our audited consolidated financial statements.

We make judicial deposits, which are court-ordered deposits that serve as collateral until the final settlement of the disputes to which they are related, in connection with certain of these civil proceedings. As of December 31, 2020, we had judicial deposits for civil proceedings in an aggregate amount of R\$3.6 million.

### **Labor Proceedings**

As of December 31, 2020, we were party to approximately 97 labor-related judicial and administrative proceedings for which we recorded a provision of R\$1.1 million. In general, the labor claims to which we are a party were filed by former employees of third-party service providers hired by us as part of the outsourcing of certain of our non-core activities.

We are not a party to any labor lawsuits involving risks classified by management as possible losses. For more information, see Note 18 of our audited consolidated financial statements.

### **Tax and Social Security Proceedings**

As of December 31, 2020, we had made judicial deposits of R\$24.5 million related to the Brazilian government's Social Integration Program (*Programa Integração Social*, or PIS), R\$150.8 million related to Brazilian social security (*Contribuição para o Financiamento da Seguridade Social*, or COFINS) relating to our financial income, R\$150.1 million related to ISS and R\$29.1 million related to ICMS taxes and R\$10.1 million related to other tax matters. Our PIS and COFINS judicial deposits relate to a tax proceeding filed by us to challenge certain Brazilian regulations that changed the PIS/COFINS taxation regime. Laws Nos. 10,637/2002 and 10,833/2003 increased the PIS and COFINS calculation basis, which was previously assessed on operating revenues and expanded to cover all types of revenue, including revenues generated by financial investments, with a few exceptions. Since the issuance of Decree No. 5,164/2004, taxpayers subject to the non-cumulative PIS/COFINS methodology, like our company, were subject to PIS and COFINS at a 0% tax rate on financial income. On April 1, 2015, the Brazilian government published Decree No. 8,426/2015, which increased the PIS and COFINS rates levied on financial income by legal entities subject to the non-cumulative methodology to 0.65% and 4%, respectively. In December 2015, we filed a tax proceeding alleging the unconstitutionality of the PIS/COFINS increase on financial income by Decree No. 8,426/2015, based on violation of the constitutional principle of legality, which provides that an increase in existing taxes can only be implemented by federal law. As an alternative request, we asked the court to recognize our right to discount PIS/COFINS tax credits from financial expenses incurred by us. As we were not granted injunctive relief, we have obtained a court decision allowing us to deposit the amount related to these PIS/COFINS payments in escrow while this payment obligation is discussed in court. For more information, see Note 17 to our audited consolidated financial statements and "Item 3. Key Information—Risk Factors—Risks Relating to our Business and Industry—Changes in tax laws, tax incentives, benefits or differing interpretations of tax laws may harm our Results of Operations."

Our ISS judicial deposits relate to two tax proceedings filed by us against the São Paulo municipality to challenge certain regulations enacted that changed the municipality to which the ISS is due from the municipality where the service provider (PagSeguro) is located to the municipality where the clients are located (which in our case means the municipality where the POS device is used). Following a regulatory review from January 2018 to December 2020, the authorities concluded that the ISS is due according to the municipality where the service provider is located. As a result, we are no longer pursuing one of the corresponding lawsuits (still pending confirmation), requested the conversion of deposits, and reversed the provision for the difference in the ISS rate of the other municipalities. The other related tax proceeding is still pending.



Our ICMS judicial deposits relate to a tax proceeding filed by Net+Phone against several Brazilian states to challenge the legality of certain constitutional amendments which require that ICMS taxes be collected by those who ship goods to final customers in interstate operations, at a tax differential corresponding to the difference between the rate of the destination state and the interstate rate. As we were not granted injunctive relief, we have obtained a court decision allowing us to deposit the amount related to these ICMS payments in escrow while this payment obligation is discussed in court. In February 2021, the Brazilian Federal Supreme Court (STF) issued a ruling (topic 1093) favorable to taxpayers. The probability of loss in this matter has been changed to remote.

As of December 31, 2020, our judicial deposits related to other tax matters total R\$10.1 million. We do not consider any of these other tax matters material.

As of December 31, 2020, we were party to tax lawsuits classified by legal advisors as possible losses which involved an aggregate amount of R\$164.7 million and for which no provision has been made.

#### ***Dividend Policy***

For our policy on dividend distributions, see "Item 10. Additional Information—Memorandum and Articles of Association—Dividends and Capitalization of Profits."

### **ITEM 9. THE OFFER AND LISTING**

#### ***Plan of Distribution***

Not applicable.

#### ***Trading Markets***

Our Class A common shares are listed on the NYSE under the ticker symbol "PAGS." Our Class A common shares are listed in registered form and are not certificated. The Class A common shares commenced trading on the NYSE on January 24, 2018. As of March 31, 2021, the Class A common shares represented 60.98% of our shares and 100% of our current global public float.

If your shares are registered in the name of The Depository Trust Company, or DTC, you are not be a shareholder or member of the company. Each person owning Class A common shares held through DTC must rely on the procedures thereof and on institutions that have accounts therewith to exercise any rights of a holder of the Class A common shares.

On January 28, 2021, Banco B3 announced that it had established an unsponsored program for Brazilian Depositary Receipts representing our Class A common shares, or Class A BDRs, each representing 1/5 of a Class A common share. The Class A BDRs have been listed on the B3 since February 1, 2021, and they trade under the ticker symbol "PAGS34." The Class A BDR program was noted as the first BDR program for the US-listed shares of a primarily Brazilian operating company. The Class A BDR program is unsponsored, meaning that we did not establish and do not administer it, nor have we taken any steps to register the Class A common shares or the Class A BDRs with the CVM. If you hold Class A BDRs, you are not a shareholder or member of the company, and you must rely on the procedures established by the depository or other BDR administrator to exercise any rights of a holder of the Class A common shares. The average daily trading volume of our Class A BDRs between February 1 and March 31, 2021 was less than 40,584, representing approximately 0.002% of our total share capital.

#### ***Selling Shareholders***

Not applicable.

#### ***Dilution***

Not applicable.

#### ***Expenses of the Issue***

Not applicable.

## ITEM 10. ADDITIONAL INFORMATION

### *Share Capital*

Not applicable.

### *Memorandum and Articles of Association*

#### **Corporate Purpose**

The corporate objects of PagSeguro Digital, as stated in the Memorandum of Association, are unrestricted and PagSeguro Digital has the authority to carry out any object not prohibited by any law, as provided by Section 7(4) of the Companies Act.

#### **Issuances of Shares**

Except as expressly provided in PagSeguro Digital's Memorandum and Articles of Association, PagSeguro Digital's board of directors has general and unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any unissued shares in the company's capital without the approval of our shareholders (whether forming part of the original or any increased share capital), either at a premium or at par, with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, on such terms and conditions, and at such times as the directors may decide, but so that no share shall be issued at a discount, except in accordance with the provisions of the Companies Act. PagSeguro Digital is prohibited under its Articles of Association from issuing shares or warrants to bearer.

PagSeguro Digital's Articles of Association provide that at any time that there are Class A common shares in issue additional Class B common shares may only be issued pursuant to: (i) a share split, subdivision of shares or similar transaction or where a dividend or other distribution is paid by the issue of shares or rights to acquire shares or following capitalization of profit; (ii) a merger, consolidation, or other business combination involving the issuance of Class B common shares as full or partial consideration; or (iii) an issuance of Class A common shares, whereby holders of the Class B common shares are entitled to receive a number of Class B common shares that would allow them to maintain their proportional ownership interests in PagSeguro Digital. For more information see "—Preemptive or Similar Rights."

PagSeguro Digital's Articles of Association also provide that the issuance of non-voting common shares requires the affirmative vote of a majority of the of then outstanding Class A common shares.

#### **Fiscal Year**

PagSeguro Digital's fiscal year begins on January 1 of each year and ends on December 31 of the same year.

#### **Voting Rights**

The holders of the Class A common shares and Class B common shares have identical rights, except that: (i) the holder of Class B common shares is entitled to 10 votes per share, whereas holders of Class A common shares are entitled to one vote per share; (ii) Class B common shares have certain conversion rights; and (iii) the holder of Class B common shares is entitled to maintain a proportional ownership interest in the event that additional Class A common shares are issued. For more information see "—Preemptive or Similar Rights" and "—Conversion." The holders of Class A common shares and Class B common shares vote together as a single class on all matters (including the election of directors) submitted to a vote of shareholders, except as provided below and as otherwise required by law.

PagSeguro Digital's Articles of Association provide as follows regarding the respective rights of holders of Class A common shares and Class B common shares:

- (i) class consents from the holders of Class A common shares or Class B common shares, as applicable, shall be required for any variation to the rights attached to their respective class of shares, however, the directors may treat any two or more classes of shares as forming one class if they consider that all such classes would be affected in the same way by the proposal;
- (ii) the rights conferred on holders of Class A common shares shall not be deemed to be varied by the creation or issue of further Class B common shares and vice versa; and

- (iii) the rights attaching to the Class A common shares and the Class B common shares shall not be deemed to be varied by the creation or issue of shares with preferred or other rights, including, without limitation, shares with enhanced or weighted voting rights.

As set forth in the Articles of Association, the holders of Class A common shares and Class B common shares, respectively, do not have the right to vote separately if the number of authorized shares of such class is increased or decreased. Rather, the number of authorized Class A common shares and Class B common shares may be increased or decreased (but not below the number of shares of such class then outstanding) by the affirmative vote of the holders of a majority of the voting power of the issued and outstanding Class A common shares and Class B common shares, voting together in a general meeting.

#### **Preemptive or Similar Rights**

The Class A common shares and Class B common shares are not entitled to preemptive rights upon transfer and are not subject to conversion (except as described below under "—Conversion"), redemption or sinking fund provisions.

The Class B common shares are entitled to maintain a proportional ownership interest in the event that additional Class A common shares are issued. As such, except for certain exceptions, if PagSeguro Digital issues Class A common shares, it must first make an offer to each holder of Class B common shares to issue to such holder on the same economic terms such number of Class B common shares as would ensure such holder may maintain a proportional ownership interest in PagSeguro Digital. This right to maintain a proportional ownership interest may be waived by a majority of the holders of Class B common shares.

#### **Conversion**

The outstanding Class B common shares are convertible at any time as follows: (i) at the option of the holder, a Class B common share may be converted at any time into one Class A common share; or (ii) upon the election of the holders of a majority of the then outstanding Class B common shares, all outstanding Class B common shares may be converted into a like number of Class A common shares. In addition, each Class B common share will convert automatically into one Class A common share upon any transfer, whether or not for value, except for certain transfers described in the Articles of Association, including transfers to affiliates, trusts solely for the benefit of the shareholder or their affiliates, and partnerships, companies, corporations and other entities exclusively owned by the shareholder or their affiliates and certain transfers to organizations that are exempt from taxation under Section 501(3)(c) of the Internal Revenue Code of 1986, as amended. Furthermore, each Class B common share will convert automatically into one Class A common share and no Class B common shares will be issued thereafter if, at any time, the voting power of the outstanding Class B common shares represents less than 10% of the combined voting power of the Class A common shares and Class B common shares then outstanding.

No class of PagSeguro Digital's common shares may be subdivided or combined unless the other class of common shares is concurrently subdivided or combined in the same proportion and in the same manner.

#### **Equal Status**

Except as expressly provided in PagSeguro Digital's Memorandum and Articles of Association, Class A common shares and Class B common shares have the same rights and privileges and rank equally, share ratably and are identical in all respects as to all matters. In the event of any merger, consolidation, scheme, arrangement or other business combination requiring the approval of our shareholders entitled to vote thereon (whether or not PagSeguro Digital is the surviving entity), the holders of Class A common shares shall have the right to receive, or the right to elect to receive, the same form of consideration as the holders of Class B common shares, and the holders of Class A common shares shall have the right to receive, or the right to elect to receive, at least the same amount of consideration on a per share basis as the holders of Class B common shares. In the event of (i) any tender or exchange offer to acquire any Class A common shares or Class B common shares by any third party pursuant to an agreement to which PagSeguro Digital is a party, or (ii) any tender or exchange offer by PagSeguro Digital to acquire any Class A common shares or Class B common shares, the holders of Class A common shares shall have the right to receive, or the right to elect to receive, the same form of consideration as the holders of Class B common shares, and the holders of Class A common shares shall have the right to receive, or the right to elect to receive, at least the same amount of consideration on a per share basis as the holders of Class B common shares.

## Record Dates

For the purpose of determining shareholders entitled to notice of, or to vote at any general meeting of shareholders or any adjournment thereof, or shareholders entitled to receive dividend or other distribution payments, or in order to make a determination of shareholders for any other purpose, PagSeguro Digital's board of directors may set a record date which shall not exceed forty (40) clear days prior to the date where the determination will be made.

## General Meetings of Shareholders

As a condition of admission to a shareholders' meeting, a shareholder must be duly registered as a shareholder of PagSeguro Digital at the applicable record date for that meeting and, in order to vote, all calls or installments then payable by such shareholder to PagSeguro Digital in respect of the shares that such shareholder holds must have been paid.

Subject to any special rights or restrictions as to voting then attached to any shares, at any general meeting every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation or company, by its duly authorized representative not being himself or herself a shareholder entitled to vote) shall have one vote per Class A common share and 10 votes per Class B common share.

As a Cayman Islands exempted company, PagSeguro Digital is not obliged by the Companies Act to call annual general meetings; however, the Articles of Association provide that in each year the company will hold an annual general meeting of shareholders, at a time determined by the board of directors. For the annual general meeting of shareholders the agenda will include, among other things, the presentation of the annual accounts and the report of the directors. In addition, the agenda for an annual general meeting of shareholders will only include such items as have been included therein by the board of directors.

Also, PagSeguro Digital may, but is not required (unless required by the laws of the Cayman Islands), to hold other extraordinary general meetings during the year. General meetings of shareholders are generally expected to take place in São Paulo, Brazil, but may be held elsewhere if the directors so decide.

The Companies Act provides shareholders a limited right to request a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting in default of a company's articles of association. However, these rights may be provided in a company's articles of association. PagSeguro Digital's Articles of Association provide that upon the requisition of one or more shareholders representing not less than one-third of the voting rights entitled to vote at general meetings, the board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. The Articles of Association provide no other right to put any proposals before annual general meetings or extraordinary general meetings.

Subject to regulatory requirements, the annual general meeting and any extraordinary general meetings must be called by not less than ten (10) clear days' notice prior to the relevant shareholders meeting and convened by a notice discussed below. Alternatively, upon the prior consent of all holders entitled to receive notice, with regards to the annual general meeting, and the holders of 95% in par value of the shares entitled to attend and vote at an extraordinary general meeting, that meeting may be convened by a shorter notice and in a manner deemed appropriate by those holders.

PagSeguro Digital will give notice of each general meeting of shareholders by publication on its website and in any other manner that it may be required to follow in order to comply with Cayman Islands law, NYSE and SEC requirements. The holders of registered shares may be given notice of a shareholders' meeting by means of letters sent to the addresses of those shareholders as registered in our shareholders' register, or, subject to certain statutory requirements, by electronic means.

***Holders whose shares are registered in the name of DTC or its nominee, which is currently the case for all holders of Class A common shares, will not be a shareholder or member of the company and must rely on the procedures of DTC regarding notice of shareholders' meetings and the exercise of rights of a holder of the Class A common shares.***

A quorum for a general meeting consists of any one or more persons holding or representing by proxy not less than one-third of the aggregate voting power of all shares in issue and entitled to vote upon the business to be transacted.

A resolution put to a vote at a general meeting shall be decided on a poll. An ordinary resolution to be passed by the shareholders at a general meeting requires the affirmative vote of a simple majority of the votes cast by, or on behalf of, the shareholders entitled to vote, present in person or by proxy and voting at the meeting. A special resolution requires the affirmative vote on a poll of no less than two-thirds of the votes cast by the shareholders entitled to vote who are present in person or by proxy at a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our Company, as permitted by the Companies Act and PagSeguro Digital's Articles of Association.

Pursuant to PagSeguro Digital's Articles of Association, general meetings of shareholders are to be chaired by the chairman of our board of directors. If the chairman of our board of directors is absent, the directors present at the meeting shall appoint one of them to be chairman of the general meeting. If neither the chairman nor another director is present at the general meeting within fifteen minutes after the time appointed for holding the meeting, the shareholders present in person or by proxy and entitled to vote may elect any one of the shareholders to be chairman. The order of business at each meeting shall be determined by the chairman of the meeting, and he or she shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Company, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the polls.

#### **Liquidation Rights**

If PagSeguro Digital is voluntarily wound up, the liquidator, after taking into account and giving effect to the rights of preferred and secured creditors and to any agreement between PagSeguro Digital and any creditors that the claims of such creditors shall be subordinated or otherwise deferred to the claims of any other creditors and to any contractual rights of set-off or netting of claims between PagSeguro Digital and any person or persons (including without limitation any bilateral or any multi-lateral set-off or netting arrangements between the company and any person or persons) and subject to any agreement between PagSeguro Digital and any person or persons to waive or limit the same, shall apply PagSeguro Digital's property in satisfaction of its liabilities *pari passu* and subject thereto shall distribute the property amongst the shareholders according to their rights and interests in PagSeguro Digital.

#### **Changes to Capital**

Pursuant to the Articles of Association, PagSeguro Digital may from time to time by ordinary resolution:

- increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- convert all or any of its paid-up shares into shares and reconvert such shares into paid up shares of any denomination;
- subdivide its existing shares or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

PagSeguro Digital's shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by the Company for an order confirming such reduction, reduce its share capital or any capital redemption reserve in any manner permitted by law.

In addition, subject to the provisions of the Companies Act and PagSeguro Digital's Articles of Association, PagSeguro Digital may:

- issue shares on terms that they are to be redeemed or are liable to be redeemed;
- purchase its own shares (including any redeemable shares); and
- make a payment in respect of the redemption or purchase of its own shares in any manner authorized by the Companies Act, including out of its own capital.

## **Transfer of Shares**

Subject to any applicable restrictions set forth in the Articles of Association, any shareholder of PagSeguro Digital may transfer all or any of his or her common shares by an instrument of transfer in the usual or common form or in the form prescribed by the NYSE or any other form approved by the Company's board of directors.

PagSeguro Digital's Class A common shares are traded on the NYSE in book-entry form and may be transferred in accordance with PagSeguro Digital's Articles of Association and NYSE's rules and regulations.

However, PagSeguro Digital's board of directors may, in its absolute discretion, decline to register any transfer of any common share which is either not fully paid up to a person of whom it does not approve or is issued under any share incentive scheme for employees which contains a transfer restriction that is still applicable to such common share. The board of directors may also decline to register any transfer of any ordinary share unless:

- a fee of such maximum sum as the NYSE may determine to be payable or such lesser sum as the board of directors may from time to time require is paid to PagSeguro Digital in respect thereof;
- the instrument of transfer is lodged with PagSeguro Digital, accompanied by the certificate (if any) for the common shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the common shares transferred are free of any lien in favor of PagSeguro Digital; and
- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If the directors refuse to register a transfer they are required, within two months after the date on which the instrument of transfer was lodged, to send to the transferee notice of such refusal.

## **Share Repurchase**

The Companies Act and the Articles of Association permit PagSeguro Digital to purchase its own shares, subject to certain restrictions. The board of directors may only exercise this power on behalf of PagSeguro Digital, subject to the Companies Act, the Articles of Association and to any applicable requirements imposed from time to time by the SEC, the NYSE, or by any recognized stock exchange on which our securities are listed.

On October 30, 2018, PagSeguro Digital announced the adoption of its share repurchase program in an aggregate amount of up to US\$250 million in outstanding Class A common shares traded on the NYSE. PagSeguro Digital's share repurchase program went into effect in the fourth quarter of 2018 and does not have a fixed expiration date. The program may be executed in compliance with Rule 10b-18 under the Exchange Act.

## **Dividends and Capitalization of Profits**

PagSeguro Digital has not adopted a dividend policy with respect to payments of any future dividends. Subject to the Companies Act, PagSeguro Digital's shareholders may, by resolution passed by a simple majority of the voting rights entitled to vote at a general meeting, declare dividends (including interim dividends) to be paid to shareholders but for the avoidance of doubt no dividend shall be declared in excess of the amount recommended by the board of directors. The board of directors may also declare dividends. Dividends may be declared and paid out of funds lawfully available to PagSeguro Digital. Unless otherwise provided by the rights attached to shares and the Articles of Association of PagSeguro Digital, all dividends shall be paid in proportion to the number of Class A common shares or Class B common shares a shareholder holds at the date the dividend is declared (or such other date as may be set as a record date), except: (i) if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly; and (ii) where we have shares in issue which are not fully paid up (as to par value), we may pay dividends in proportion to the amounts paid up on each share.

The holders of Class A common shares and Class B common shares shall be entitled to share equally in any dividends that may be declared in respect of PagSeguro Digital's common shares from time to time. In the event that a dividend is paid in the form of Class A common shares or Class B common shares, or rights to acquire Class A common shares or Class B common shares: (i) the holders of Class A common shares shall receive Class A common shares, or rights to acquire Class A common shares, as the case may be; and (ii) the holders of Class B common shares shall receive Class B common shares, or rights to acquire Class B common shares, as the case may be.

#### **Appointment, Disqualification and Removal of Directors**

PagSeguro Digital is managed by its board of directors. The Articles of Association provide that, unless otherwise determined by a special resolution of shareholders, the board of directors will be composed of four to 11 directors, with the number being determined by a majority of the directors then in office. There are no provisions relating to retirement of directors upon reaching any age limit. The Articles of Association also provide that, while PagSeguro Digital's shares are admitted to trading on NYSE, the board of directors must always comply with the residency and citizenship requirements of the U.S. securities laws applicable to foreign private issuers.

The Articles of Association provide that directors shall be elected by an ordinary resolution of our shareholders, which requires the affirmative vote of a simple majority of the votes cast on the resolution by the shareholders entitled to vote who are present, in person or by proxy, at the meeting. Each director shall be appointed and elected for such term as the resolution appointing him or her may determine or until his or her death, resignation or removal.

PagSeguro Digital's directors are Luis Frias, Eduardo Alcaro, Maria Judith de Brito, Ricardo Dutra da Silva, Noemia Gushiken, Cleveland Prates Teixeira and Marcia Nogueira de Mello. Ms. Gushiken, Mr. Teixeira and Ms. Mello are "independent" as that term is defined under the applicable rules and regulations of the SEC and the listing standards of the NYSE.

Any vacancies on the board of directors that arise other than upon the removal of a director by resolution passed at a general meeting can be filled by the remaining directors (notwithstanding that they may constitute less than a quorum). Any such appointment shall be as an interim director to fill such vacancy until the next annual general meeting of shareholders.

Additions to the existing board (within the limits set pursuant to the Articles of Association) may be made by ordinary resolution of the shareholders.

Upon the completion by PagSeguro Digital of its IPO, the board of directors put in place an audit committee. See "Item 6. Directors, Senior Management and Employees—Audit Committee."

#### ***Grounds for Removing a Director***

A director may be removed with or without cause by ordinary resolution. The notice of general meeting must contain a statement of the intention to remove the director and must be served on the director not less than ten calendar days before the meeting. The director is entitled to attend the meeting and be heard on the motion for his removal.

The office of a director will be vacated automatically if he or she (i) becomes prohibited by law from being a director, (ii) becomes bankrupt or makes an arrangement or composition with his creditors, (iii) dies or is in the opinion of all his co-directors, incapable by reason of mental disorder of discharging his duties as director, (iv) resigns his office by notice to us, or (v) has for more than six months been absent without permission of the directors from meetings of the board of directors held during that period, and the remaining directors resolve that his or her office be vacated.

#### ***Proceedings of the Board of Directors***

The Articles of Association provide that PagSeguro Digital's business is to be managed and conducted by the board of directors. The quorum necessary for the board meeting shall be a simple majority of the directors then in office (subject to there being a minimum of two directors present) and business at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a casting vote.

Subject to the provisions of the Articles of Association, the board of directors may regulate its proceedings as they determine is appropriate. Board meetings shall be held at least once every calendar quarter and shall take place either in São Paulo, Brazil or at such other place as the directors may determine.

Subject to the provisions of the Memorandum and Articles of Association, to any directions given by ordinary resolution of the shareholders and the listing rules of the NYSE, the board of directors may from time to time at its discretion exercise all powers of PagSeguro Digital, including, subject to the Companies Act, the power to issue debentures, bonds and other securities of the company, whether outright or as collateral security for any debt, liability or obligation of our company or of any third party.

#### **Inspection of Books and Records**

Holders of PagSeguro Digital shares will have no general right under Cayman Islands law to inspect or obtain copies of the list of shareholders or corporate records of the Company. However, the board of directors may determine from time to time whether and to what extent PagSeguro Digital's accounting records and books shall be open to inspection by shareholders who are not members of the board of directors. Notwithstanding the above, the Articles of Association provide shareholders with the right to receive annual financial statements. Such right to receive annual financial statements may be satisfied by publishing the same on the company's website or filing such annual reports as we are required to file with the SEC.

#### **Register of Shareholders**

Our registered Class A common shares are held through DTC, and DTC or Cede & Co., as nominee for DTC, is recorded in the shareholders' register as the holder of our Class A common shares.

Under Cayman Islands law, PagSeguro Digital must keep a register of shareholders that includes:

- the names and addresses of the shareholders, a statement of the class and number of shares held by each member, and whether such shares carry voting rights, and of the amount paid or agreed to be considered as paid, on the shares of each member;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of shareholders of PagSeguro Digital is *prima facie* evidence of the matters set out therein (i.e., the register of shareholders will raise a presumption of fact on the matters referred to above unless rebutted) and a shareholder registered in the register of shareholders is deemed as a matter of Cayman Islands law to have *prima facie* legal title to the shares as set against his or her name in the register of shareholders. The shareholders recorded in the register of shareholders should be deemed to have legal title to the shares set against their name.

If the name of any person is incorrectly entered in or omitted from the register of shareholders, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a shareholder of PagSeguro Digital, the person or member aggrieved (or any shareholder of PagSeguro Digital, or PagSeguro Digital itself) may apply to the Cayman Islands Grand Court for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register of shareholders.

#### **Exempted Company**

PagSeguro Digital is an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of shareholders is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and



- an exempted company may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

PagSeguro Digital is subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. Except as otherwise disclosed in this annual report, PagSeguro Digital complies with the NYSE rules in lieu of following home country practice.

#### **Anti-Takeover Provisions in our Memorandum and Articles of Association**

Some provisions of the Memorandum and Articles of Association may discourage, delay or prevent a change in control of PagSeguro Digital or management that shareholders may consider favorable. In particular, the capital structure of PagSeguro Digital concentrates ownership of voting rights in the hands of UOL. These provisions, which are summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of PagSeguro Digital to first negotiate with the board of directors. However, these provisions could also have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of the Class A common shares that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the management of PagSeguro Digital. It is possible that these provisions could make it more difficult to accomplish transactions that shareholders may otherwise deem to be in their best interests.

#### ***Two Classes of Common Shares***

The Class B common shares of PagSeguro Digital are entitled to 10 votes per share, while the Class A common shares are entitled to one vote per share. Since it owns all of the Class B common shares of PagSeguro Digital, UOL currently has the ability to elect all directors and to determine the outcome of most matters submitted for a vote of shareholders. This concentrated voting control could discourage others from initiating any potential merger, takeover, or other change of control transaction that other shareholders may view as beneficial.

So long as UOL has the ability to determine the outcome of most matters submitted to a vote of shareholders as well as the overall management and direction of PagSeguro Digital, third parties may be deterred in their willingness to make an unsolicited merger, takeover, or other change of control proposal, or to engage in a proxy contest for the election of directors. As a result, the fact that PagSeguro Digital has two classes of common shares may have the effect of depriving you as a holder of Class A common shares of an opportunity to sell your Class A common shares at a premium over prevailing market prices and make it more difficult to replace the directors and management of PagSeguro Digital.

#### ***Preferred Shares***

PagSeguro Digital's board of directors is given wide powers to issue one or more classes or series of shares with preferred rights. Such preferences may include, for example, dividend rights, conversion rights, redemption privileges, enhanced voting powers and liquidation preferences.

Despite the anti-takeover provisions described above, under Cayman Islands law, PagSeguro Digital's board of directors may only exercise the rights and powers granted to them under the Memorandum and Articles of Association, for what they believe in good faith to be in the best interests of PagSeguro Digital.

#### **Protection of Non-Controlling Shareholders**

The Grand Court of the Cayman Islands may, on the application of shareholders holding not less than one fifth of the shares of PagSeguro Digital in issue, appoint an inspector to examine the Company's affairs and report thereon in a manner as the Grand Court shall direct.

Subject to the provisions of the Companies Act, any shareholder may petition the Grand Court of the Cayman Islands which may make a winding up order, if the court is of the opinion that this winding up is just and equitable.

Notwithstanding the U.S. securities laws and regulations that are applicable to PagSeguro Digital, general corporate claims against PagSeguro Digital by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by PagSeguro Digital's Memorandum and Articles of Association.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents, which permit a minority shareholder to commence a representative action against PagSeguro Digital, or derivative actions in PagSeguro Digital's name, to challenge: (i) an act which is *ultra vires* or illegal; (ii) an act which constitutes a fraud against the minority and the wrongdoers themselves control PagSeguro Digital; and (iii) an irregularity in the passing of a resolution that requires a qualified (or special) majority.

#### **Registration Rights and Restricted Shares**

Although no shareholders of PagSeguro Digital have formal registration rights, they or entities controlled by them or their permitted transferees will be able to sell their shares in the public market from time to time without registering them, subject to certain limitations on the timing, amount and method of those sales imposed by regulations promulgated by the SEC.

#### **Principal Differences between Cayman Islands and U.S. Corporate Law**

The Companies Act was modelled originally after similar laws in England and Wales but does not follow subsequent statutory enactments in England and Wales. In addition, the Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to PagSeguro Digital and the laws applicable to companies incorporated in the United States and their shareholders.

#### **Mergers and Similar Arrangements**

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies.

For these purposes: (i) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company; and (ii) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by: (i) a special resolution of the shareholders of each constituent company; and (ii) such other authorization, if any, as may be specified in such constituent company's articles of association. The plan must be approved by the directors of each constituent company and filed with the Register of Companies of the Cayman Islands together with a declaration as to: (i) the solvency of the consolidated or surviving company; (ii) the merger or consolidation is bona fide and not intended to defraud unsecured creditors of the constituent companies; (iii) no petition or other similar proceeding has been filed and remains outstanding and no order or resolution to wind up the company in any jurisdiction; (iv) no receiver, trustee, administrator or similar person has been appointed in any jurisdiction and is acting in respect of the constituent company, its affairs or property; (v) no scheme, order, compromise or similar arrangement has been entered into or made in any jurisdiction with creditors; (vi) a list of the assets and liabilities of each constituent company; (vii) the non-surviving constituent company has retired from any fiduciary office held or will do so; (viii) that the constituent company has complied with any requirements under the regulatory laws, where relevant; and (ix) an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and published in the Cayman Islands Gazette.

Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, may be determined by the Cayman Islands' court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement in question is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the arrangement if it satisfies itself that:

- PagSeguro Digital is not proposing to act illegally or ultra vires and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act or that would amount to a "fraud on the minority."

When a takeover offer is made and accepted by holders of 90.0% in value of the shares affected within four months, the offer or may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection may be made to the Grand Court of the Cayman Islands but is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

If the arrangement and reconstruction are thus approved, any dissenting shareholders would have no rights comparable to appraisal rights, which might otherwise ordinarily be available to dissenting shareholders of U.S. corporations and allow such dissenting shareholders to receive payment in cash for the judicially determined value of their shares.

#### **Shareholders' Suits**

Class actions are not recognized in the Cayman Islands, but groups of shareholders with identical interests may bring representative proceedings, which are similar. However, a class action suit could nonetheless be brought in a U.S. court pursuant to an alleged violation of U.S. securities laws and regulations.

In principle, PagSeguro Digital itself would normally be the proper plaintiff and as a general rule, whilst a derivative action may be initiated by a minority shareholder on behalf of PagSeguro Digital in a Cayman Islands court, such shareholder will not be able to continue those proceedings without the permission of a Grand Court judge, who will only allow the action to continue if the shareholder can demonstrate that PagSeguro Digital has a good case against the Defendant, and that it is proper for the shareholder to continue the action rather than the Company's board of directors. Examples of circumstances in which derivative actions would be permitted to continue are where:

- a company is acting or proposing to act illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of its authority, could be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

#### **Corporate Governance**

Cayman Islands law restricts transactions between a company and its directors unless there are provisions in the Memorandum and Articles of Association which provide a mechanism to alleviate possible conflicts of interest. Additionally, Cayman Islands law imposes on directors' duties of care and skill and fiduciary duties to the companies which they serve. Under PagSeguro Digital's Articles of Association, a director must disclose the nature and extent of his interest in any contract or arrangement, and following such disclosure and subject to any separate requirement under applicable law or the listing rules of the NYSE, and unless disqualified by the chairman of the relevant meeting, the interested director may vote in respect of any transaction or arrangement in which he or she is interested. The interested director shall be counted in the quorum at such meeting and the resolution may be passed by a majority of the directors present at the meeting.

### **Indemnification of Directors and Executive Officers and Limitation of Liability**

The Companies Act does not limit the extent to which a company's articles of association may provide for indemnification of directors and officers, except to the extent that it may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. PagSeguro Digital's Articles of Association provide that we shall indemnify and hold harmless our directors and officers against all actions, proceedings, costs, charges, expenses, losses, damages, liabilities, judgments, fines, settlements and other amounts incurred or sustained by such directors or officers, other than by reason of such person's dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil, criminal or other proceedings concerning PagSeguro Digital or our affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to PagSeguro Digital's directors, officers or persons controlling the Company under the foregoing provisions, we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### **Directors' Fiduciary Duties**

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company. Accordingly, directors owe fiduciary duties to their company to act bona fide in what they consider to be the best interests of the company, to exercise their powers for the purposes for which they are conferred and not to place themselves in a position where there is a conflict between their personal interests and their duty to the company. Accordingly, a director owes a company a duty not to make a profit based on his or her position as director (unless the company permits him or her to do so) and a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. However, this obligation may be varied by the company's articles of association, which may permit a director to vote on a matter in which he has a personal interest provided that he has disclosed that nature of his interest to the board of directors. PagSeguro Digital's Articles of Association provides that a director must disclose the nature and extent of his or her interest in any contract or arrangement, and following such disclosure and subject to any separate requirement under applicable law or the listing rules of the NYSE, and unless disqualified by the chairman of the relevant meeting, such director may vote in respect of any transaction or arrangement in which he or she is interested and may be counted in the quorum at the meeting.

A director of a Cayman Islands company also owes to the company duties to exercise independent judgment in carrying out his functions and to exercise reasonable skill, care and diligence, which has both objective and subjective elements. Recent Cayman Islands case law confirmed that directors must exercise the care, skill and diligence that would be exercised by a reasonably diligent person having the general knowledge, skill and experience reasonably to be expected of a person acting as a director. Additionally, a director must exercise the knowledge, skill and experience which he or she actually possesses.

A general notice may be given by a director to the board of directors to the effect that: (i) the director is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or (ii) he or she is to be regarded as interested in any contract or arrangement which may after the date of the notice to the board of directors be made with a specified person who is connected with him or her, will be deemed sufficient declaration of interest. This notice shall specify the nature of the interest in question. Following the disclosure being made pursuant to PagSeguro Digital's Articles of Association and subject to any separate requirement under applicable law or the listing rules of the NYSE, and unless disqualified by the chairman of the relevant meeting, a director may vote in respect of any transaction or arrangement in which he or she is interested and may be counted in the quorum at the meeting.

In comparison, under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself or herself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

#### **Shareholder Proposals**

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. PagSeguro Digital's Articles of Association provide that upon the requisition of one or more shareholders representing not less than one-third of the voting rights entitled to vote at general meetings, the board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. The Memorandum and Articles of Association provide no other right to put any proposals before annual general meetings or extraordinary general meetings.

#### **Cumulative Voting**

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, PagSeguro Digital's Articles of Association do not provide for cumulative voting. As a result, the shareholders of PagSeguro Digital are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

#### **Removal of Directors**

The office of a director shall be vacated automatically if, among other things, he or she (i) becomes prohibited by law from being a director, (ii) becomes bankrupt or makes an arrangement or composition with his creditors, (iii) dies or is in the opinion of all his co-directors, incapable by reason of mental disorder of discharging his duties as director, (iv) resigns his office by notice to us, or (v) has for more than six months been absent without permission of the directors from meetings of the board of directors held during that period, and the remaining directors resolve that his/her office be vacated.

### **Transaction with Interested Shareholders**

The Delaware General Corporation Law provides that; unless the corporation has specifically elected not to be governed by this statute, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that this person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting shares or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting shares within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which the shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, PagSeguro Digital cannot avail itself of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that the board of directors owe duties to ensure that these transactions are entered into bona fide in the best interests of the company and for a proper corporate purpose and, as noted above, a transaction may be subject to challenge if it has the effect of constituting a fraud on the minority shareholders.

### **Dissolution; Winding Up**

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. If the dissolution is initiated by the board of directors it may be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company resolves by ordinary resolution that it be wound up because it is unable to pay its debts as they fall due. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Act, PagSeguro Digital may be dissolved, liquidated or wound up by a special resolution of shareholders (requiring a two-thirds majority vote). PagSeguro Digital's Articles of Association also give its board of directors authority to petition the Cayman Islands Court to wind up PagSeguro Digital.

### **Variation of Rights of Shares**

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of that class, unless the certificate of incorporation provides otherwise. Under PagSeguro Digital's Articles of Association, if the share capital is divided into more than one class of shares, the rights attached to any class may only be varied with the written consent of the holders of two-thirds of the shares of that class or the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Also, except with respect to share capital (as described above), alterations to PagSeguro Digital's Memorandum and Articles of Association may only be made by special resolution of shareholders (requiring a two-thirds majority vote).

### **Amendment of Governing Documents**

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under Cayman Islands law, PagSeguro Digital's Memorandum and Articles of Association generally (and save for certain amendments to share capital described in this section) may only be amended by special resolution of shareholders (requiring a two-thirds majority vote).

### **Rights of Non-Resident or Foreign Shareholders**

There are no limitations imposed by PagSeguro Digital's Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on PagSeguro Digital's shares. In addition, there are no provisions in the Memorandum and Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed.

### **Transfer Agent and Registrar**

American Stock Transfer & Trust Company, LLC maintains our shareholders' register and acts as our transfer agent, registrar and paying agent for the Class A common shares. The Class A common shares are traded on the NYSE in book-entry form. The transfer agent, registrar and paying agent's address is 6201 15th Avenue, Brooklyn, NY, 11219, and its telephone number is +1 (800) 937-5449 or +1 (718) 921-8124.

### **Material Contracts**

For information concerning our material contracts, see "Item 4. Information on the Company," "Item 5. Operating and Financial Review and Prospects," "Item 6. Directors, Senior Management and Employees—Compensation" and Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."

### **Exchange Controls and Other Limitations Affecting Security Holders**

The Cayman Islands currently has no exchange control restrictions.

### **Taxation**

The following summary contains a description of certain Cayman Islands and U.S. federal income tax consequences of the acquisition, ownership and disposition of our Class A common shares but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of Class A common shares. The summary is based upon the tax laws of the Cayman Islands and regulations thereunder and on the tax laws of the United States and regulations thereunder at the date hereof, which are subject to change. Holders of our Class A common shares should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of Class A common shares.

#### *Cayman Islands Tax Considerations*

The Cayman Islands laws currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty or withholding tax applicable to us or to any holder of Class A common shares. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to any payments made by or to our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

As a Cayman Islands exempted company with limited liability, we have received an undertaking from the Cabinet Office of the Cayman Islands, dated August 10, 2017, as to tax concessions pursuant to Section 6 of the Tax Concessions Act (2018 Revision). This undertaking provides that, for a period of 20 years from the date of issue of the undertaking, no law thereafter enacted in the Cayman Islands imposing any taxes to be levied on profits, income, gains or appreciation will apply to us or our operations and, in addition, no such tax shall be payable:

- (i) on or in respect of our shares (including our Class A common shares), debentures or other obligations; or
- (ii) by way of withholding in whole or in part of any payment of dividend or other distribution of income or capital to any holder of our shares (including our Class A common shares) or any payment of interest or other sums due under our debentures or other obligations.

There is no income tax treaty or convention currently in effect between the United States and the Cayman Islands.

*U.S. Federal Income Tax Considerations*

The following discussion describes certain U.S. federal income tax consequences of the purchase, beneficial ownership and disposition of our Class A common shares. This discussion deals only with Class A common shares that are held as capital assets for U.S. federal income tax purposes by a United States Holder (generally property held for investment).

As used herein, the term "United States Holder" means a beneficial owner of our Class A common shares that is, for U.S. federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if it (i) is subject to the primary supervision of a court within the United States and one or more United States persons (as defined in Section 7701(a)(30) of the Code (as defined below)) have the authority to control all substantial decisions of the trust, or (ii) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person (as defined in Section 7701(a)(30) of the Code (as defined below)).

This discussion is based upon provisions of the Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing final, temporary and proposed regulations, administrative pronouncements of the U.S. Internal Revenue Service, or the IRS, and judicial decisions thereunder at the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. We have not sought any ruling from the IRS with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with these statements and conclusions.

This discussion does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a bank or other financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a person holding our Class A common shares in a retirement account or other tax-deferred account;
- a tax-exempt organization;
- a person holding our Class A common shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person who owns directly, indirectly or constructively, 10% or more of our shares by vote or value;
- a partnership or other pass-through entity for U.S. federal income tax purposes; or
- a person whose "functional currency" is not the United States dollar.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our Class A common shares, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership considering an investment in our Class A common shares, you should consult your tax advisors as to the U.S. federal, state, local and non-U.S. tax consequences of the acquisition, beneficial ownership and disposition of our Class A common shares.

Except where specifically described below, this discussion assumes that we are not a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. See the discussion under "—Passive Foreign Investment Company" below.



This discussion does not contain a detailed description of all the U.S. federal income tax consequences to you in light of your particular circumstances and does not address the alternative minimum tax or the effects of any state, local, non-United States tax laws or any estate and gift tax laws. If you are considering the purchase of our Class A common shares, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, beneficial ownership and disposition of our Class A common shares, as well as the consequences to you arising under other U.S. federal tax laws and the laws of any other taxing jurisdiction.

#### Taxation of Dividends

Subject to the discussion under "—Passive Foreign Investment Company" below, the gross amount of distributions on the Class A common shares will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital, causing a reduction in the tax basis of the Class A common shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain recognized on a sale or exchange. We do not, however, expect to determine earnings and profits in accordance with U.S. federal income tax principles. Therefore, you should expect that a distribution generally will be reported as a dividend.

With respect to non-corporate United States Holders, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation so long as certain holding period and other requirements are met. A foreign corporation is treated as a qualified foreign corporation provided that: (i) the corporation was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC (as discussed below); and (ii) either (A) the corporation is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for purposes of the qualified dividend rules, or (B) the stock with respect to dividends paid by that corporation is readily tradable on an established securities market in the United States, such as the NYSE. Our Class A common shares are listed on the NYSE.

We believe that dividends we pay on our Class A common shares will meet the conditions required for the reduced tax rate. There can be no assurance, however, that our Class A common shares will be considered readily tradable on an established securities market in later years. Non-corporate United States Holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated (whether under a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules to your particular circumstances.

Any dividends that you receive will be includable in your gross income as ordinary income on the day actually or constructively received by you. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

Passive Foreign Investment Company

We do not expect to be a PFIC for the current taxable year or any future year, based on our current business plans. However, whether we are a PFIC will be determined annually based upon the composition and nature of our income, the composition, nature and valuation of our assets (including goodwill), all of which are subject to change, and which may be determined in large part by reference to the market value of our shares, which may be volatile, and our corporate structure and the classification for U.S. federal income tax purposes of our subsidiaries. The determination of whether we are a PFIC will also depend upon the application of complex U.S. federal income tax rules concerning the classification of our assets (including goodwill) and income for this purpose, and the application of these rules is uncertain in some respects. Moreover, the determination of the value of our assets (including goodwill and certain other intangible assets) may depend on our market capitalization, and that market capitalization may fluctuate. Accordingly, due to the lack of directly applicable authority regarding the foregoing, there can be no assurance that the IRS will not challenge any determination by us that we are not a PFIC.

Under the Code, we will be a PFIC for any taxable year in which, after the application of certain "look-through" rules with respect to subsidiaries, either (i) 50% or more of the average quarterly value of our assets consist of assets that produce, or are held for the production of, passive income (the "asset test"), or (ii) 75% or more of our gross income consists of passive income (the "income test"). For purposes of the asset test, any cash, including proceeds from the public offering, will generally be treated as a passive asset and the amount of cash held by us in any year will depend, in part, on when we spend the cash raised from the public offering and generated in our operations. Furthermore, to the extent any of our receivables are considered to give rise to passive income, such receivables will be considered passive assets for purposes of the asset test. In addition, the determination of our PFIC status will depend upon the nature of the assets acquired by us. Moreover, the determination of the value of our assets (including goodwill and certain other intangible assets) may depend on our market capitalization, and that market capitalization may fluctuate. Accordingly, there can be no assurance that we will satisfy the asset test in the current or any future year.

For purposes of the income test, passive income generally includes dividends, interest (including certain types of income that are equivalent to interest), royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person), as well as gains from the sale of assets (such as stock) that produce passive income, foreign currency gains, and certain other categories of income. If we own (directly or indirectly) at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of determining whether we are a PFIC, as owning our proportionate share of the other corporation's assets and as receiving directly our proportionate share of the other corporation's income.

If we are or become a PFIC for any taxable year during which you hold our Class A common shares and you do not make a timely mark-to-market election, as described below, you will be subject to special tax rules with respect to any "excess distribution" received on such Class A common shares and any gain realized from a sale or other disposition, including a pledge, of Class A common shares. Distributions received in a taxable year will be treated as excess distributions to the extent that they are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the Class A common shares. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the Class A common shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year for individuals or corporations, as applicable, and the interest charge (at the rate generally applicable to underpayments of tax) will be imposed on the resulting tax attributable to each such year.

Although the determination of whether we are a PFIC is made annually, if we are a PFIC for any taxable year in which you hold our Class A common shares, you generally will be subject to the special tax rules described above for that year and for each subsequent year in which you hold the Class A common shares (even if we do not qualify as a PFIC in such subsequent years). However, if we cease to be a PFIC, you can avoid the continuing impact of the PFIC rules by making a special election to recognize gain as if you had sold our Class A common shares for its fair market value on the last day of the last taxable year during which we were a PFIC. If such an election is made, any gain from the deemed sale is generally treated as an excess distribution. You are urged to consult your own tax advisor about this election.

In lieu of being subject to the special tax rules relating to PFICs and excess distributions discussed above, you may make a mark-to-market election with respect to our Class A common shares provided such Class A common shares are treated as "marketable stock." The Class A common shares generally will be treated as marketable stock if they are "regularly traded" on a "qualified exchange or other market" (within the meaning of the applicable Treasury regulations), such as the NYSE. Our Class A common shares are listed on the NYSE.

If you make an effective mark-to-market election, for each taxable year that we are a PFIC you will include as ordinary income the excess of the fair market value of our Class A common shares at the end of the year over your adjusted tax basis in the Class A common shares. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the Class A common shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Your adjusted tax basis in the Class A common shares will be increased by the amount of any income inclusions and decreased by the amount of any deductions under the mark-to-market rules. In addition, upon the sale or other disposition of our Class A common shares in a year that we are a PFIC, any gain will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election. If you make a mark-to-market election, the tax rules that apply to distributions by corporations that are not PFICs would apply to distributions by us, except that the reduced rate discussed above under "—Taxation of Dividends" would not apply.

If you make a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the Class A common shares are no longer regularly traded on a qualified exchange or other market, or the IRS consents to the revocation of the election. You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

Alternatively, you can sometimes avoid the special tax rules described above by electing to treat a PFIC as a "qualified electing fund" under Section 1295 of the Code. However, this option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election in the event that we are or become a PFIC.

If we are a PFIC for any taxable year during which you hold our Class A common shares and any of our non-United States subsidiaries is also a PFIC, you will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of the PFIC rules. A United States Holder may not make a mark-to-market election with respect to the shares of any lower-tier PFIC. Thus, the mark-to-market election is not available to mitigate the adverse tax consequences attributable to any lower-tier PFIC.

You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

You generally will be required to file Internal Revenue Service Form 8621 if you hold our Class A common shares in any year in which we are classified as a PFIC. You are urged to consult your tax advisors concerning the U.S. federal income tax consequences of holding Class A common shares if we are considered a PFIC in any taxable year.

#### Sale, Exchange or Other Taxable Disposition

For U.S. federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange of the Class A common shares in an amount equal to the difference between the amount realized for the Class A common shares and your adjusted tax basis in the Class A common shares. Your initial tax basis in the Class A common shares will be the U.S. dollar value of the purchase price determined on the date of purchase. Subject to the discussion under "—Passive Foreign Investment Company" above, such gain or loss generally will be capital gain or loss and generally will be long-term capital gain or loss if you have held the Class A common shares for more than one year. Long-term capital gains of non-corporate United States Holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you generally will be treated as U.S. source gain or loss.

#### Net Investment Income Tax

Certain United States Holders who are individuals, estates and trusts will be subject to a 3.8% federal tax on some or all of their "net investment income." Net investment income generally includes gross income from dividends and gains from the sale of property (unless income is derived in the ordinary course of the conduct of a trade or business other than a trade or business that consists of certain passive or trading activities). United States Holders that are individuals, estates or trusts should consult their own tax advisors regarding the applicability of this additional tax.

### **Information Reporting and Backup Withholding**

In general, information reporting will apply to dividends in respect of our Class A common shares and the proceeds from the sale, exchange or other disposition of our Class A common shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. Backup withholding may apply to such payments if you fail to provide a taxpayer identification number or certification of exempt status or fail to report in full dividend and interest income. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the IRS.

In addition, if you are an individual, you should be aware that additional reporting requirements apply (including a requirement to file IRS Form 8938, Statement of Specified Foreign Assets) with respect to the holding of certain foreign financial assets, including stock of foreign issuers which is not held in an account maintained by certain financial institutions, if the aggregate value of all of such assets exceeds US\$50,000 at the end of the taxable year or US\$75,000 at any time during the taxable year. The thresholds are higher for individuals living outside of the United States and married couples filing jointly. You are encouraged to consult your own tax advisors regarding the application of the information reporting rules to the Class A common shares and the application of these additional reporting requirements to your particular situation.

**YOU ARE ENCOURAGED TO CONSULT YOUR OWN INDEPENDENT TAX ADVISORS TO DETERMINE THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE ACQUISITION, BENEFICIAL OWNERSHIP AND DISPOSITION OF CLASS A COMMON SHARES.**

### ***Dividends and Payments Agents***

Not applicable.

### ***Statements by Experts***

Not applicable.

### ***Documents on Display***

Statements contained in this annual report regarding the contents of any contract or other document are not necessarily complete, and, where the contract or other document is an exhibit to the annual report, each of these statements is qualified in all respects by the provisions of the actual contract or other documents.

We are subject to the informational requirements of the Exchange Act that are applicable to foreign private issuers. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy the reports and other information to be filed with the SEC at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington D.C. 20549. Copies of the materials may be obtained from the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. In addition, the SEC maintains an internet website at <http://www.sec.gov>, from which you can electronically access the registration statement and its materials.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements and our executive officers, directors and principal shareholders are exempt from reporting and short swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

You may request a copy of our SEC filings, at no cost, by contacting us at our headquarters at Av. Brigadeiro Faria Lima, 1384, 4º andar, parte A, São Paulo, SP, 01451-001, Brazil. Our investor relations office can be reached at +55 11 3914-9524.

### ***Subsidiary Information***

Not applicable.

### ***Common Shares Eligible for Future Sale***

As of March 2021, PagSeguro Digital had 201,461,511 Class A common shares (including treasury shares), par value of US\$0.000025 per share, issued and outstanding, and 127,554,861 Class B common shares, par value of US\$0.000025 per share, issued and outstanding.

### **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our activities expose us to a variety of financial risks: foreign exchange risk, interest rate risk, fraud risk (chargebacks), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 25 to our audited consolidated financial statements.

Among the main market risk factors that may affect the PagSeguro business are the following:

#### ***Foreign Exchange Risk***

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. As of December 31, 2020, 2019 and 2018, we did not have any borrowings.

#### ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to the risk of changes in market interest rates arises primarily from financial investments and deposits both subject to variable interest rates, principally the CDI rate.

#### ***Fraud Risk (Chargebacks)***

Our sales transactions are susceptible to potentially fraudulent or improper sales. We use the following two main procedures to control fraud risk:

The first procedure consists of monitoring, on a real time basis, transactions carried out using credit and debit cards and *boletos* through an anti-fraud system. This process approves or rejects suspicious transactions at the time of the authorization, based on statistical models that are revised on an ongoing basis.

The second procedure detects chargebacks and disputes not identified by the first procedure. This is a complementary procedure and increases our ability to avoid and manage chargebacks.

#### ***Credit Risk***

Credit risk is managed on a group basis. This risk is limited to the possibility of default by (i) card issuers, who are required to transfer the fees charged for transactions carried out by their card holders to the credit and debit card schemes, (ii) acquirers, which we use to approve transactions with card issuers, and (iii) analyses for our customers' background to provide access to credit portfolio.

In order to mitigate this risk, PagSeguro Brazil has established a Credit and Liquidity Risk Committee, whose responsibility is to assess the level of risk of each card issuer served by us, classifying them into three groups:

- (i) card issuers presenting a low level of risk, who have credit ratings assigned by Fitch, S&P or Moody's and who do not require additional monitoring;
- (ii) card issuers presenting a medium level of risk, who are monitored in accordance with Basel requirements and property, plants and equipment ratios; and
- (iii) card issuers presenting a high level of risk, who are assessed by the Credit and Liquidity Risk Committee at monthly meetings.

We have a rating process for loans and credit based on statistical application models (in the early stages of customer relationships) and behavior scoring (used for customers who already have a relationship history). This includes a process for designing, calibrating and implementing policies and guidelines for granting credit and calibrating collection rules. Our approach also involves a process for monitoring the portfolio's risk profile, with a prospective view, which generates early warning alerts to the credit granting policies and risk classification models in a timely manner.

No credit limits were exceeded in 2020, 2019 or 2018. Management does not expect any losses from non-performance by these counterparties in addition to the amounts already recognized as chargebacks, presented as fraud risk.

### **Liquidity Risk**

We manage liquidity risk by maintaining cash reserves, positive working capital and bank credit lines on receivables from issuing banks. We continuously monitor actual and projected cash flows, and match the maturity profile of our financial assets and liabilities in order to ensure we have sufficient funds to honor our obligations to third parties and meet our operational needs.

We invest surplus cash in interest-bearing financial investments, choosing instruments with appropriate maturity or sufficient liquidity to provide adequate margins as determined by the forecasts.

### **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

None.

### **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

### **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

On January 23, 2018, we commenced our IPO. On January 26, 2018, we closed our IPO, pursuant to which we issued and sold 50,925,642 Class A common shares and UOL sold 70,267,746 Class A common shares. Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC acted as the representatives of the underwriters in our IPO. The 121,193,388 registered Class A common shares were sold to the public at a price of US\$21.50 per Class A common share, for an aggregate price of US\$2,265,789,433. We incurred approximately US\$5.3 million in expenses related to our IPO and paid approximately US\$91.2 million in underwriting discounts and commissions.

On June 18, 2018, we commenced our follow-on offering. On June 26, 2018, we closed our follow-on offering, pursuant to which we issued and sold 11,550,000 Class A common shares and UOL sold 24,400,000 Class A common shares. Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC acted as the underwriters in our June 2018 follow-on offering. The 35,950,000 registered Class A common shares were sold to the public at a price of US\$29.25 per Class A common share, for an aggregate price of US\$1,110,037,500. We incurred approximately US\$1.8 million in expenses related to our June 2018 follow-on offering and paid approximately US\$7.9 million in underwriting discounts and commissions.

On October 16, 2019, we commenced our follow-on offering by our selling shareholder, UOL. On October 21, 2019, we closed our follow-on offering, pursuant to which UOL sold 16,750,000 Class A common shares. Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC acted as the as the representatives of the underwriters in our October 2019 follow-on offering. The 16,750,000 registered Class A common shares were sold to the public at a price of US\$39.00 per Class A common share, for an aggregate price of US\$653,250,000. The expenses related to our October 2019 follow-on offering and the underwriting discounts and commissions were paid by UOL.

The net proceeds to PagSeguro Digital from the sale of Class A common shares in our January 2018 IPO and June 2018 follow-on offering were approximately US\$1,045.8 million and US\$328.1 million, respectively, after deducting underwriting discounts and commissions and estimated expenses payable by us.

To date, we have used our net proceeds from our January 2018 IPO and June 2018 follow-on offering to finance working capital, particularly the early payment of receivables feature that we offer merchants, and to fund future selective acquisitions and investments in businesses, technologies or products that are complementary to our business. We currently plan to continue using our net proceeds from our January 2018 IPO and June 2018 follow-on offering for the same purposes. Any remaining net proceeds will be used for other general corporate purposes. Our management will have broad discretion in allocating the net proceeds from our January 2018 IPO and June 2018 follow-on offering.

We did not receive any proceeds from the sale of common shares by UOL in our January 2018 IPO June 2018 follow-on offering and October 2019 follow-on offering.

## **ITEM 15. CONTROLS AND PROCEDURES**

### ***Disclosure Controls and Procedures***

We have evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of December 31, 2020. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Our management, including our Principal Executive Officer and Chief Financial and Investor Relations Officer and Chief Accounting Officer, are responsible for establishing and maintaining our disclosure controls and procedures. These controls and procedures were designed to ensure that information relating to us required to be disclosed in the reports that we file under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We evaluated these disclosure controls and procedures under the supervision of our Principal Executive Officer and Chief Financial and Investor Relations Officer and Chief Accounting Officer as of December 31, 2020. Based on this evaluation, our Principal Executive Officer and Chief Financial and Investor Relations Officer and Chief Accounting Officer concluded that our disclosure controls and procedures were adequate and effective.

### ***Management's Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting.

Our internal control over financial reporting is a process designed by, or under the supervision of, our Principal Executive Officer and our Chief Financial and Investor Relations Officer and Chief Accounting Officer, and effected by our board of directors, management and other employees, and is designed to provide reasonable assurance regarding the reliability of financial reporting and of the preparation of our consolidated financial statements for external purposes, in accordance with IFRS, as issued by the IASB.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with our policies or procedures may deteriorate.

Our management has assessed the effectiveness of internal control over financial reporting as of December 31, 2020, based on the criteria established in Internal Controls—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment and criteria, our management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

Our management's report did not include the attestation of Wirecard Brazil S.A., an acquired company in 2020 which constituted 3% and 2% of total and net assets, respectively, as of December 31, 2020 and 1% and 1% of total revenue and income and net income for the year, respectively, for the year then ended, pursuant to rules of the SEC, which allow us not to include the acquired businesses that occurred in the fiscal year. For details about Wirecard Brazil S.A., see Notes 4 and 11 to our audited consolidated financial statements.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report included elsewhere in this annual report.

**Attestation Report of the Registered Public Accounting Firm**

PricewaterhouseCoopers Auditores Independentes, the independent registered public accounting firm that has audited our consolidated financial statements, has issued a report on the effectiveness of our internal control over financial reporting as of December 31, 2020. This report appears on page F-3 of this annual report.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16. [RESERVED]****ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

At our board meeting held on January 8, 2018, we established an audit committee, as defined under section 3(a)(58) of the Exchange Act. Our board of directors has determined that Noemia Gushiken qualifies as an "audit committee financial expert" as defined for the purposes of this Item 16A in Item 16 of Form 20 F. Noemia Gushiken is an "independent director" within the meaning of the SEC rules. For more information, see "Item 6. Directors, Senior Management and Employees—Audit Committee."

**ITEM 16B. CODE OF ETHICS**

We consider ethics to be an essential value for our reputation and longevity. PagSeguro Digital, including all of our employees, is subject to UOL's Code of Ethics and Conduct and UOL's Code of Ethics and Conduct – Mobbing and Sexual Harassment, which we refer to, together with UOL's Code of Ethics and Conduct, as the Code of Ethics. We will report each year under Item 16B of our annual report on Form 20-F any waivers of the Code of Ethics, in favor of our principal executive officer, chief financial officer, principal accounting officer and persons performing similar functions. The Code of Ethics governs all relations between companies in the UOL group and their stakeholders (shareholders, clients, employees, suppliers, service providers, governments, communities and society). A copy of the Code of Ethics has been filed with this annual report.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES****Audit and Non-Audit Fees**

The following table sets forth the fees billed to us by our independent registered and public accounting firm during the years ended December 31, 2020 and 2019. Our independent accounting firm was PricewaterhouseCoopers Auditores Independentes for the year ended December 31, 2020 and Ernst & Young Auditores Independentes for the year ended December 31, 2019.

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(in thousands of reais)</b>	
Audit fees <sup>(1)</sup>	4,414.9	2,575.6
Audit related fees <sup>(2)</sup>	718.5	-
<b>Total</b>	<b>5,133.4</b>	<b>2,575.6</b>

(1) "Audit Fees" include fees for: (i) the audit of our annual consolidated financial statements for the years ended December 31, 2020 and 2019 prepared in accordance with IFRS, as issued by the IASB; (ii) the review of our interim financial statements for the three-month periods ended March 31, 2020 and 2019, for the six-month periods ended June 30, 2020 and 2019 and for the nine-month periods ended September 30, 2020 and 2019; and (iii) the preparation and issuance of comfort letters in connection with our October 2019 follow-on offering.

(2) "Audit related fees" include fees for due diligence for acquisitions.



**Audit Committee Pre-Approval Policies and Procedures**

In accordance with the requirements of the US Sarbanes-Oxley Act of 2002 and rules issued by the SEC, in connection with the establishment of our audit committee (which was undertaken as a result of our IPO in January 2018), we introduced a procedure for the review and pre-approval of any services performed by our independent auditors, including audit services, audit related services, tax services and other services. The procedure requires that all proposed engagements of our independent auditors for audit and permitted non-audit services are submitted to the audit committee for approval prior to the beginning of any such services.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

On October 30, 2018, we announced the adoption of our share repurchase program in an aggregate amount of up to US\$250 million. Our share repurchase program went into effect in the fourth quarter of 2018 and does not have a fixed expiration date. The program may be executed in compliance with Rule 10b-18 under the Exchange Act.

The table below summarizes the repurchases we made in the periods indicated.

Month	Total Number of Class A Common Shares Purchased	Average Price Paid Per Class A Common Share (RS) <sup>(2)(3)</sup>	Total Number of Class A Common Shares Purchased as Part of Share Repurchase Program	Approximate Dollar Value of Class A Common Shares that May Yet Be Purchased Under Share Repurchase Program <sup>(1)</sup> (US\$, in millions)
January 2020	-	-	-	-
February 2020	-	-	-	-
March 2020	547,543	78.6376	547,543	231.0
April 2020	-	-	-	-
May 2020	-	-	-	-
June 2020	-	-	-	-
July 2020	-	-	-	-
August 2020	-	-	-	-
September 2020	-	-	-	-
October 2020	-	-	-	-
November 2020	-	-	-	-
December 2020	-	-	-	-

(1) Our share repurchase program which was adopted in October 2018 authorized the repurchase in an aggregate amount of up to US\$250 million with no fixed expiration date.

(2) Not including brokerage fees.

(3) For convenience purposes only, amounts in *reais* in this column have been translated from U.S. dollars using a rate of RS4.8833 to US\$1.00, the commercial selling rate for U.S. dollars at March 12, 2020 as reported by the Central Bank. These translations should not be construed as representations that the U.S. dollar amounts have been, could have been or could be converted into *reais* at that or at any other exchange rate.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

**Significant Differences between our Current Corporate Governance Practices and the U.S. Corporate Governance Standards**

We are subject to the NYSE corporate governance listing standards. As a foreign private issuer, however, the standards applicable to us are considerably different from the standards that apply to U.S. listed companies. Under the NYSE rules, as a foreign private issuer, we may follow the "home country" practice of the Cayman Islands, except that we are required to: (i) have an audit committee or audit board that meets certain requirements, pursuant to an exemption available to foreign private issuers (subject to the phase-in rules described above under "Item 6. Directors, Senior Management and Employees—Audit Committee"); (ii) to provide prompt certification by our chief executive officer of any material non-compliance with any corporate governance rules; and (iii) to provide a brief description of the significant differences between our corporate governance practices and the NYSE corporate governance practice required to be followed by U.S. listed companies.

A summary of the significant differences between our corporate governance practices and those required of U.S. listed companies is included below.

### **Majority of Independent Directors**

The NYSE rules applicable to U.S. companies require a majority of the board of directors to be comprised of Independent Directors. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company. This is not required by the laws of the Cayman Islands. While our directors meet the qualification requirements of Cayman corporate law, we do not believe that a majority of our directors would be considered independent under the NYSE test for director independence. Currently, three of our directors, Noemia Gushiken, Marcia Nogueira Mello and Cleveland Prates Teixeira, are independent.

### **Compensation committee**

The NYSE rules applicable to U.S. companies require the company to have, and to certify that it has and will continue to have, a compensation committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities. This is not required by the laws of the Cayman Islands. Our board of directors is responsible for determining the individual compensation of each executive officer, as well as the compensation of our board and committee members. In making such determinations, the board will review the performance of our executive officers, including the performance of our principal executive officer, who will be required to excuse him- or herself from discussions regarding his or her performance and compensation.

### **ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

### **ITEM 17. FINANCIAL STATEMENTS**

Not applicable.

### **ITEM 18. FINANCIAL STATEMENTS**

See pages F-1 through F-50, filed as part of this annual report.

### **ITEM 19. EXHIBITS**

<b>No.</b>	<b>Description</b>
1.1	<a href="#">Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.1 of Form F-1/A filed on January 10, 2018).</a>
2.1	<a href="#">Description of Securities Registered under Section 12 of the Exchange Act.</a>
4.1†	<a href="#">English translation of the Agreement for the Supply of Equipment – PIN pad Terminals, dated as of June 26, 2014, among PAX BR Comercio de Equipamentos de Informática Ltda., CIS Eletrônica Indústria e Comércio Ltda., and Net+Phone Telecomunicações Ltda., including 1st Addendum to the Agreement for the Supply of Equipment, dated as of October 21, 2014, among PAX BR Comercio de Equipamentos de Informática Ltda., CIS Eletrônica Indústria e Comércio Ltda., Densam da Amazônia Indústria Eletrônica Ltda., and Net+Phone Telecomunicações Ltda.; 2nd Addendum to the Agreement for the Supply of Equipment, dated as of July 3, 2015, among PAX BR Comercio de Equipamentos de Informática Ltda., CIS Eletrônica Indústria e Comércio Ltda., Densam da Amazônia Indústria Eletrônica Ltda., Transire Fabricação de Componentes Eletrônicos Ltda., and Net+Phone Telecomunicações Ltda.; 3rd Addendum to the Agreement for the Supply of Equipment, dated as of October 8, 2015, among PAX BR Comercio de Equipamentos de Informática Ltda., Transire Fabricação de Componentes Eletrônicos Ltda., and Net+Phone Telecomunicações Ltda.; Statement of Liability for the Application Signer's Use on PAX Terminals, dated as of March 9, 2016, among PAX BR Comercio de Equipamentos de Informática Ltda. and Net+Phone Telecomunicações Ltda.; 4th Addendum to the Agreement for the Supply of Equipment, dated as of May 20, 2016, among PAX BR Comercio de Equipamentos de Informática Ltda., Transire Fabricação de Componentes Eletrônicos Ltda., and Net+Phone Telecomunicações Ltda.; 5th Addendum to the Agreement for the Supply of Equipment, dated as of December 9, 2016, among PAX BR Comercio de Equipamentos de Informática Ltda., Transire Fabricação de Componentes Eletrônicos Ltda., and Net+Phone Telecomunicações Ltda.; 6th Addendum to the Agreement for the Supply of Equipment, dated as of February 6, 2017, among PAX BR Comercio de Equipamentos de Informática Ltda., Transire Fabricação de Componentes Eletrônicos Ltda., and Net+Phone Telecomunicações Ltda. (incorporated by reference to Exhibit 10.1 of Form F-1 filed on December 26, 2017).</a>

- 4.2† [English translation of 7th Addendum to the Agreement for the Supply of Equipment, dated as of August 25, 2017, among Net+Phone Telecomunicações Ltda., PAX BR Comércio e Serviços de Equipamentos de Informática Ltda. and Transire Fabricação de Componentes Eletrônicos Ltda. \(incorporated by reference to Exhibit 4.2 of Form 20-F filed on April 16, 2019\).](#)
- 4.3† [English translation of 8th Addendum to the Agreement for the Supply of Equipment, dated as of November 5, 2019, among Net+Phone Telecomunicações Ltda., PAX BR Comércio e Serviços de Equipamentos de Informática Ltda., Transire Fabricação de Componentes Eletrônicos Ltda. and PagSeguro Internet Ltda.](#)
- 4.4† [English translation of 9th Addendum to the Agreement for the Supply of Equipment, dated as of October 1, 2020, among Net+Phone Telecomunicações Ltda., PAX BR Comércio e Serviços de Equipamentos de Informática Ltda., Transire Fabricação de Componentes Eletrônicos Ltda. and PagSeguro Internet Ltda.](#)
- 4.5†\* [English translation of the Colocation Agreement, dated as of July 2, 2019, between PagSeguro Internet S.A. and UOL Diveo Tecnologia Ltda., including Technical Proposal – Colocation – OPT 19/27357-C, dated as of July 25, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Business Proposal – PagSeguro – Tamboré Colocation Site – OPT 19/27357, dated as of July 25, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal – Colocation – OPT 19/27358-C, dated as of July 25, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Business Proposal – PagSeguro – Glete Colocation Site – OPT 19/27358, dated as of July 25, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda. \(incorporated by reference to Exhibit 10.1 of Form F-3/ASR filed on October 15, 2019\).](#)
- 4.6†\* [English translation of Commercial Proposal – PagSeguro – Energy Readjustment for Tamboré – OPT 19/28417, dated as of December 24, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal – Colocation – Electrical Readjustment – OPT 19/28417-A, dated as of December 23, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Commercial Proposal – PagSeguro – Energy Readjustment for Glete – OPT 19/28364, dated as of January 9, 2020, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; and Technical Proposal – Colocation – Moving and Electrical Adjustment – OPT 19/28364-A, dated as of December 9, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; all related to the Colocation Agreement, dated as of July 2, 2019, between PagSeguro Internet S.A. and UOL Diveo Tecnologia Ltda. \(incorporated by reference to Exhibit 4.4 of Form 20-F filed on April 22, 2020\).](#)
- 4.7† [English translation of Colocation Agreement Assignment Term, dated as of December 1, 2019, between PagSeguro Internet S.A., UOL Diveo Tecnologia Ltda. and UD Tecnologia S.A. assigning the Colocation Agreement, dated as of July 2, 2019, between PagSeguro Internet S.A. and UOL Diveo Tecnologia Ltda. from UOL Diveo Tecnologia Ltda. to UD Tecnologia S.A. \(incorporated by reference to Exhibit 4.5 of Form 20-F filed on April 22, 2020\).](#)
- 4.8† [English translation of the First Amendment to the Colocation Agreement Assignment Term, dated as of April 22, 2020, between PagSeguro Internet S.A. and UD Tecnologia S.A.](#)
- 4.9†\* [English translation of the Hosting Agreement, dated as of January 1, 2017, between PagSeguro Internet S.A. and UOL Diveo Tecnologia Ltda., including Commercial Proposal – Hosting/APM – OPT-17/21629, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal – Hosting – Tamboré DTC & Licensing Service and Dynatrace Support – RUXIT, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Commercial Proposal – DDos Protection – OPT-17/21631, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal – DDos Protection, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Commercial Proposal – WAF – Web Application Firewall – OPT-17/21635, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal – WAF – Web Application Firewall, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Commercial Proposal – Brand Protection – OPT-17/21636, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal – Brand Protection, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Commercial Proposal – BPAG & NOTANET – OPT-17/21638, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; and Technical Proposal – Payment Means Management Services, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda. \(incorporated by reference to Exhibit 10.3 of Form F-1 filed on December 26, 2017\).](#)

- 4.10†\* [English translation of Commercial Proposal – PagSeguro – Watson – OPT 19/26811, dated as of May 31, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal – MSS – SIEM as a Service – OPTs 18/25482 and 19/26811, dated as of May 16, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal – Connectivity – OPT 19/27033-E, dated as of June 28, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Commercial Proposal – PagSeguro – Tamboré Connectivity – OPT 19/27033, dated as of June 28, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal – Connectivity – OPT 19/27034-D, dated as of July 15, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; and Commercial Proposal – PagSeguro – Glete Connectivity – OPT 19/27034, dated as of July 15, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Business Proposal - PagSeguro - Hosting Tamboré - Shared Storage - OPT 19/27370, dated as of December 20, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal - Shared Storage - OPT 19/27379-D, dated as of January 16, 2020, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Business Proposal - PagSeguro - Hosting Glete - Shared Storage - OPT 19/27391, dated as of December 20, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal - Shared Storage - OPT 19/27391-C, dated as of January 16, 2020, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; all related to the Hosting Agreement, dated as of January 1, 2017, between PagSeguro Internet S.A. and UOL Diveo Tecnologia Ltda. \(incorporated by reference to Exhibit 4.7 of Form 20-F filed on April 22, 2020\).](#)
- 4.11†\* [English translation of the Service Agreement, dated as of January 1, 2017, between PagSeguro Internet S.A. and UOL Diveo Tecnologia Ltda., including Commercial Proposal – Allocation of Resources – OPT-17/21087, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; and Technical Proposal – Allocation of Resources, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda. \(incorporated by reference to Exhibit 10.4 of Form F-1 filed on December 26, 2017\).](#)
- 4.12†\* [English translation of the Telecommunications Service Agreement, dated as of January 1, 2017, between PagSeguro Internet S.A. and UOL Diveo Tecnologia Ltda., including Commercial Proposal – TELECOM Services, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; and Technical Proposal – Lan-to-Lan between Data Centers – Lan-to-Lan, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda. \(incorporated by reference to Exhibit 10.5 of Form F-1 filed on December 26, 2017\).](#)
- 4.13 [English translation of all related to Business Proposal - PagSeguro - Regularization of Circuit 5519020080 - OPT 18/25572, dated as of February 14, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal - Lan-to-Lan PagSeguro - OPT 18/25572-A, dated as of February 1, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Business Proposal - PagSeguro - Regularization of Circuit 5551010440 - OPT 18/25569, dated as of February 18, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal - Lan-to-Lan PagSeguro - OPT 18/25569-A, dated as of February 1, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal - Lan-to-Lan PagSeguro - OPT 18/25570-A, dated as of February 1, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Business Proposal - PagSeguro - Regularization of Circuit 5511090218 - OPT 18/25570, dated as of February 18, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal - Lan-to-Lan between Data Centers - OPT 18/25571-A, dated as of February 18, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Business Proposal - PagSeguro - Regularization of Circuit 5511492255 - OPT 18/25571, dated as of February 18, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Business Proposal - PagSeguro - Regularization of Router 5551010440 - OPT 19/26085, dated as of February 18, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal - CPE Lease - PagSeguro - OPT 19/26085-A, dated as of February 20, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Business Proposal - PagSeguro - Regularization of Router 5519020080 - OPT 19/26086, dated as of February 18, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal - CPE Lease - PagSeguro - OPT 19/26086-A, dated as of February 20, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Business Proposal - PagSeguro - Regularization of Router 5511492255 - OPT 19/26090, dated as of February 18, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; Technical Proposal - CPE Lease - PagSeguro - OPT 19/26090-A, dated as of February 20, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; all related to the Telecommunications Service Agreement, dated as of January 1, 2017, between PagSeguro Internet S.A. and UOL Diveo Tecnologia Ltda. \(incorporated by reference to Exhibit 4.10 of Form 20-F filed on April 22, 2020\).](#)
- 4.14†\* [License Agreement, dated as of June 18, 2015, between MasterCard International Incorporated and PagSeguro Internet Ltda., including the Acceptance Letter, dated as of June 18, 2015, from MasterCard International Incorporated to PagSeguro Internet Ltda.; the Summary of Licenses Granted, dated as of June 18, 2015; and Supplement to MasterCard License Agreement, effective as of March 11, 2015, between MasterCard International Incorporated and PagSeguro S.A. \(incorporated by reference to Exhibit 10.6 of Form F-1 filed on December 26, 2017\).](#)
- 4.15† [Amendment and Restatement to the Supplement to the License Agreement, dated as of October 7, 2020, between MasterCard International Incorporated and PagSeguro Internet S.A.](#)
- 4.16†\* [English translation of the Service Agreement, dated as of January 1, 2017, between PagSeguro Internet S.A. and UOL Diveo Tecnologia Ltda., including Commercial Proposal – Managed Services – OPT-17/21628, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; and Technical Proposal – IT Asset Management and Monitoring, dated as of January 1, 2017, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda. \(incorporated by reference to Exhibit 10.7 of Form F-1 filed on December 26, 2017\).](#)

- 4.17†\* [English translation of Technical Proposal – Colocation – Patch Panel – OPT 19/27381-A, dated as of August 30, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; and Commercial Proposal – Pageguro – Gete Interconnections \(4 UTPs 4 Fibers\) – OPT 19/27381, dated as of August 30, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet Ltda.; both related to the Service Agreement, dated as of January 1, 2017, between PagSeguro Internet S.A. and UOL Diveo Tecnologia Ltda. \(incorporated by reference to Exhibit 4.13 of Form 20-F filed on April 22, 2020\).](#)
- 4.18\* [Visa Payment Arrangements Participation and Trademark License Agreement, dated as of August 24, 2015, between Visa do Brasil Empreendimentos Ltda. and PagSeguro Internet Ltda. \(incorporated by reference to Exhibit 10.8 of Form F-1 filed on December 26, 2017\).](#)
- 4.19\* [First Amendment to the Visa Payment Arrangements Participation and Trademark License Agreement, dated as of July 3, 2017, between Visa do Brasil Empreendimentos Ltda. and PagSeguro Internet Ltda. \(incorporated by reference to Exhibit 4.10 of Form 20-F filed on April 16, 2019\).](#)
- 4.20\* [Advertising Space Assignment Agreement for Insertion of Advertisements, dated as of August 1, 2015, by and between Universo Online S.A. and PagSeguro Internet Ltda., including 1st Addendum to the Advertising Space Assignment Agreement for Insertion of Advertisements, dated as of January 1, 2017 and UOL – Table of Prices – August 2016. \(incorporated by reference to Exhibit 10.9 of Form F-1 filed on December 26, 2017\).](#)
- 4.21 [English translation of the Long-Term Incentive Plan \(LTIP\) Restricted Shares Plan – Universo Online S.A., dated as of July 29, 2015. \(incorporated by reference to Exhibit 10.10 of Form F-1 filed on December 26, 2017\).](#)
- 4.22 [Form of Indemnification Agreement \(incorporated by reference to Exhibit 10.11 of Form F-1 filed on December 26, 2017\).](#)
- 4.23 [English translation of the Long-Term Incentive Plan – Goals \(LTIP-Goals\) – PagSeguro Internet S.A., dated as of December 18, 2018 and ratified on August 7, 2019, February 21, 2020 and January 19, 2021.](#)
- 4.24 [English translation of the Agreement for Accreditor Participation in ELO Payment Arrangements, dated as of February 13, 2019, between Elo Serviços S.A. and PagSeguro Internet S.A. \(incorporated by reference to Exhibit 4.15 of Form 20-F filed on April 16, 2019\).](#)
- 4.25† [English translation of the First Amendment to the Agreement for Accreditor Participation in ELO Payment Arrangements, dated as of August 24, 2020, between Elo Serviços S.A. and PagSeguro Internet S.A.](#)
- 4.26† [English translation of Software Development and Implantation Services Agreement, dated as of July 15, 2019, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda., including Service Agreement for Financial Conciliation System, dated as of August 13, 2019, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda.; Technical/Commercial Proposal – PagSeguro – Squad 1 – Financial Conciliation System – PS-20190725.10v2, dated August 7, 2019; Service Agreement for API Development, dated as of August 13, 2019, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda.; Technical/Commercial Proposal – PagSeguro – Squad 2 – API Development – PS-20190725-11v2; and Annex II – Information Security and Data Protection of the Contractor \(incorporated by reference to Exhibit 10.3 of Form F-3/ASR filed on October 15, 2019\).](#)
- 4.27† [English translation of Service Agreement No. 03, dated as of November 5, 2019, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda.; Technical/Commercial Proposal – PagSeguro – Squad – Data Engineering – PS-20190930-DATENG-v4, dated November 1, 2019; Service Agreement No. 04, dated December 3, 2019, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda.; Technical/Commercial Proposal – PagSeguro – Squad – Merchant APP – PS-20190930-MERAPP-v5, dated November 14, 2019; 1<sup>st</sup> Amendment Service Agreement, dated as of December 4, 2019, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda.; Technical/Commercial Proposal – Increment AS 01 – Financial Conciliation Squad – PS-20191126-SYSADMIN-v2, dated December 4, 2019; Service Agreement No. 04, dated January 9, 2020, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda.; and Technical/Commercial Proposal – PagSeguro – Data Specialists – PS-20191016-DATSPC-v2, dated November 18, 2019; all related to the Software Development and Implantation Services Agreement, dated as of July 15, 2019, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda. \(incorporated by reference to Exhibit 4.22 of Form 20-F filed on April 22, 2020\).](#)
- 4.28† [English translation of Service Agreement No. 5, dated as of January 9, 2020, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda.; Service Agreement No. 19, dated as of September 28, 2020, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda.; and Technical/Commercial Proposal – PagSeguro – Data Specialists – PS-20208026-V1, dated September 25, 2020; all related to the Software Development and Implantation Services Agreement, dated as of July 15, 2019, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda.](#)
- 4.29† [Technical Proposal – Public Cloud – OpenStack – OPT 19/26357-A, dated as of May 29, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet S.A., and Business Proposal – PagSeguro – OpenStack – OPT 19/26357, dated May 29, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet S.A.; governed by UOL Diveo Tecnologia Ltda. Form of Cloud IT Solution Agreement, registered on April 5, 2018 at the 8th Public Registry of Deeds and Documents and UOL Diveo Tecnologia Ltda., and Form of UOL Cloud Agreement, registered on December 6, 2018 at the 8th Public Registry of Deeds and Documents, respectively \(incorporated by reference to Exhibit 10.4 of Form F-3/ASR filed on October 15, 2019\).](#)

4.30†	<a href="#">Technical Proposal – VirtuStream – OPT 19/26358-A, dated as of May 29, 2019, from UOL Diveo Tecnologia Ltda. to PagSeguro Internet S.A., and Business Proposal – PagSeguro – VirtuStream – OPT 19/26358 and 19/26868, both governed by UOL Diveo Tecnologia Ltda. Form of UOL Cloud Agreement, registered on December 6, 2018 at the 8th Public Registry of Deeds and Documents (incorporated by reference to Exhibit 10.5 of Form F-3/ASR filed on October 15, 2019).</a>
4.31†	<a href="#">MasterCard Bonus Program and Strategic Alliance Agreement, dated as of July 1, 2020, between MasterCard do Brasil Solucoes de Pagamentos Ltda. and PagSeguro Internet S.A.</a>
4.32†	<a href="#">First Amendment to the AWS Cloud Agreement, dated as of August 18, 2020, between UOL Diveo Tecnologia Ltda. and PagSeguro Internet S.A.</a>
4.33†	<a href="#">English translation of the Instrument for Assignment of the AWS Agreement, dated as of February 4, 2021, among UOL Diveo Tecnologia Ltda., Compasso Informática S.A. and PagSeguro Internet S.A.</a>
4.34†	<a href="#">English translation of Acquisition Agreement with respect to the acquisition of Google Cloud services, dated as of March 1, 2021, between UOL Diveo Tecnologia Ltda. and PagSeguro Internet S.A.</a>
8.1	<a href="#">Subsidiaries of the Registrant.</a>
11.1	<a href="#">English translation of the UOL Code of Ethics and Conduct.</a>
11.2	<a href="#">English translation of the UOL Code of Ethics and Conduct – Mobbing and Sexual Harassment.</a>
12.1	<a href="#">Certification of Luis Frias, Principal Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
12.2	<a href="#">Certification of Eduardo Alcaro, Co-Chief Financial and Investor Relations Officer and Chief Business Development Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
12.3	<a href="#">Certification of Artur Schunck, Co-Chief Financial and Investor Relations Officer and Chief Accounting Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
13.1	<a href="#">Certification of Luis Frias, Principal Executive Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
13.2	<a href="#">Certification of Eduardo Alcaro, Co-Chief Financial and Investor Relations Officer and Chief Accounting Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
13.3	<a href="#">Certification of Artur Schunck, Co-Chief Financial and Investor Relations Officer and Chief Accounting Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
15.1	<a href="#">Consent of Ernst &amp; Young Auditores Independentes.</a>
15.2	<a href="#">Consent of PricewaterhouseCoopers Auditores Independentes.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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(†) Certain identified confidential information has been redacted from this exhibit because: (i) it is customarily and actually treated as private or confidential and (ii) it is not material.

(\*) References to PagSeguro Internet Ltda. should be interpreted as PagSeguro Internet S.A.

## GLOSSARY OF TERMS

"ABECS" means the Brazilian Association of Credit Card and Services Companies (*Associação Brasileira de Empresas de Cartões de Crédito e Serviços*).

"acquirer" means a payment institution that does not manage payment accounts, but enables merchants to accept payment cards issued by a payment institution or by a financial institution that participates in a card scheme. The acquirer receives the card transaction details from the merchant's terminal, passes them to the card issuer via the card scheme for authorization, and completes the processing of the transaction. The acquirer arranges settlement of the card transaction and credits the merchant's bank account with the funds in accordance with its service agreement with the merchant. The acquirer also deals with any chargebacks that may be received via the card issuer regarding consumer transactions with merchants.

"active merchant" means a merchant that has completed at least one transaction during the 12 months prior to a specified date.

"average spending per active merchant" is calculated by dividing our total TPV for a specified period by the average number of active merchants in such period.

"boleto" means a printable document issued by merchants that is used to make payments in Brazil. *Boletos* can be used to pay bills for products or services, utilities or taxes. Each *boleto* refers to a specific merchant and customer transaction, and includes the merchant's name, customer information, expiration date and total amount due, plus a serial number that identifies the account to be credited and a barcode so the entire document can be read and processed by a Brazilian ATM. A *boleto* can be paid in cash at a bank teller, at an ATM, or by bank transfer. PagSeguro's payment platform and merchant account can be used to pay *boletos*.

"card scheme" means a payment network using payment cards, such as debit or credit cards. Any bank or any other eligible institution can become a member of a card scheme, allowing it to issue payment cards operating on the card scheme. The card scheme passes card transaction details from the acquirer to the issuer and passes payments back to the acquirer, which in turn pays the merchant. MasterCard and Visa are major card schemes.

"Chargeback" refers to a claim where the consumer makes a purchase using a payment card and subsequently requests a reversal of the transaction amount from the card issuer on the basis of a commercial claim (for example, if the goods are not delivered, or are delivered damaged). Chargebacks occur more frequently in online transactions than in in-person transactions, and more frequently for goods than for services.

"Chargebacks related to fraudulent transactions" refers to chargebacks where the consumer's request for a reversal of the transaction amount is related to an illegitimate transaction.

"FIDC" means *Fundo de Investimento em Direitos Creditórios* (Fund for Investment in Receivables), a type of investment fund established under Brazilian law composed of receivables.

"GPRS" means "General Packet Radio Service," a packet-based wireless communication service on the 2G and 3G cellular communication systems that provides continuous connection to the internet for mobile phone and computer users.

"Grupo Folha" means the group of companies that have a minority interest in the preferred shares, without voting rights, of OFL Participações S.A., the controlling shareholder of UOL, and as such, the indirect controlling shareholder of PagSeguro Digital. The newspaper Folha de S. Paulo and the research company Datafolha, which conducts statistical surveys, election polling and opinion and market surveys for the market at large, are a part of Grupo Folha.

"IBGE" means the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*).

"Individual Micro Entrepreneurs" refers to businesses that are classified as such in accordance with the standard segmentation of Brazilian businesses by size under Brazilian Law No. 123/2006, known as the General Law on Micro and Small Enterprises, as amended, and the Brazilian tax code. This classification refers to businesses with annual gross revenues of up to R\$81,000.

"Large Companies" refers to legal entities with annual gross revenues in excess of R\$78 million. This commonly-used definition in Brazil refers to companies that are not eligible for the deemed profit (*lucro presumido*) taxation regime under Brazilian Law No. 9,718/1998, as amended.

"MDR" means merchant discount rate, a commission that we withhold from the transaction value paid to the merchant.



"meal voucher card" refers to a labor benefit included in Brazilian employment contracts, where employers provide cash for employee meals on a tax-efficient basis. The employer deposits the benefit to a prepaid card held by the employee, and the employee can use the balance on the card to make purchases in restaurants and grocery stores.

"Medium-Sized Companies" refers to legal entities with annual gross revenues of between R\$4.8 million and R\$78 million. This commonly-used definition in Brazil refers to companies that are eligible for the deemed profit (*lucro presumido*) taxation regime under Brazilian Law No. 9,718/1998, as amended.

"Micro Companies" refers to legal entities with annual gross revenues of up to R\$360,000, as determined in accordance with the standard segmentation of Brazilian businesses by size under Brazilian Law No. 123/2006, known as the General Law on Micro and Small Enterprises, as amended, and the Brazilian tax code.

"Micro-Merchant" means Micro Companies and Individual Micro Entrepreneurs.

"Mobile Payments" refers to the payment method where a mobile phone is used to complete payment (with payment information being transmitted in real-time), instead of simply as an alternative channel to send payment instructions.

"mPOS" means mobile POS. mPOS devices are similar to POS devices, but they require the merchant's cell phone in order to function and accept payments. mPOS devices connect to a merchant's cell phone network by Bluetooth. As an example, the Minizinha is an mPOS device.

"NetPOS" means NetPOS Serviços de Informática S.A., an information technology company, which specializes in the development and licensing of software related to store front commercial automation and provides us with a set of solutions for our merchants to perform sales management, inventory control, financial reporting and tax issuing.

"NFC" means near-field communication.

"Portal do Empreendedor" means the Entrepreneur's Portal – Individual Micro Entrepreneur (*Portal do Empreendedor – Microempreendedor Individual*), a Brazilian government web portal for Individual Micro Entrepreneurs.

"PagBank active user" means a merchant that has completed at least one transaction in addition to acquiring activities during the 12 months prior to a specified date or a consumer that has either a positive balance in his or her free PagBank digital account or has completed at least one transaction with PagBank during the 12 months prior to a specified date.

"PNAD" means the Brazilian National Household Sample Survey (*Pesquisa Nacional por Amostra de Domicílios*).

"POS" means point of sale. POS devices allow merchants to accept payments where a sale is made, whether inside an establishment or outside on the street. POS includes mPOS, although various features differentiate the two systems. As an example, the Modeminha Pro is a POS device.

"SEBRAE" means the Brazilian Micro and Small Businesses Support Service (*Serviço Brasileiro de Apoio às Micro e Pequenas Empresas*).

"Small Companies" refers to legal entities that are classified as such in accordance with the standard segmentation of Brazilian businesses by size under Brazilian Law No. 123/2006, known as the General Law on Micro and Small Enterprises, as amended, and the Brazilian tax code. This classification refers to businesses with annual gross revenues of between R\$360,000 and R\$4.8 million.

"SMEs" refers to Small Companies and Medium-Sized Companies.

"TPV" means total payment volume, being the value of payments successfully processed through our end-to-end digital banking ecosystem, net of payment reversals.

"unique active account" means the account of an active merchant (as defined above) or of a consumer who has: (i) completed at least one transaction during the 12 months prior to a specified date, (ii) a positive balance in his or her free PagBank digital account, or (iii) completed at least one transaction with PagBank during the 12 months prior to a specified date.

"unique visitor" refers to a person who visits a website at least once in a predetermined time period, typically 30 days. Each visitor to the website is only counted once during the relevant period (i.e., if the same IP address accesses the website several times, it only counts as one visitor).

"UOL" means Universo Online S.A., a Brazilian *sociedade por ações* and the controlling shareholder, of PagSeguro Digital. Founded in 1996, UOL is Brazil's largest internet content, digital products and services company. UOL's majority shareholder is OFL Participações S.A., a holding company controlled by Luis Frias.

"UOL Diveo" means UOL Diveo S.A., a company focused on IT infrastructure management services and cloud computing as well as the development of software and services to promote digital transformation.

"UOL group" means the group of companies controlled by UOL, which includes, among others, UOL EdTech, an online education platform and UOL Diveo, the largest cloud and IT infrastructure services company controlled by Brazilian shareholders in terms of data center area as of December 11, 2017, according to publicly available information.

**SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant, PagSeguro Digital Ltd., hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of São Paulo, Brazil, on April 26, 2021.

**PagSeguro Digital Ltd.**

By: /s/ Eduardo Alcaro  
Name: Eduardo Alcaro  
Title: Co-Chief Financial and Investor Relations Officer and Chief Business Development Officer

By: /s/ Artur Schunck  
Name: Artur Schunck  
Title: Co-Chief Financial and Investor Relations Officer and Chief Accounting Officer

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# **Consolidated Financial Statements** **PagSeguro Digital Ltd.**

**At December 31, 2020 and 2019 and Reports of  
Independent Registered Public Accounting Firms**

**PagSeguro Digital Ltd.**

Consolidated financial statements  
As of December 31, 2020 and 2019

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## Report of independent registered public accounting firm

To the Board of Directors and Shareholders  
PagSeguro Digital Ltd.

### Opinions on the financial statements and internal control over financial reporting

We have audited the accompanying consolidated balance sheets of PagSeguro Digital Ltd. and its subsidiaries (the "Company") as of December 31, 2020, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2018, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the years ended December 31, 2020 and 2018 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

### Basis for opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in the accompanying Management's Report on Internal Control over Financial Reporting, management has excluded Wirecard Brazil S.A. from its assessment of internal control over financial reporting as of December 31, 2020 because it was acquired by the Company in a purchase business combination during 2020. We have also excluded Wirecard Brazil S.A. from our audit of internal control over financial reporting. Wirecard Brazil S.A. is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 3% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2020.

### Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Critical audit matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit

committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### **Revenue recognition**

As described in Note 2.14 to the consolidated financial statements, revenue comprises mainly fees charged for the electronic intermediation of the purchases made through the Company's electronic platform, and financial income mostly related to early payments made to merchants. Revenues from the intermediation transactions are recognized when the purchase transaction is approved by the financial institutions (card issuers) and the Company performance obligation related to the electronic validation of the transaction is completed, while financial income is recognized when the payment to the merchant is anticipated. The Company recorded during the year ended December 31, 2020 revenue from transaction activities and other services and financial income in the amount of R\$ 4,508,719 thousand and R\$ 2,177,360 thousand, respectively, as described in Note 22 to the consolidated financial statements.

The principal considerations for our determination that performing procedures relating to revenue recognition is a critical audit matter are (i) the complex information technology environment used to process a high volume of transactions with individually low amounts, resulting in a significant volume of data being extracted from the systems of the Company which needs to be reconciled with general ledger before being used for the audit procedures purpose, and (ii) effort in performing audit procedures and in evaluating audit evidence considering the high volume of data.

Our approach to addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to revenue recognition process. The procedures also included, among others, (1) reconciliation of the data extracted from the systems with the general ledger, (2) performing audit procedures over the information technology general controls of the Company's systems, (3) test the mathematical accuracy of the revenue recognized as a percentage of the transactions selected, also reviewing testing if the percentages applied were in accordance with the applicable agreements, (4) performing, on a sample basis, cash collection inspection for the transactions selected and (5) evaluating the sufficiency of the Company's disclosures.

### **Tax contingencies**

As described in Note 18 to the consolidated financial statements, the Company discloses contingent liabilities related to tax litigations of R\$ 165,862 thousand, which were not recognized at December 31, 2020, given that a possible likelihood of loss was considered by management. The Company recognizes provision for tax contingencies in the consolidated financial statements for the litigation when (i) there is a present obligation as a result of a past event, and (ii) management determines that a loss is probable and the amount of the provision or liability can be reasonably estimated. The Company does not record any provision for tax litigation for unfavorable outcomes when, after assessing the information available, management concludes that it is not probable that a loss has been incurred in any of the pending litigation. The Company also discloses the contingency in circumstances where management concludes that loss is possible and reasonably estimable.

The principal considerations for our determination that performing procedures relating to tax litigation contingencies is a critical audit matter are (i) there was significant judgment made by management when assessing the likelihood of a loss being incurred and when determining whether possible outcomes for each claim can be made, and (ii) the audit effort involved the use of professionals with specialized skills and knowledge to assist in our tests of management's assessment. This in turn led to a high degree of auditor judgment, effort and subjectivity in evaluating management's assessment and in applying audit procedures to address the tax contingencies.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's evaluation of pending tax litigation, including controls over determining whether a loss is probable and whether the amount of loss can be reasonably estimated as well as financial statement disclosures. These procedures also included among others, (1) obtaining and evaluating letters of audit inquiry received from internal and external legal counsel, which included legal opinions and technical memorandums from management, (2) evaluating the reasonableness of management's assessment regarding the likelihood of loss for the significant tax matters, and (3) evaluating the sufficiency of the Company's disclosures.

São Paulo, March 18, 2021

/s/PricewaterhouseCoopers  
Auditores Independentes

We have served as the Company's auditor since 2020.

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors of PagSeguro Digital Ltd.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of PagSeguro Digital Ltd. (the Company) as of December 31, 2019, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.



	<b>Revenue recognition</b>
<i>Description of the matter</i>	<p>As described in note 2.13 Revenue from transaction activities and other services comprise revenue from fees charged for intermediation in electronic payments and other services such as prepaid cards, while Financial income mostly comprises revenue derived from early payments to merchants. Revenues from transaction activities are recognized at the time the purchase is approved by the related financial institution while financial income is recognized at the time the merchant agrees to receive an early payment for sales in installments. For the year ended December 31, 2019, revenue from transaction activities and other services and financial income amounted to R\$3,376 million and R\$ 2,031 million, respectively, as disclosed in Note 20 to the consolidated financial statements.</p> <p>Auditing the Company's revenue from transaction activities and financial income is complex as such activities are all processed through a complex information technology environment, with a high volume of transactions and for individually low amounts. This results in a significant volume of data required to be extracted from the Company's system for purposes of auditing and reconciling the general ledger and related supporting documentation. Also, the identification and evaluation of terms and conditions in multiple contractual arrangements required incremental audit effort to determine the distinct performance obligations and the timing of revenue recognition.</p>
<i>How we addressed the matter in our audit</i>	<p>We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the Company's accounting for revenue recognition. For example, we have involved our Information Technology professionals to assist us in testing the relevant controls over the information systems that are important to the initiation, recording and billing of revenue transactions.</p> <p>To test the recognition of revenue by the Company our audit procedures included, among others, assessing for a sample of contracts the methodology applied for revenue recognition; testing the mathematical accuracy of the Company's calculation of the amount of revenue to be recognized as a percentage of the total transaction value; assessing whether the percentages applied were in accordance with to the contractual agreement with the customer, evaluating whether revenue was recorded in the proper period and testing subsequent collection of individual transactions. In addition, we assessed the adequacy of the related disclosures in the consolidated financial statements.</p>
<i>/s/ Ernst &amp; Young Auditores Independentes S.S.</i> <i>We have served as the Company's auditor since 2019.</i>	
<i>São Paulo, Brazil</i> <i>February 26, 2020</i>	

**PagSeguro Digital Ltd.**

Consolidated balance sheets

As of December 31, 2020 and 2019

(All amounts in thousands of reais)

	Note	December 31,	
		2020	2019
<b>Assets</b>			
Current assets			
Cash and cash equivalents	6	1,640,065	1,403,955
Financial investments	7	979,837	1,349,666
Accounts receivable	8	16,042,970	10,477,179
Inventories		30,429	61,936
Taxes recoverable		388,975	171,561
Other receivables		164,805	84,099
<b>Total current assets</b>		<b>19,247,081</b>	<b>13,548,396</b>
Non-current assets			
Judicial deposits		7,449	5,651
Accounts receivable	8	33,570	29,943
Deferred income tax and social contribution	19	83,296	—
Prepaid expenses		10,293	7,215
Investment		16,400	1,500
Property and equipment	11	1,802,613	399,990
Intangible assets	12	1,123,620	589,553
<b>Total non-current assets</b>		<b>3,077,241</b>	<b>1,033,852</b>
<b>Total assets</b>		<b>22,324,322</b>	<b>14,582,248</b>

The accompanying notes are an integral part of these consolidated financial statements.

**PagSeguro Digital Ltd.**

Consolidated balance sheets

As of December 31, 2020 and 2019

(All amounts in thousands of reais)

	Note	December 31,	
		2020	2019
<b>Liabilities and equity</b>			
Current liabilities			
Payables to third parties	14	10,101,510	5,326,290
Trade payables		335,539	256,281
Payables to related parties	10	58,336	22,187
Deposits	15	571,996	—
Salaries and social security charges	16	175,198	106,812
Taxes and contributions	17	26,042	124,004
Provision for contingencies	18	17,063	11,849
Deferred revenue	2-14	186,219	42,525
Other payables		102,572	3,115
Total current liabilities		11,574,475	5,893,063
Non-current liabilities			
Deferred income tax and social contribution	19	1,132,595	630,950
Deposits	15	194,090	—
Provision for contingencies	18	11,741	—
Deferred revenue	2-14	27,336	26,025
Other payables		56,626	17,262
Total non-current liabilities		1,422,388	674,237
Total liabilities		12,996,863	6,567,300
<b>Equity</b>			
Share capital	20	26	26
Capital reserve	20	5,784,288	5,781,503
Other comprehensive income	20	491	(190)
Equity valuation adjustments	20	(22,372)	(22,372)
Retained earnings	20	3,566,522	2,274,864
Treasury shares	20	(13,609)	(41,267)
		9,315,346	7,992,564
Non-controlling interests		12,113	22,384
Total equity		9,327,459	8,014,948
Total liabilities and equity		22,324,322	14,582,248

The accompanying notes are an integral part of these consolidated financial statements.

**PagSeguro Digital Ltd.**

Consolidated statements of income

Year ended December 31, 2020, 2019 and 2018

(All amounts in thousands of reais unless otherwise stated)

	Note	For the year ended December 31,		
		2020	2019	2018
Revenue from transaction activities and other services	22	4,508,719	3,376,068	2,267,103
Revenue from sales	22	—	174,226	374,612
Financial income	22	2,177,360	2,030,511	1,414,532
Other financial income	22	128,594	126,404	278,445
Total revenue and income		6,814,673	5,707,209	4,334,692
Cost of sales and services	23	(3,772,298)	(2,762,087)	(2,144,699)
Selling expenses	23	(617,463)	(565,170)	(351,439)
Administrative expenses	23	(563,893)	(427,366)	(581,668)
Financial expenses	23	(109,232)	(38,138)	(31,209)
Other income (expenses), net	23	22,904	(1,909)	(8,054)
Profit before income taxes		1,774,691	1,912,539	1,217,623
Current income tax and social contribution	19	(62,840)	(24,471)	(180,884)
Deferred income tax and social contribution	19	(419,551)	(521,043)	(126,331)
Income tax and social contribution		(482,391)	(545,514)	(307,215)
Net income for the year		1,292,300	1,367,025	910,408
Attributable to:				
Equity holders of the parent		1,291,658	1,365,597	909,267
Non-controlling interests		642	1,428	1,141
Basic earnings per common share - R\$	21	3.9225	4.1613	2.8625
Diluted earnings per common share - R\$	21	3.9163	4.1475	2.8582

The accompanying notes are an integral part of these consolidated financial statements.

**PagSeguro Digital Ltd.**

Consolidated statements of comprehensive income  
Years ended December 31, 2020, 2019 and 2018  
(All amounts in thousands of reais)

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	For the year ended December 31,		
	2020	2019	2018
Net income for the year	1,292,300	1,367,025	910,408
Other comprehensive income that may be reclassified to the statement of income in subsequent periods			
Currency translation adjustment	959	(425)	208
Loss on investments designated at fair value through OCI	(421)	(42)	—
Income tax and social contribution	143	14	—
Net other comprehensive income for the year	1,292,981	1,366,572	910,616
Attributable to			
Equity holders of the parent	1,292,339	1,365,144	909,475
Non-controlling interests	642	1,428	1,141
Net income for the period	1,292,981	1,366,572	910,616

The accompanying notes are an integral part of these consolidated financial statements.

**PagSeguro Digital Ltd.**

Consolidated statements of changes in equity  
 Years ended December 31, 2020, 2019 and 2018  
 (All amounts in thousands of reais)

Note	Share capital	Treasury shares	Capital reserve		Profit reserve		Equity valuation adjustments	Other comprehensive income	Total	Non-controlling interests	Total equity
			Capital reserve	Share-based long-term incentive plan (LTIP)	Retained earnings						
<b>At December 31, 2017</b>	<b>524,577</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>55</b>	<b>866,895</b>	<b>3,496</b>	<b>870,391</b>
Conversion of profit reserve to common shares	20	(524,556)	—	866,819	—	—	—	—	—	—	—
Net income for the period	20	—	—	—	—	909,267	—	—	909,267	1,141	910,408
Currency translation adjustment	20	—	—	—	—	—	—	208	208	—	208
Non-controlling acquisition	20	—	—	—	—	—	(7,588)	—	(7,588)	19,169	11,581
Issuance of common shares in IPO, net of offering costs	20	5	—	4,522,278	—	—	—	—	4,522,283	—	4,522,283
Shares issued - Share based long term incentive plan (LTIP)	20	—	—	258,166	(258,166)	—	—	—	—	—	—
Share based long term incentive plan (LTIP)	20	—	—	—	299,037	—	—	—	299,037	—	299,037
Acquisition of treasury shares	20	—	(39,532)	—	—	—	—	—	(39,532)	—	(39,532)
<b>At December 31, 2018</b>	<b>26</b>	<b>(39,532)</b>	<b>5,647,263</b>	<b>40,871</b>	<b>909,267</b>	<b>(7,588)</b>	<b>263</b>	<b>6,550,570</b>	<b>23,806</b>	<b>6,574,376</b>	
Net income for the period	20	—	—	—	—	1,365,597	—	—	1,365,597	1,428	1,367,025
Currency translation adjustment	20	—	—	—	—	—	—	(425)	(425)	—	(425)
Loss on financial assets through other comprehensive income	20	—	—	—	—	—	—	(28)	(28)	—	(28)
Non-controlling acquisition	20	—	—	—	—	—	(14,784)	—	(14,784)	(2,850)	(17,634)
Shares issued	20	—	—	38,992	(38,992)	—	—	—	—	—	—
Share based long term incentive plan (LTIP)	20	—	—	—	93,369	—	—	—	93,369	—	93,369
Acquisition of treasury shares	20	—	(1,735)	—	—	—	—	—	(1,735)	—	(1,735)
<b>At December 31, 2019</b>	<b>26</b>	<b>(41,267)</b>	<b>5,686,255</b>	<b>95,248</b>	<b>2,274,864</b>	<b>(22,372)</b>	<b>(190)</b>	<b>7,992,564</b>	<b>22,384</b>	<b>8,014,948</b>	
Net income for the period	20	—	—	—	—	1,291,658	—	—	1,291,658	642	1,292,300
Currency translation adjustment	20	—	—	—	—	—	—	959	959	—	959
Loss on financial assets through other comprehensive income	20	—	—	—	—	—	—	(278)	(278)	—	(278)
Non-controlling	20	—	—	—	—	—	—	—	—	(10,913)	(10,913)
Shares issued	20	—	—	3,834	(3,834)	—	—	—	—	—	—
Share based long term incentive plan (LTIP)	20	—	—	—	75,218	—	—	—	75,218	—	75,218
Acquisition of treasury shares	20	—	(44,775)	—	—	—	—	—	(44,775)	—	(44,775)
Distribution of LTIP with treasury shares	20	—	72,433	—	(72,433)	—	—	—	—	—	—
<b>At December 31, 2020</b>	<b>26</b>	<b>(13,609)</b>	<b>5,690,089</b>	<b>94,199</b>	<b>3,566,522</b>	<b>(22,372)</b>	<b>491</b>	<b>9,315,346</b>	<b>12,113</b>	<b>9,327,459</b>	

The accompanying notes are an integral part of these consolidated financial statements.

**PagSeguro Digital Ltd.**

Consolidated statements of cash flows  
 Years ended December 31, 2020, 2019 and 2018  
 (All amounts in thousands of reais)

	For the year ended December 31,		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income taxes	1,774,691	1,912,539	1,217,623
<b>Expenses (revenues) not affecting cash:</b>			
Depreciation and amortization	376,335	128,348	95,363
Chargebacks	288,309	200,633	71,491
Accrual of provision for contingencies	6,409	8,227	3,745
Reversal of taxes and contributions	(84,294)	—	—
Share based long term incentive plan (LTIP)	122,870	93,369	264,179
Other financial cost, net	18,503	(105,366)	20,071
<b>Changes in operating assets and liabilities</b>			
Accounts receivable	(5,586,919)	(3,125,537)	(5,048,464)
Financial investments (mandatory guarantee)	43,229	(161,426)	—
Inventories	31,602	14,216	(47,012)
Taxes recoverable	(206,221)	(22,386)	(22,936)
Other receivables	(78,745)	(68,008)	773
Deferred revenue	145,005	68,550	—
Other liabilities	67,668	(7,923)	(7,330)
Payables to third parties	4,173,264	1,002,092	1,243,629
Trade payables	72,328	89,962	72,579
Receivables from (payables to) related parties	38,250	(8,610)	112,790
Deposits	758,003	—	—
Salaries and social charges	7,605	32,866	39,312
Taxes and contributions	(34,438)	(1,475)	31,764
Provision for contingencies	(1,127)	(4,822)	(1,792)
	<u>1,932,327</u>	<u>45,249</u>	<u>(1,954,212)</u>
Income tax and social contribution paid	(46,384)	(88,184)	(203,631)
Interest income received	266,719	522,542	394,643
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>2,152,662</u>	<u>479,607</u>	<u>(1,763,200)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Amount paid on acquisitions, net of cash acquired	(345,603)	(17,739)	(1,813)
Purchases of property and equipment	(1,522,769)	(328,326)	(61,560)
Purchases and development of intangible assets	(523,785)	(365,068)	(192,048)
Acquisition of financial investments	—	(1,109,619)	—
Redemption of financial investments	530,667	—	211,116
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(1,861,489)</u>	<u>(1,820,752)</u>	<u>(44,305)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from offering of shares	—	—	4,717,875
Transaction costs	—	—	(189,852)
Acquisition of treasury shares	(44,774)	(1,735)	(39,532)
Transaction with non-controlling interest	—	(15,992)	(5,389)
Capital increase by non-controlling shareholders	(10,289)	(223)	20,686
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>(55,063)</u>	<u>(17,950)</u>	<u>4,503,788</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>236,110</u>	<u>(1,359,095)</u>	<u>2,696,283</u>
Cash and cash equivalents at the beginning of the period	1,403,955	2,763,050	66,767
Cash and cash equivalents at the end of the period	1,640,065	1,403,955	2,763,050

The accompanying notes are an integral part of these consolidated financial statements.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

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**1. General information**

PagSeguro Digital Ltd. ("PagSeguro Digital" or the "Company") is a holding company, subsidiary of Universo Online S.A. ("UOL"), referred to together with its subsidiaries as the "PagSeguro Group", was incorporated on July 19, 2017. 99.99% of the shares of PagSeguro Internet S.A. ("PagSeguro Brazil") were contributed to PagSeguro Digital on January 4, 2018 and, PagSeguro Digital maintains control of PagSeguro Brazil.

PagSeguro Brazil is a privately held corporation established on January 20, 2006, headquartered in the city of São Paulo, Brazil, and engaged in providing financial technology solutions and services and corresponding related activities, focused principally on micro-merchants and small and medium-sized businesses ("SMEs").

In addition to our operations carried out by PagSeguro Brazil, on January 4, 2019, PagSeguro Digital acquired 100% of BBN Banco Brasileiro de Negócios S.A. (renamed BancoSeguro S.A. "BancoSeguro" in February 2019), through BS Holding Financeira Ltd. ("BS Holding"), a holding company incorporated under PagSeguro Digital.

On March 15, 2019, PagSeguro Brazil acquired 10% of the share capital of Netpos Serviços de Informática S.A. ("NETPOS"). Total consideration paid amounted to R\$1,500 which was settled in cash. PagSeguro Brazil does not have control of NETPOS operation, based on IFRS 3. NETPOS is not consolidated in these financial statements.

On July 15, 2020 PagSeguro Group constituted a holding company incorporated under PagSeguro Digital called PagSeg Participações Ltda. ("PagSeg") and on October 22, 2020, PagSeguro Group constituted another holding company incorporated under PagSeg called PagBank Participações Ltda. ("PagBank").

On December 30, 2020, Pag Bank acquired 20% of the share capital of BoletoFlex Tecnologia e Serviços LTDA. ("BoletoFlex"). Total consideration paid amounted to R\$15,000 which was settled in cash on January 4, 2021 and on December 31, 2020 this amount was recognized in other liabilities. PagSeguro Brazil does not have control of BoletoFlex operation, based on IFRS 3. BoletoFlex is not consolidated in these financial statements.

PagSeguro Brazil subsidiaries are Net+Phone Telecomunicações Ltda. ("Net+Phone"), Boa Compra Ltda. ("Boa Compra"), BCPS Online Services LDA. ("BCPS"), R2TECH Informática S.A. ("R2TECH"), BIVACO Holding S.A. ("BIVA"), Biva Securitizadora de Créditos Financeiras S.A. ("Biva Sec"), Fundo de Investimento em Direitos Creditórios - PagSeguro ("FIDC"), Tilix Digital S.A. ("TILIX"), YAMÍ Software & Inovação Ltda. ("YAMÍ") RegistraSeguro S.A. ("RegistraSeguro"), CDS Correspondente Bancário LTDA. ("CDS"), Zygo Serviços de Tecnologia S.A. ("ZYGO") and Wirecard Brazil S.A. ("MOIP").

These consolidated financial statements include BS Holding and its subsidiary BancoSeguro, PagSeguro Brazil and its subsidiaries and PagSeg and its subsidiaries.

**1.1. Initial Public Offering ("IPO") and Follow-on public offering**

On January 26, 2018, PagSeguro Digital completed its Initial Public Offering ("IPO"). 50,925,642 new shares were offered by PagSeguro Digital and 70,267,746 shares were offered by the controlling shareholder UOL.

On June 26, 2018, PagSeguro Digital completed its follow-on public offering. 11,550,000 new shares were offered by PagSeguro Digital and 26,400,000 shares were offered by the controlling shareholder UOL.

On October 21, 2019, PagSeguro Digital completed its secondary public offering. A number of 16,750,000 shares were offered by the controlling shareholder UOL, the offering price was US\$39.00 per common share. The Company did not receive any proceeds from the offering.



## 1.2 COVID-19

We have observed that the main impact of the COVID-19 pandemic in our total purchase volume (TPV) has occurred between late March and June 2020, as most of the Brazilian cities were under social isolation and partial shutdowns. The partial shutdowns affected all in store and non-essential businesses, resulting in a severe impact in the Brazilian economy, but also driving small and medium business to pivot to a digital first mindset and adopt online sales channels, resulting in an unprecedented digitalization process of payments and banking in Brazil.

Since early July 2020, most of the cities in Brazil, started a reopening process, with a gradual recovery of important commercial activities such as shopping malls, general retail, restaurants and bars, among other non-essential and in-store businesses.

In addition, we observed a change in the mix of processed debit and credit card payments containing a higher percentage of debit card payments and, within the processed credit card payments, a lower percentage of credit card transactions made in installments in the year ended on December 31, 2020 compared to the year ended on December 31, 2019. This trend is explained by consumer behavior since the beginning of the pandemic, reflecting (i) a slowdown in consumption and transactional activities made in installments, which affected sectors of the economy involving significant purchases in installments, such as general merchandise retailers (e.g., apparel, white goods and electronics), (ii) personal credit cards limits contraction and (iii) the prevalence of the "coronavoucher," representing financial assistance from the Brazilian government for economically vulnerable people, providing them with cash for debit card payments.

In response to COVID-19 we have already taken the following actions, among others:

- The outbreak of COVID-19 presented rapid changes in the Brazilian economy and in the payments industry, accelerating the secular shift from cash to electronic transactions. We entered this crisis leading the financial inclusion process and fostering electronic payment adoption, reaching 7.0 million active merchants and 7.9 million PagBank active users;
- Acquisition of MOIP which has an innovative and experienced team that has built powerful online payment solutions with more than 400 thousand merchants, including e-commerce, marketplaces, and virtual store platforms. In addition, their online solutions are available through application programming interfaces (APIs) and are integrated into more than 40 different virtual store platform systems (e-commerce).
- Our employees are our number one priority. Almost 100% of our workforce is still working from home;
- Initiatives to support our merchants: (i) promotion of online and alternative payment methods: Link of Payments, Online Check out, NFC transactions, and QR Code, (ii) food delivery service PedeFácil, (iii) virtual shopping Zap Commerce, (iv) partnership with Brazilian Post Offices Envio Fácil; (v) virtual QR Code and card for using corona voucher payment (social subsidy paid by the Brazilian government that can be used through PagBank accounts) (vi) 10% QR Code cash back, (vii) cash back for COVID-19 related programs, including corona vouchers and Bolsa Merenda (Brazilian social security benefits for underprivileged students) in the State of Minas Gerais using free PagBank digital accounts, and (viii) unlimited wire transfers;
- Community matters to us: (i) donating thousands of masks to public hospitals located in the most vulnerable regions of São Paulo, (ii) donating thousands of kits containing basic food in the hardest time of COVID-19 and another thousands of kits containing meals before Christmas, (iii) promoting online concerts with donations of cash, food, and health items to UNICEF Brasil, (iv) helping the most vulnerable families in Brazil.

We have a significant variable cost structure mainly related to TPV, such as processing, interchange, card scheme fees and chargebacks. Our marketing and sales expenses are also variable and depends on our strategy to leverage new products and services such as PagBank. We also still accompanying the evolution of the Brazilian economy and reassess, when necessary, the provisions for loss allowance for expected credit losses.

Additionally, we have a solid position in terms of cash, liquidity and working capital levels and in the twelvemonth period ended December 31, 2020, we have not faced any impairment of our assets because of COVID-19.

## **2. Presentation and preparation of the consolidated financial statements and significant accounting policies**

### **2.1. Basis of preparation of the consolidated financial statements**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties. The consolidated financial statements are presented in thousands of Brazilian reais, unless otherwise indicated, which is the functional currency of PagSeguro Group.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying PagSeguro Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

These consolidated financial statements as of December 31, 2020 and 2019 and for the three years ended December 2020, were authorized for issuance by PagSeguro Digital's Board of Directors on March 18, 2021.

### **2.2. Basis of consolidation**

PagSeguro Group consolidates all entities over which it has control. Control is achieved when PagSeguro Group is exposed or has rights to variable returns with its involvement with the investee and can affect those returns through its power over the investee's relevant activities.

Subsidiaries are all entities over which PagSeguro Digital has control. Subsidiaries are fully consolidated from the date PagSeguro Group obtains control of the subsidiary and ceases when PagSeguro Group loses control of the subsidiary. The subsidiaries included in the consolidation are described in Note 4.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

### **2.3. Foreign currencies**

#### **i) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

#### **ii) Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into Reais at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

#### **2.4. Cash and cash equivalents**

Cash and cash equivalents are held for the purpose of meeting short-term cash needs and not for investment or any other purposes. PagSeguro Group classifies as cash equivalents a financial investment that can be immediately converted into a known amount of cash and is subject to immaterial risk of change in value. PagSeguro Group classifies financial instruments with original maturities of three months or less as cash equivalents.

#### **2.5. Financial instruments – initial recognition and subsequent measurement**

##### i) Financial assets

###### Initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss. The classification depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling (such as the financial investment disclosed on Note 7).

Financial assets include cash and cash equivalents, financial investments, accounts receivable, judicial deposits and other receivables.

###### Subsequent measurement

The subsequent measurement of financial assets depends on their classification, which may be (i) financial assets at amortized cost; (ii) financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments); (iii) financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and (iv) financial assets at fair value through profit or loss.

###### Financial assets at amortized cost

Financial assets at amortized cost relating to debt instruments are subsequently measured using the effective interest method and are subject to impairment. Financial assets at amortized cost relating to equity instruments are measured at cost of acquisition. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, accounts receivable, judicial deposits, investments and other receivables.

###### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are presented at fair value in the balance sheet, with the corresponding gains or losses recognized in the statement of income. The Group does not hold any financial asset within this category.

**2.5. Financial instruments—initial recognition and subsequent measurement** (Continued)

*Financial assets at fair value through OCI*

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in Brazilian Treasury Bonds, as disclosed in Note 7.

*Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. The Group does not hold any financial asset within this category.

*Derecognition*

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when:

- The rights to receive cash flows from the asset expire; or
- PagSeguro Group transfers its rights to receive cash flows from the asset, or assumes an obligation to pay the received cash flows in full to a third party under a "pass-through" arrangement; and (a) transfers virtually all the risks and benefits of the asset, or (b) neither transfers nor retains virtually all the risks and benefits of the asset, but transfers control of the asset.

When PagSeguro Group has transferred its rights to receive cash flows from an asset and has not transferred or retained substantially all the risks and benefits of the asset, this asset is recognized to the extent of PagSeguro Group's continuing involvement in the asset. In such case, PagSeguro Group also recognizes an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that PagSeguro Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that PagSeguro Group may be required to repay.

ii) Impairment of financial assets

PagSeguro Group assesses, at the balance sheet date, if there is objective evidence that a financial asset or a group of financial assets is impaired. The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

**2. Presentation and preparation of the consolidated financial statements and significant accounting policies** (Continued)

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ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group applies a credit risk policy taking into consideration the possibility of default by: (a) the card issuers, which have the obligation of transferring to the credit and debit card labels the fees charged for the transactions carried out by their card holders, and/or (b) the acquirers, which are used by the PagSeguro Group to approve transactions with the issuers. To mitigate this risk, the PagSeguro Group has established a Credit and Liquidity Risk Committee, whose responsibility is to assess the level of risk of each of the card issuers served by PagSeguro Group, as discussed in Note 25.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. The Group's debt instruments at fair value through OCI comprise solely investments in Brazilian Treasury Bonds, considered to be low credit risk investments.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss, or amortized cost. PagSeguro Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities include payables to third parties, payables to related parties, trade payables and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, which may be as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities and financial liabilities designated at fair value through profit or loss at initial recognition.

Financial liabilities are classified as held-for-trading if acquired for sale in the short term. This category includes derivative financial instruments which do not meet the hedge accounting criteria defined by IFRS 9 – Financial Instruments.

Gains and losses on held-for-trading liabilities are recognized in the statement of income.

Financial liabilities at amortized cost

After initial recognition, interest-bearing borrowings are subsequently measured at amortized cost, using the effective interest rate method, and are recognized in the statement of income.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in "Financial expenses" in the statement of income.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)**

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*Derecognition*

A financial liability is derecognized when the obligation is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

iv) Financial instruments – offsetting

Financial assets and liabilities are presented net in the balance sheet if, and only if, there is an existing and enforceable legal right to offset the amounts recognized and an intention to offset or to realize the asset and settle the liability simultaneously.

v) Fair value of financial instruments

The fair value of financial instruments actively traded in organized markets is determined based on quoted market prices at the balance sheet date, without a deduction of transaction costs.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These techniques include the use of recent arm's length transactions, reference to other similar instruments, discounted cash flow analysis or other valuation methods.

vi) Current versus non-current classification

The PagSeguro Group presents financial assets and liabilities in the balance sheet based on current and non-current classification. An asset is current when it is: (i) expected to be realized or intended to be sold or consumed in the normal operating cycle; (ii) held primarily for the purpose of trading; (iii) expected to be realized within twelve months after the reporting period; or (iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: (i) it is expected to be settled in the normal operating cycle; (ii) it is held primarily for the purpose of trading; (iii) it is due to be settled within twelve months after the reporting period; or (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

**2.6. Accounts receivable**

Accounts receivable include mainly the receivables from credit/debit card issuers and acquirers originated from transactions through PagSeguro Group payment platform and credit operations.

Based on PagSeguro Brazil's risk assessment, the expected credit loss is not material since the accounts receivable is mainly comprised of transactions approved by large financial institutions that have a low overall risk level based on ratings received from major credit rating agencies. Additionally, these financial institutions are the legal obligors to the accounts receivable. (note 25).

For debit and credit cards receivables from our clients, the credit risk is low based on historical credit losses and is updated considering other external factors, such as credit ratings assigned by FITCH, S&P and Moody's.

Accounts receivable are initially recorded at the present value of expected future cash flows. The accounts receivable from installment transactions are recorded at the estimated present value of future cash flows based on the contractual terms of the transaction.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)**

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PagSeguro Group incurs financial expenses when an election to receive early payment of accounts receivable from financial institutions is made. This financial expense is recognized at the time the financial institution agrees to liquidate the accounts receivable due in installments on a prepaid basis, and it is recorded as Financial expenses in the statement of income.

**2.7. Inventories**

Inventories consist of POS devices. Inventories are stated at historical cost. The Company used the average cost method to account for inventories' cost.

**2.8. Property and equipment**

Property and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items and may also include finance costs related to the acquisition of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to PagSeguro Group and that such benefits can be reliably measured. The carrying amount of replaced items or parts is derecognized. All other repairs and maintenance expenses are charged to the statement of income during the year in which they are incurred.

The assets' residual values and useful lives are reviewed at the end of each reporting period, and adjusted on a prospective basis, if appropriate. Depreciation is calculated using the straight-line method, based on the estimated useful lives, as shown below:

Data processing equipment (includes the POS devices)	2.5 to 5 years
Building leasings	10 years
Machinery and equipment	5 to 10 years
Other assets	5 to 10 years

During 2020, the Company reviewed the estimated useful lives of these assets and no significant change was identified.

An item of property and equipment is derecognized upon disposal or when future economic benefits are expected from its use or disposal. Any gain or loss on disposal (calculated as the difference between the net disposal proceeds with the carrying amount of the asset) is recognized within "Other (expenses) income, net" in the statement of income when an asset is derecognized.

An asset's carrying amount is immediately written down to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount. See note 2.10.

**2.9. Intangible assets**

Software licenses are recorded at historical cost. Software licenses are amortized on the straight-line basis over the estimated useful life of the software which is approximately five years.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by PagSeguro Group are recognized as intangible assets.

Directly attributable costs relating to internal development of software are capitalized as part of the software product, which mainly includes costs incurred with employees and third-party contracted services.

Other development expenditures that do not meet the capitalization criteria are expensed as incurred. Development costs previously recorded as an expense are not recognized as an asset in a subsequent period and are included in the income statement.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)**

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Capitalized computer software development costs are amortized over their estimated useful lives which are reviewed at the end of each reporting period, and adjusted on a prospective basis, if appropriate. In 2019 the useful life of software's developed was changed from three years to five years from the date that technological feasibility is met. This change was based on the following assumptions: i) business strategy, ii) history of use of goods/technology, iii) guarantee of suppliers, iv) technical quality of assets and v) preventive maintenance.

**2.10. Impairment of non-financial assets**

The PagSeguro Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the PagSeguro Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on most recent budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Goodwill is impaired when the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

**2.11. Payables to third parties**

Payables to third parties refer to funds payable and amounts due to merchants that use PagSeguro Brazil platform. PagSeguro Group recognizes a liability for the transaction amount, net of the transaction cost that will be made available to the merchant on its PagSeguro account. The payables to third parties from installment transactions are estimated based on the present value of the future cash flows, using average appropriate terms and rates, which are in accordance with the terms of these transactions.

**2.12. Deposits**

The PagSeguro Group has sell-buy back transactions (sales of financial assets with future repurchase agreement). Such repurchase agreements are recorded in term deposits accounts when refers to certificate deposits operations and interbank deposits accounts for financial letter issuance purposes. The difference between sale price and repurchase price is treated as interest and it is recognized during the term of the agreement by effective interest rate method.

**2.13. Provisions**

Provisions are recognized when PagSeguro Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. When PagSeguro Group expects the value of a provision to be reimbursed, in whole or in part (for example, due to an insurance contract) the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. Expenses associated with any provisions are presented in the statement of income, net of any reimbursements. PagSeguro Group is a party to legal and administrative proceedings.



**2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)**

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Provisions are established for all contingencies related to lawsuits for which it is probable that an outflow of funds will be necessary to settle the contingency/obligation and a reasonable estimate can be made. The assessment of the likelihood of loss includes the evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their importance in the legal system, as well as the opinion of outside legal counsel. The provisions are reviewed and adjusted to reflect changes in circumstances.

**2.14. Revenue and income**

Revenue from contract with customers is recognized as control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services in the ordinary course of PagSeguro Group's activities. Revenue is presented net of sales and excise taxes and returns.

PagSeguro Group's revenue from contract with customers substantially comprises:

- Revenue from transaction activities and other services: Revenue from fees charged for intermediation of electronic payments, and other services such as prepaid cards, which are recognized at the time the purchase is approved by the financial institution. Revenues from fees charged for intermediation of electronic payments are recognized on a gross basis and related transaction costs are recognized as Cost of sales and services, since PagSeguro Group is the principal in the intermediation transaction. PagSeguro Group has primary responsibility for providing the services to customers and directly sets the prices for such services, independently from the related transaction costs agreed between PagSeguro Group and the card schemes or card issuers.
- Revenue from sales (recognized until August 30, 2019): Revenue from sales of POS devices and similar items, which is recognized when control of a good is transferred to the customers, i.e., on delivery of the equipment. Under Brazilian consumer law, clients have seven days after ordering Point of Sale equipment ("POS devices") to cancel the purchase. Returns of devices are accounted for as deductions from revenue from sales at the time the equipment is returned. Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location.
- Revenue from membership fee: Beginning on September 1st, 2019, the Company charges a non-refundable membership fee at the inception of the contract with customers that provides access to the PagSeguro Group ecosystem. Revenue related to the non-refundable membership fee has been deferred according to the PagSeguro clients' internal metrics and recognized in deferred revenues.
- Income is mostly comprised of financial income recognized because of the discount rate charged on the early payments of payables to third parties (merchants). The income is recognized at the time the merchant agrees to receive a sale in installments on an early payment basis, and it is recorded as financial income in the statement of income.

**2.15. Current and deferred income tax and social contribution**

Current income tax and social contribution

Tax assets and liabilities for the current year are calculated based on the expected recoverable amount or the amount payable to the tax authorities. The tax rates and tax laws used to calculate the amount are those enacted or substantively enacted at the balance sheet date in the countries where PagSeguro Group operates and generates taxable income.

Current income tax and social contribution related to items recognized directly in equity are recognized in equity. PagSeguro Group periodically evaluates the tax positions involving interpretation of tax regulations and establishes provisions when appropriate.

Deferred taxes

Deferred taxes arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reals unless otherwise stated)

**2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)**

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Deferred tax liabilities are recognized for all temporary taxable differences, except in the following situations:

- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit; and
- On temporary tax differences related to investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized on all deductible temporary differences and tax loss carryforwards, to the extent that it is probable that taxable profit will be available against which they can be offset, except:

- When the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss; and
- On the deductible temporary differences associated with investments in subsidiaries. Deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and a deferred tax asset is recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed, at each reporting date and are recognized to the extent that it has become probable that future taxable profits will be available to allow their utilization.

Based on the local law of the Cayman Islands (specifically, the Companies Law of 1960), there is no taxation on the income earned by companies organized in this jurisdiction. Therefore, PagSeguro Digital has no income tax impacts in the Cayman Islands.

For the subsidiaries of PagSeguro Digital, deferred tax assets and liabilities are measured using the prevailing tax rates in the year in which the assets will be realized, and the liabilities will be settled. The currently defined tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes, except for BancoSeguro, which currently defined tax rates of 25% for income tax and 20% for social contribution.

Deferred tax assets and liabilities are presented on a net basis when there is legally or contractually enforceable right to offset the tax asset against the tax liability, and the deferred taxes are related to the same taxable entity and subject to the same tax authority.

**2.16. Employee benefits – Profit sharing**

PagSeguro Group recognizes a liability and an expense for profit sharing subject to achievement of operational targets and performance established and approved at the beginning of each fiscal year. PagSeguro Group recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

**2.17. Business combination and goodwill**

PagSeguro Group accounts for business combinations using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, based on its fair value on the acquisition date. Costs directly attributable to the acquisition are expensed as incurred. The assets acquired, and liabilities assumed are measured at fair value, classified and allocated according to the contractual terms, economic circumstances and relevant conditions on the acquisition date. PagSeguro Group recognizes any non-controlling interest in the acquired business either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquired businesses' identifiable net assets. Non-controlling interests are determined upon each acquisition. Acquisition-related costs are accounted for in the statement of income as incurred.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)  
As of December 31, 2020  
(All amounts in thousands of reais unless otherwise stated)

**2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)**

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Goodwill is measured as the excess of the consideration transferred over the fair value of net assets acquired. If the consideration transferred is smaller than the fair value of net assets acquired, the difference is recognized as a gain on bargain purchase in the statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9.

**2.18. Treasury shares**

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the PagSeguro Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in equity.

**2.19. Share-based payments (LTIP and LTIP Goals)**

Members of the Company's management participate in a Long-Term Incentive Plan, or LTIP, which was established by UOL for its group companies on July 29, 2015 and has been adopted by PagSeguro Digital. Beneficiaries under the LTIP are selected by UOL's LTIP Committee, which consists of the Chairman and two officers of UOL and are submitted to our Board of Directors for adoption. In this plan employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made.

That cost is recognized in personnel expenses (Note 23), together with a corresponding increase in equity over the period in which the service is fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense in the statement of profit or loss represents the movement in cumulative expense recognized as at the beginning and end of the year. No expense is recognized for awards that do not ultimately vest because service conditions have not been met.

The LTIP-Goals plan was established at PagSeguro Brazil on December 18, 2018, as approved by the Company's board of directors, and last amended by the Company's board of directors on January 19, 2021. Beneficiaries under the LTIP-Goals plan are granted awards, which may be payable in cash, Class A common shares or a combination of the two, at the discretion of the LTIP-Goals Committee based on the goals established in the Company's corporate results-sharing plan for any given year. If any portion of an award is payable in cash, the relevant amount in Brazilian Reais was determined on the last business day of January for awards related to 2019 and 2020. For awards related to 2021 and beyond, the LTIP-Goals Committee will set a determination date that falls no later than on the last business day of March following the year for which such amount was awarded. Under the LTIP-Goals plan, the relevant payment shall be made and/or Class A common shares delivered within 10 business days of that determination date.

### **2.20. New accounting standards not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of our consolidated financial statements are disclosed below. We intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### ***IFRS 17 Insurance Contracts***

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective as from January 1, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The Group does not expect the new standard to materially impact its results of operations.

### **2.21. New accounting standards adopted in 2020.**

The accounting policies adopted in the preparation of the Consolidated financial statements for the year ended December 31, 2020 are consistent with those adopted for the year ended December 31, 2019, except for the changes required by the pronouncements, interpretations and standards which became effective on January 1, 2020, as described below.

#### ***Amendments to IFRS 3: Definition of a Business***

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants can replace any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

#### ***Amendments to IAS 1: Definition of Material***

IASB has made amendments to IAS 1 – Presentation of Financial Statements which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify: That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The Group has adopted the amendments on its effective date, January 1, 2020 and did not have a material impact on our consolidated financial statements and disclosures.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**2. Presentation and preparation of the consolidated financial statements and significant accounting policies (Continued)**

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***IFRS 16–Leases***

This standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and replaces IAS 17–“Leases” and related interpretations. Management has performed an assessment and did not identify any material impacts in the implementation. In January 2020, PagSeguro entered into a lease agreement and recorded in their financial statements, the office (right-of-use) in the amount of R\$79,718, which was calculated considering the discount rate of 2.15% per year. Consequently, in December 2020, PagSeguro have a liability in other liabilities (R\$ 12,833 as current other liabilities and R\$59,223 as non-current other liabilities) and an asset in property and equipment.

Additionally, recognized R\$12,239 in administrative expenses (depreciation), R\$699 in financial expenses in the twelve-month period ended December 31, 2020 and also amortized R\$11,490 as the payment of the liability related to the leasing contract.

**3. Accounting estimates and judgments**

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, PagSeguro Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The main estimates and assumptions are addressed below:

**3.1. Estimated useful life of intangible assets**

PagSeguro Group uses an estimated useful life to calculate and record the amortization applied to its intangible assets which may differ from the actual term over which the intangible assets are expected to generate benefits for PagSeguro Group.

The amortization of software usage rights is defined based on the effective period of the license contracted. The amortization of internally developed software is defined based on the period over which the software will generate future economic benefits for PagSeguro Group.

**3.2. Deferred income tax and social contribution**

PagSeguro Group recognizes deferred income tax and social contribution based on future taxable profit estimates for the next ten years. These projections are periodically reviewed and approved by management.

**3.3. Provision for contingencies**

PagSeguro Group recognizes provisions for civil, tax and labor lawsuits. The assessment of probability of loss includes assessing the available evidence and jurisprudence, the hierarchy of laws and most recent court decisions. Provisions are reviewed and adjusted to consider changes in circumstances such as the applicable limitation period, findings of tax inspections and additional exposures identified based on new issues or court decisions.

**3.4. Measurement of loss allowance for expected credit losses**

For accounts receivable from cards issuers, PagSeguro Group uses a provision matrix to calculate ECLs. The provision rates are based on the internal credit rating that consider external information, such as ratings given by major rating agencies and forward-looking factors specific to the debtors and the economic environment.

Notes to the consolidated financial statements (Continued)  
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**3. Accounting estimates and judgments (Continued)**

For loans and credit cards receivable with our clients, the provision rates are based on days past due and internal credit rating (i.e. the capacity and historical payments linked to the Client). The provision is initially based on the Group's historical observed default rates. PagSeguro periodically reassesses the premises to adjust the historical credit loss experience with prospective information every year. Therefore, if any external factor, as a representative fall-off in forecast economic indicators and unstable economic scenario indicates an increase in number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the future estimates are analyzed and adjusted.

**3.5. Business combinations**

Businesses combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company to, and liabilities assumed by the Company from the former owners of the acquiree, the amount of any non-controlling interest in the acquiree, and the equity interests issued by the Company in exchange for control of the acquiree.

For each acquisition, management's judgment must be exercised to determine the fair value of the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, applying estimates or judgments in techniques used, especially in forecasting CGU's cash flows, in the computation of weighted average cost of capital ("WACC") and estimation of inflation during the identification of intangible assets with indefinite live, mainly, goodwill and developed software's, as described in Note 11.

**4. Consolidation of subsidiaries**

Company	As of December 31, 2020					
	Assets	Liabilities	Equity	Net income (loss) for the period	Ownership - %	Level
PagSeguro Brazil	20,089,735	11,716,120	8,373,615	1,238,345	99.99	Direct
BS Holding	488,173	—	488,173	54,658	99.99	Direct
Pagseg Participações	2	—	2	—	99.99	Direct
Pagbank Participações	15,001	15,000	1	—	99.99	Indirect
Net+Phone	340,829	33,100	307,729	(82,694)	99.99	Indirect
Boa Compra	431,624	268,731	162,893	29,751	99.99	Indirect
BCPS	2,410	476	1,934	(205)	99.50	Indirect
R2TECH	12,511	1,639	10,872	8,864	99.99	Indirect
BSEC	488,988	488,616	372	431	99.99	Indirect
BIVA	18,532	660	17,872	(193)	99.99	Indirect
FIDC	3,422,207	327,070	3,095,137	1,903,304	100.00	Indirect
TILIX	8,361	979	7,382	(6,240)	99.99	Indirect
BancoSeguro	5,364,406	4,891,653	472,753	56,120	100.00	Indirect
Yamí	1,453	489	964	834	99.99	Indirect
RegistraSeguro	5,000	—	5,000	(50)	99.99	Indirect
CDS	4,724	1,073	3,651	(1,430)	99.99	Indirect
Zygo	2,310	2,078	232	(1,652)	99.99	Indirect
Moip	741,689	560,536	181,153	9,207	100.00	Indirect

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**4. Consolidation of subsidiaries** (Continued)

PagSeguro Brazil: is engaged in providing financial technology solutions and services and the corresponding related activities. PagSeguro Brazil has investments in the following companies:

- **Net+Phone:** Until September 2019 the Company is mainly engaged in acquisition and selling POS devices and similar items, after that the Company is focused on exploration and provide services of telecommunications in general, as well as the practice of any activities necessary or useful for the execution of these services;
- **Boa Compra:** Allows its clients to operate in cross-border transactions where the merchant and consumer are located in different countries across Latin America, Spain, Portugal and Turkey.
- **BCPS:** BCPS's main activity is to serve as Boa Compra's hub in Portugal and handles part of its account management.
- **R2TECH:** On May 2, 2017, PagSeguro Brazil acquired 51.0% and the remaining 49.0% in February 2019, obtained 100% of the share capital of R2TECH. R2TECH's main activity is in the information technology industry, focused on the processing of back-office solutions, including sales reconciliation, gateway solutions and services and the capture of credit cards with acquirers and sub acquirers.
- **BIVA:** On October 3, 2017, PagSeguro Brazil acquired a controlling interest of 51.4% in BIVACO Holdings S.A., whose main objective is to acquire participations in other companies, commercial or civil, as partner, shareholder or quota holder, as well as the management of these holdings.

In 2017, 2018 and 2019 PagSeguro Brazil made successive acquires of additional interests in BIVA concluding on April 1, 2019, PagSeguro acquire of additional interest of 22.65% of the issued shares of BIVA. This purchase increased PagSeguro Brazil's interest to 100% of BIVAs shares. BIVA has investments in the following subsidiaries:

- **Biva Serviços Financeiros S.A ("Biva Serv"):** whose main objective is the intermediation among investors, financial institutions and credit borrowers via an electronic platform;
- **Biva Correspondente Bancário Ltda ("Biva cor"):** whose main objective is to structure peer-to-peer financing for small and medium enterprises following the crowdfunding model.
- **Biva Sec:** This Company was an invested of BIVA until October 31, 2019, in this date Pagseguro Brazil turn this investing directly. The company main objective is to acquire and securitize our credit solutions of PagSeguro Group, such as, loans and credit card operation.
- **FIDC:** FIDC is an investment fund which was formed on October 4, 2017, to finance the growth of PagSeguro Brazil's early payment of receivables feature by acquiring payables to third parties held by PagSeguro Brazil ("Assignor"). PagSeguro Brazil consolidates the financial statements of FIDC, since the risks of default and the responsibility for the payment of expenses and administration fees related to the FIDC are linked to subordinated quotas held by the PagSeguro Brazil.

On March 29, 2018, third party investors contributed capital in the amount of R\$20 million in FIDC, acquiring only senior and mezzanine quotas of the FIDC. On November 3, 2020, third party withdraw their capital in the amount of R\$10 million related to the senior quotas. Therefore, as of December 31, 2020, FIDC was composed by third party mezzanine quotes in the amount of R\$ 10 million, which pay 107% of the Brazilian Interbank Deposit Certificate (CDI) with annual amortization of interest.

On December 31, 2020, the share capital of FIDC is comprised of subordinated quotas, and mezzanine quotas. PagSeguro Brazil owns 100% of the subordinated quotas.

- **TILIX:** On December 5, 2018, PagSeguro Brazil acquired 100% of the share capital and obtained the control of TILIX. The company provides software development for managing payment solutions for B2C and B2B.
- **YAMÍ:** On August 9, 2019, PagSeguro Brazil acquired 100% of the share capital and obtained the control of YAMÍ. The Company provides a back-office platform for e-commerce and marketplace.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**4. Consolidation of subsidiaries** (Continued)

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- **RegistraSeguro:** On October 2, 2019, PagSeguro Brazil constituted the Company by investing R\$5,000 in share capital. The Company provides financial services and software developments related to financial market.
- **CDS:** On August 31, 2020, PagSeguro Brazil acquired 100% of the issued shares of CDS. Total consideration paid amount to R\$2,379, which was settled in cash on the same date. We expect that this acquisition will allow PagSeguro to expand product and services offering (note 11).
- **Zygo:** On July 23, 2020, PagSeguro Brazil acquired 100% of the issued shares of Zygo. Total consideration paid amount to R\$8,000, which R\$5,053 was settled in cash on the same date and the remaining portion of purchase price will be retained for eventual debt. We expect that this acquisition will allow PagSeguro to expand product and services offering (note 11). ZYGO is a multisided customer engagement and loyalty platform that enables micro, small and medium sized merchants to acquire, engage and grow their customer base by offering customized marketing and loyalty programs and providing consumer insights and analytics.
- **MOIP:** On October 31, 2020, PagSeguro Brazil acquired 100% of the share capital of Wirecard Brasil S.A. ("MOIP"). Total consideration paid amounted to R\$358,609 which R\$307,855 was settled in cash on the same date, and the remaining portion of purchase price will be paid later. The company provides an online payment platform and end-to-end payment processing for e-commerce and marketplaces. (note 11).
- **BS Holding:** is a holding company whose main objective is to acquire participations in other companies, mainly related to banking and financial services, as partner, shareholder or quota holder, as well as the management of these holdings. On January 4, 2019, BS Holding acquired 100% of BBN Banco Brasileiro de Negócios S.A. (renamed BancoSeguro S.A. in February 2019). BancoSeguro, organized in Brazil, through our fully owned direct subsidiary BS Holding. BancoSeguro holds a license to provide financial services, the main product of BancoSeguro are the deposits of our customers and provides banking solutions for our other Companies in the Group.
- **PagSeg Participações Ltda. ("PagSeg"):** On July 15, 2020, PagSeguro Group constituted the Company, a holding company incorporated under PagSeguro Digital. whose main objective for the Company is to acquire participations in other companies, commercial or civil, as partner, shareholder or quota holder, as well as the management of these holdings.
- **PagBank Participações Ltda. ("PagBank"):** On October 22, 2020, PagSeguro Group constituted the Company, a holding company incorporated under PagSeg. whose main objective for the Company is to acquire participations in other companies, commercial or civil, as partner, shareholder or quota holder, as well as the management of these holdings.

**5. Segment reporting**

Operating segments are determined based on the information reported and reviewed by the Board of Directors, which is responsible for allocating resources and assessing the performance of the business and to make PagSeguro Group's strategic decisions.

Considering that all decisions are based on consolidated reports, and that all decisions related to strategic and financial planning, purchases, investments and the allocation of funds are made on a consolidated basis, the PagSeguro Group and its subsidiaries operate in a single segment, as financial service agents.

The PagSeguro Group is domiciled in Brazil and has revenue arising from local customers and customers located abroad. The main revenue is related to sales from the domestic market. The international market represents 2.8%, 1.1% and 1% for the years 2020, 2019 and 2018, respectively.



**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**6. Cash and cash equivalents**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Short-term bank deposits	415,388	470,073
Short-term investment	1,224,678	933,882
	<u>1,640,065</u>	<u>1,403,955</u>

Cash and cash equivalents are held for the purpose of meeting short-term cash needs and include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three-month or less, and with immaterial risk of change in value. Short-term investments consist mainly of investments in Brazilian Treasury Bonds ("LFTs") with an average return of 100% of the Basic Interest Rate (SELIC, currently at 2.0% per year and 4.5% in December 2019).

**7. Financial investments**

Consists of investments in Brazilian Treasury Bonds ("LFTs"), in the amount of R\$ 979,837 on December 31, 2020 (2019 – R\$1,349,666) with an average return of 100% of the Basic Interest Rate (SELIC, currently at 2.0% per year and 4.5% in December 2019), are invested to comply with certain requirements for authorized payment institutions as set forth by the Brazilian Central Bank regulation. This financial asset was classified at fair value through other comprehensive income. Unrealized accumulated loss on LFTs as of December 31, 2020 totaled R\$306 (R\$278 in twelve-month period ended December 31, 2020).

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements

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(All amounts in thousands of reais unless otherwise stated)

**8. Accounts receivable**

	December 31, 2020					December 31, 2019				
	Visa	Master	Hipercard	Elo	Total	Visa	Master	Hipercard	Elo	Total
<b>Legal obligors</b>										
Itaú	774,445	2,100,129	627,463	—	3,502,037	727,224	2,217,111	593,858	—	3,538,193
Santander	448,592	2,043,676	—	—	2,492,268	283,348	986,777	—	—	1,270,125
Bradesco	1,759,911	294,631	—	409,384	2,463,926	987,984	163,725	—	242,862	1,394,571
Banco do Brasil	988,772	251,808	—	250,849	1,491,429	765,341	140,774	—	152,327	1,058,442
Nubank	—	1,421,074	—	—	1,421,074	—	594,529	—	—	594,529
Banco Carrefour	107,927	543,513	—	—	651,440	59,681	254,061	—	—	313,742
CEF	158,879	238,196	—	223,354	620,429	145,400	154,473	—	122,324	422,197
Porto Seguro	407,688	87,882	—	—	495,570	174,797	39,543	—	—	214,340
<b>Other (iv)</b>	702,021	1,213,335	—	98,074	2,013,430	388,746	650,854	—	73,677	1,113,276
<b>Total card issuers (i)</b>	<b>5,348,235</b>	<b>8,194,244</b>	<b>627,463</b>	<b>981,661</b>	<b>15,151,603</b>	<b>3,532,521</b>	<b>5,201,847</b>	<b>593,858</b>	<b>591,190</b>	<b>9,919,416</b>
Cielo—Elo	—	—	—	—	209,318	—	—	—	—	153,348
Getnet	—	—	—	—	56,799	—	—	—	—	—
<b>Other acquirers</b>	—	—	—	—	29,031	—	—	—	—	6,662
<b>Total acquirers (ii)</b>	—	—	—	—	295,148	—	—	—	—	160,010
Other current	—	—	—	—	596,220	—	—	—	—	397,753
Other non-current	—	—	—	—	33,570	—	—	—	—	29,943
<b>Total other (iii)</b>	—	—	—	—	629,790	—	—	—	—	427,696
<b>Total accounts receivable</b>	<b>5,348,235</b>	<b>8,194,244</b>	<b>627,463</b>	<b>981,661</b>	<b>16,076,540</b>	<b>3,532,521</b>	<b>5,201,847</b>	<b>593,858</b>	<b>591,190</b>	<b>10,507,122</b>

- (i) Card issuers: receivables derived from transactions where PagSeguro Brazil acts as the financial intermediary in operations with the issuing banks, related to the intermediation agreements between PagSeguro Brazil and Visa, Mastercard, Hipercard or Elo. However, PagSeguro Brazil's contractual accounts receivable are with the financial institutions, which are the legal obligors on the accounts receivable payment. Additionally, amounts due within 27 days of the original transaction, including those that fall due with the first installment of installment receivables, are guaranteed by Visa, Mastercard, Elo or Hipercard, as applicable, in the event that the legal obligors do not make payment.
- (ii) Acquirers: refers to card processing transactions to be received from the acquirers, which are a third parties acting as financial intermediaries between the issuing bank and PagSeguro Brazil.
- (iii) Other accounts receivable: Mainly related to loans and credit card receivables with our customers, this amount is presented net of the expected credit losses.
- (iv) Refers to other pulverized receivables from legal obligors.

The maturity analysis of accounts receivable is as follows:

	2019	2018
Due within 30 days	6,951,315	4,901,532
Due within 31 to 120 days	6,129,039	3,924,348
Due within 121 to 180 days	1,509,449	869,207
Due within 181 to 360 days	1,453,167	782,092
Due after 360 days	33,570	29,943
	<b>16,076,540</b>	<b>10,507,122</b>

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**9. Taxes Recoverable**

	December 31, 2020	December 31, 2019
Income tax and Social contribution (i)	223,057	95,926
Social integration program (ii)	151,165	46,349
Value-added tax on sales and services (iii)	14,646	29,021
Other	107	265
	<b>388,975</b>	<b>171,561</b>

(i) Refers to the income tax and social contribution, the increase is mainly related to withholding taxes from FIDC quotas redeemed in 2020.

(ii) Refers to Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) recoverable on transaction activities and other services and purchase of POS devices.

(iii) Refers to the Value-added Tax on Sales and Services (ICMS) due to purchases of POS devices.

**10. Related-party balances and transactions**

The PagSeguro Group is controlled by UOL (incorporated in Brazil).

i) Balances and transactions with related parties

	December 31, 2020	December 31, 2019
	Payables	Payables
Immediate parent		
UOL – sales of services (a)	15,720	10,575
UOL – shared service costs (b)	12,539	4,229
UOL – deposits (c)	11,391	—
Affiliated companies		
UOL Diveo – sales of services (a)	10,218	3,117
Transfolha Transportadora e Distribuição Ltda.	1,933	1,440
Others	6,535	2,826
	<b>58,336</b>	<b>22,187</b>

(a) Sales of services refers mainly to the purchase of advertising services from UOL.

(b) Shared services costs mainly related to payroll costs that are incurred by the parent company UOL and are charged to PagSeguro Group.

(c) Certificate of deposits (CD) acquired by UOL in 2020 from Banco Seguro.

(d) Sale of services from the affiliated company UOL Diveo related to cloud services.

Notes to the consolidated financial statements (Continued)  
 As of December 31, 2020  
 (All amounts in thousands of reais unless otherwise stated)

**9. Related-party balances and transactions** (Continued)

All transactions with related parties are performed under market conditions, including the CD interest rates and payment terms.

ii) Balances and transactions with related parties

	For the year ended December 31,					
	2020		2019		2018	
	Revenue	Expense	Revenue	Expense	Revenue	Expense
<b>Immediate parent</b>						
UOL – shared service costs (a)	2,878	37,844	2,520	51,033	2,233	52,115
UOL – sales of services (b)	—	177,253	—	168,097	—	133,589
UOL – deposits (c)	—	2,970	—	—	—	—
<b>Affiliated companies</b>						
UOL Diveo – sales of services (c)	—	49,665	—	36,790	—	26,943
Transfolha Transportadora e Distribuição Ltda.	—	23,571	—	17,209	374	18,889
Others	603	2,926	35	1,035	561	588
	<b>3,481</b>	<b>294,229</b>	<b>2,555</b>	<b>274,164</b>	<b>3,168</b>	<b>232,124</b>

(a) Sale of services expenses is related to advertising services from UOL and revenue is related to intermediation fees.

(b) Shared services costs mainly related to payroll costs, sharing that are incurred by the parent company UOL and are charged to PagSeguro. Such costs are included in administrative expenses. The increase in the balance refers mainly to payroll related to LTIP.

(c) Expenses are related to UOL purchase of BancoSeguro's Certificate of Deposits (CD).

(d) UOL Diveo expenses are related to cloud services.

iii) Key management compensation

Key management compensation includes short and long-term benefits of PagSeguro Brazil's executive officers. The short and long-term compensation related to the executive officers for the twelve-month period ended December 31, 2020 amounted to R\$104,568 (December 31, 2019 - R\$126,749 and R\$99,331 in 2018, respectively).

**11. Business combinations**

On January 4, 2019, PagSeguro Digital acquired 100% of the share capital and obtained control of BBN Banco de Negócios S.A (renamed BancoSeguro S.A. in February 2019). Total consideration paid in cash amounted to R\$59,765 and the total net assets acquired at fair value amounted to R\$44,549, which included a separately identified intangible asset with a fair value of R\$2,605, presenting the license to operate the banking business, resulting in the recognition of goodwill of R\$12,611. The purchase price allocation was completed in 2019.

On August 9, 2019, PagSeguro Brazil acquired 100% of the share capital and obtained control of YAMÍ. Purchase price amounted to R\$3,000 and the total net liabilities acquired at fair value amounted to R\$19. The initial consideration paid in cash amounted to R\$1,350 and the remaining will be paid in installments. The purchase price allocation was completed in June, 2020, which included the recognition of two separately identified intangible assets with a fair value of R\$1,510 and R\$127, related to software and non-compete agreement, respectively, and R\$68 related to contingencies, resulting in the recognition of goodwill of R\$1,450.

On July 23, 2020, PagSeguro Brazil acquired 100% of the share capital and obtained control of Zygo. Total consideration amounted to R\$8,000 and the total net assets acquired at fair value amounted to R\$1,883, resulting in the preliminary recognition of goodwill of R\$6,117. The consideration paid in cash amounted to R\$5,053 and the remaining portion of purchase price will be retained for eventual debt.

On August 31, 2020, PagSeguro Brazil acquired 100% of the share capital and obtained control of CDS. Total consideration paid in cash amounted to R\$2,379 and the total net assets acquired at fair value amounted to R\$2,379, resulting in no goodwill.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**11. Business combinations** (Continued)

On October 31, 2020, PagSeguro Brazil acquired 100% of the share capital and obtained control of MOIP. Purchase price amounted to R\$358,609 and the total net assets acquired at fair value amounted to R\$171,946. The initial consideration paid in cash amounted to R\$307,855 and the remaining portion in amount of R\$50,754 was recognized in other liabilities and will be paid later. The preliminary purchase price allocation ("PPA") was completed on December 31, 2020, which included the recognition of a customer portfolio with a fair value of R\$58,506, resulting in the recognition of goodwill of R\$128,157, which is attributable mainly to operational synergy and cost reductions. The PPA was calculated using projections for the period of five years based on management's budgets for MOIP and applying a long-term growth rate based on the estimated gross domestic product ("GDP") plus the estimated growth of GDP of services (fluctuating from 5,7% to 6,3% per year) in order to project future cash flows, discount rate based on WACC (fluctuating from 11,7% to 13,3% per year).

These acquisitions are in accordance with PagSeguro Group's business strategies, ramping up investments on new technologies, products and services for our digital ecosystem. The fair value of assets and liabilities of CDS, Zygo and Moip was as follows:

Fair value of assets and liabilities acquired	December 31, 2020	December 31, 2019
Cash and cash equivalents acquired	38,385	44,568
Accounts receivable acquired	537,570	—
Financial investments acquired	177,772	—
Other Assets acquired	30,988	107
Payables to third parties assumed	(566,244)	—
Other liabilities assumed	(42,263)	(436)
Customer portfolio and others	58,506	2,605
Value of net assets	234,714	46,844
Goodwill	134,274	15,925
Purchase cost	368,988	62,769
Consideration for the purchase settled in cash	315,287	61,115
Cash and cash equivalents at the subsidiary acquired	(38,385)	(44,568)
Amount paid on acquisitions less cash and cash equivalents acquired	276,902	16,547

**12. Property and equipment**

a) Property and equipment are composed as follows:

	December 31, 2020		
	Cost	Accumulated depreciation	Net
Data processing equipment	77,413	(35,572)	41,841
Machinery and equipment (i)	1,881,556	(204,154)	1,677,403
Buildings Leasing (ii)	79,889	(12,623)	67,266
Other	22,115	(6,012)	16,103
	<u>2,060,974</u>	<u>(258,361)</u>	<u>1,802,613</u>

	December 31, 2019		
	Cost	Accumulated depreciation	Net
Data processing equipment	65,116	(18,578)	46,538
Machinery and equipment (i)	371,741	(28,512)	343,229
Other	12,506	(2,283)	10,223
	<u>449,363</u>	<u>(49,373)</u>	<u>399,990</u>

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**11. Property and equipment (Continued)**

b) The changes in cost and accumulated depreciation were as follows:

	Data processing equipment	Machinery and equipment (i)	Buildings Leasing (ii)	Other	Total
<b>At December 31, 2018</b>					
Cost	23,334	44,757	—	10,516	<b>78,607</b>
Accumulated depreciation	(7,815)	(3,096)	—	(592)	<b>(11,503)</b>
Net book value	<u>15,519</u>	<u>41,661</u>	<u>—</u>	<u>9,924</u>	<u>67,104</u>
<b>At December 31, 2019</b>					
Cost					
Purchases	45,959	327,766	—	2,081	375,806
Disposals	(4,177)	(782)	—	(91)	(5,050)
Depreciation	(10,763)	(25,416)	—	(1,691)	(37,870)
Net book value	<u>46,538</u>	<u>343,229</u>	<u>—</u>	<u>10,223</u>	<u>399,990</u>
<b>At December 31, 2019</b>					
Cost	65,116	371,741	—	12,506	449,363
Accumulated depreciation	(18,578)	(28,512)	—	(2,283)	(49,373)
Net book value	<u>46,538</u>	<u>343,229</u>	<u>—</u>	<u>10,223</u>	<u>399,990</u>
<b>At December 31, 2020</b>					
Cost	12,297	1,509,815	79,889	9,609	1,611,611
Purchases	10,820	1,519,280	79,715	3,789	1,613,604
Disposals	(1,509)	(9,838)	(684)	(74)	(12,105)
Acquisition of subsidiary	2,986	374	857	5,894	10,112
Depreciation	(16,994)	(175,642)	(12,623)	(3,729)	(208,987)
Depreciation	(15,596)	(175,805)	(12,227)	(1,000)	(204,628)
Disposals	21	264	—	17	302
Acquisition of subsidiary	(1,419)	(101)	(396)	(2,746)	(4,661)
Net book value	<u>41,841</u>	<u>1,677,403</u>	<u>67,266</u>	<u>16,103</u>	<u>1,802,613</u>
<b>At December 31, 2020</b>					
Cost	77,413	1,881,556	79,889	22,115	2,060,974
Accumulated depreciation	(35,572)	(204,154)	(12,623)	(6,012)	(258,361)
Net book value	<u>41,841</u>	<u>1,677,403</u>	<u>67,266</u>	<u>16,103</u>	<u>1,802,613</u>

(i) Net book value of machinery and equipment includes RS1,835,928 of POS devices. (RS367,876, as of December 31, 2019), which are amortized over 5 years. The depreciation of POS devices in twelve-month period ended December 31, 2020, amounted to RS172,519 (RS25,237 in the twelve-month period ended December 31, 2019).

(ii) As described in Note 2.20, the Company recognized in 2020 the right of use of a building in the amount of RS79,715 and a corresponding liability in the same amount. The administrative (depreciation) twelve-month period ended December 31, 2020 is RS12,227. In addition, the lease liability in the amount of RS72,056 as of December 31, 2020 is disclosed as Other liabilities.

**13. Intangible assets**a) Intangible assets are composed as follows

	December 31, 2020		
	Cost	Accumulated amortization	Net
Expenditures related to software and technology (i)	1,319,061	(501,319)	817,742
Software licenses	103,257	(29,060)	74,196
Goodwill (ii)	169,667	—	169,667
Other	62,784	(771)	62,014
	<u>1,654,770</u>	<u>(531,150)</u>	<u>1,123,620</u>
	December 31, 2019		
	Cost	Accumulated amortization	Net
Expenditures related to software and technology (i)	787,970	(302,031)	485,939
Software licenses	58,247	(13,492)	44,755
Goodwill (ii)	54,858	—	54,858
Other	4,586	(585)	4,001
	<u>905,661</u>	<u>(316,108)</u>	<u>589,553</u>

(i) The PagSeguro Group capitalizes expenses incurred with the development of platforms, which are amortized over their useful lives of approximately five years.

(ii) The balances comprise the goodwill arising from the acquisition of the companies R2TECH, BIVA, BancoSeguro, Yani, Zygo and Moip.

The amount of goodwill is mainly represented by the acquisition of MOIP (note 11). Management has reviewed the assumptions applied in the preliminary purchase price allocation prepared at the date of the transaction and no significant variances were observed from that date to December 31, 2020.

For the remaining goodwill originated from other acquisitions, its recoverability was tested using projections for the period of five years based on the management's budgets for the related subsidiaries and applying a long-term growth rate based on the estimate of gross domestic product (3,34% in 2021, 2,51% in 2022, 2,44% in 2023 and 2,49% in 2024) and inflation rates (3,01% in 2021, 3,39% in 2022, 3,33% in 2023 and 3,27% in 2024) in order to project future cash flows, discounted at a rate based on WACC (fluctuating from 6% to 13% per year) calculated for each subsidiary with goodwill.

Based on these assessments, Management concluded that the book balances recorded on December 31, 2020 of the respective assets are recoverable, since the estimated value for UGC was higher than its book value and, therefore, no provision for impairment of intangible assets was accounted for.

**PagSeguro Digital Ltd.**

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(All amounts in thousands of reais unless otherwise stated)

**12. Intangible assets (Continued)**

b) The changes in cost and accumulated amortization were as follows:

	<u>Expenditures with software and technology</u>	<u>Software licenses</u>	<u>Goodwill</u>	<u>Other</u>	<u>Total</u>
<b>At December 31, 2018</b>					
Cost	462,282	17,227	40,574	1,981	522,064
Accumulated amortization	(211,929)	(4,073)	—	(448)	(216,450)
Net book value	<u>250,353</u>	<u>13,154</u>	<u>40,574</u>	<u>1,533</u>	<u>305,614</u>
<b>At December 31, 2019</b>					
Cost					
Additions	326,771	42,517	—	—	369,288
Disposals	(2,724)	(1,497)	—	—	(4,221)
Acquisition of subsidiary	1,641	—	14,284	2,605	18,530
Amortization					
Amortization	(90,102)	(9,419)	—	(137)	(99,658)
Net book value	<u>485,939</u>	<u>44,755</u>	<u>54,858</u>	<u>4,001</u>	<u>589,553</u>
<b>At December 31, 2019</b>					
Cost	787,970	58,247	54,858	4,586	905,661
Accumulated amortization	(302,031)	(13,492)	—	(585)	(316,108)
Net book value	<u>485,939</u>	<u>44,755</u>	<u>54,858</u>	<u>4,001</u>	<u>589,553</u>
<b>At December 31, 2020</b>					
Cost	531,091	45,010	114,809	58,198	749,109
Additions (i)	485,608	42,138	134,274	58,633	720,653
Disposals (ii)	(6,308)	—	(19,465)	(447)	(26,220)
Acquisition of subsidiary (iii)	51,791	2,871	—	13	54,675
Amortization	(199,289)	(15,569)	—	(186)	(215,043)
Amortization	(164,319)	(15,153)	—	(180)	(179,652)
Disposals	2,667	—	—	—	2,667
Acquisition of subsidiary (iii)	(37,636)	(416)	—	(5)	(38,057)
Net book value	<u>817,742</u>	<u>74,196</u>	<u>169,667</u>	<u>62,014</u>	<u>1,123,620</u>
<b>At December 31, 2020</b>					
Cost	1,319,061	103,257	169,667	62,784	1,654,770
Accumulated amortization	(501,319)	(29,060)	—	(771)	(531,150)
Net book value	<u>817,742</u>	<u>74,196</u>	<u>169,667</u>	<u>62,014</u>	<u>1,123,620</u>

(i) Refers to pulverized expenditures with software and technology, mainly related to customer experience, such as, digital payment and digital banking account. Goodwill recorded in business combinations acquisitions, mainly related to MOIP and other is related to purchase price allocation of MOIP (customer portfolio), note 11.

(ii) Goodwill disposals refers to goodwill recorded in prior years related to business combinations acquisitions.

(iii) Relates to intangible assets from MOIP, ZYGO and CDS, which were acquired in 2020.



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**14. Payables to third parties**

Payables to third parties, in the amount of R\$10,101,510 on December 31, 2020 (2019 – R\$5,326,290) correspond mainly to amounts to be paid to merchants with respect to transactions carried out by their card holders, net of the intermediation fees and discounts applied, the increase in the balance is directly related to the increase of these amounts that we need to pay to merchants due to increase in total transactions. PagSeguro Brazil's average settlement terms agreed upon with commercial establishments is up to 14 days. The amount of R\$ 739,951 (R\$1,187,609, as of December 31, 2019) are the balance of transactions settled on merchant's payment account and it is available to be used by them.

**15. Deposits**

Refers to certificate deposit operated by Pagseguro Group initiated in 2020.

	Interest rate (P.A.)	December 31,	
		2020	2019
Certificate of Deposit	164% of CDI	604,916	—
Corporate Securities	158% of CDI	161,170	—
		<b>766,086</b>	<b>—</b>
Current		571,996	—
Non-Current		194,090	—

The maturity analysis of deposits is as follows:

	December 31, 2020	December 31, 2019
Due within 30 days	5,231	—
Due within 31 to 120 days	77,812	—
Due within 121 to 180 days	53,000	—
Due within 181 to 360 days	435,952	—
Due to 361 days or more days	194,091	—
	<b>766,086</b>	<b>—</b>

**16. Salaries and social charges**

	December 31, 2020	December 31, 2019
Profit sharing (i)	80,665	50,473
Salaries payable (ii)	—	8,045
Social charges	24,776	9,416
Payroll accruals	53,264	27,503
Payroll taxes (LTIP)	11,029	7,323
Other	5,464	4,053
	<b>175,198</b>	<b>106,812</b>

(i) Relates to employees' bonuses on goals achieved.

(ii) PagSeguro changed in 2020 the salary payment policy to the last day of the month.

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**17. Taxes and contributions**

	December 31, 2020	December 31, 2019
<b>Taxes</b>		
<b>Services tax and other (i)</b>	<b>157,066</b>	<b>223,529</b>
Value-added tax on sales and services (ii)	29,678	31,400
Social integration program (iii)	24,984	22,216
Social contribution on revenues (iii)	153,626	136,682
Income tax and social contribution (iv)	6,336	726
Other	8,841	4,489
	<b>380,531</b>	<b>419,042</b>
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Judicial deposits (v)		
Services tax (i)	(150,121)	(108,026)
Value-added tax on sales and services (ii)	(29,114)	(31,028)
Social integration program (iii)	(24,498)	(21,804)
Social contribution on revenues (iii)	(150,756)	(134,180)
	<b>(354,489)</b>	<b>(295,038)</b>
	<b>26,042</b>	<b>124,004</b>

(i) PagSeguro reversed R\$84,294 in June 2020, based on the review of assessment related to the taxation of PIS/COFINS on financial income.

(ii) Refers to the Value-added Tax on Sales and Services (ICMS) due by Net+Phone, related to tax substitution and tax rate differential, applied on sales of POS devices.

(iii) Refers mainly to Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) charged on financial income.

(iv) Refers to the income tax and social contribution payable.

(v) The PagSeguro Group obtained court decisions to deposit the amount related to the payments in escrow for matters discussed in items "i", "ii" and "iii" above.

**18. Provision for contingencies**

PagSeguro Group is party to labor and civil litigation in progress and are discussing such matters at the administrative and judicial levels, which in some cases the PagSeguro Group has made corresponding judicial deposits. The likelihood of a negative outcome is assessed periodically and adjusted by management, when appropriate. Such assessment includes the opinion of its external legal advisors.

	December 31, 2020	December 31, 2019
Civil	23,238	9,152
Labor	5,566	2,697
	<b>28,804</b>	<b>11,849</b>
Current	17,063	11,849
Non-Current	11,741	—

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The PagSeguro Group is party on tax and civil lawsuits involving risks classified by legal advisors as possible losses, for which no provision was recognized on December 31, 2020, totaling approximately R\$165,862 (December 31, 2019 - R\$67,401). The PagSeguro Group is not a party to labor lawsuits involving risks classified by management as possible losses. Below we demonstrate the movements of the provision for contingencies in the twelve-month period ended December 31, 2020:

At December 31, 2018	7,
Accrual	8,
Settlement	(4,
Interest	1,
At December 31, 2019	11,
Accrual	6,
Acquisition of subsidiary	11,
Settlement	(1,
Interest	28,
At December 31, 2020	28,

**19. Income tax and social contribution**

a) Reconciliation of the deferred income tax and social contribution

	Tax losses	Tax credit	Technological innovation (i)	Other temporary differences assets	Other temporary differences liabilities (ii)	Total
At December 31, 2018	2,911	2,173	(83,179)	64,715	(118,745)	(132,125)
Included in the statement of income	47,223	3,445	(78,032)	44,482	(560,378)	(543,260)
Other	—	—	—	44,436	—	44,436
At December 31, 2019	50,134	5,618	(161,211)	153,633	(679,123)	(630,949)
Included in the statement of income	17,446	(721)	(117,073)	29,462	(348,666)	(419,552)
Other	1,259	—	313	(276)	(94)	1,202
At December 31, 2020	68,839	4,897	(277,971)	182,819	(1,027,883)	(1,049,299)
Deferred tax asset						83,296
Deferred tax liability						(1,132,595)

(i) Refers to the benefit granted by the Technological Innovation Law (Lei do Bem), which reduces the tax charges on the capitalized amount of intangible assets.

(ii) The main other liability temporary difference refers to deferred income tax and social contribution related to our FIDC quotas.

Deferred tax assets are recognized for tax loss carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company expects to realize the deferred tax assets recognized over tax losses on December 31, 2020 during the next 10 years. As of December 31, 2020, Company did not have any unrecognized tax assets. Tax losses do not have expiration date.

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As of December 31, 2020

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**19. Income tax and social contribution** (Continued)

## b) Reconciliation of the income tax and social contribution expense:

PagSeguro Group computed income tax and social contribution under the taxable income method. The following is a reconciliation of the difference between the actual income tax and social contribution expense and the expense computed by applying the Brazilian federal statutory rate for twelve-month periods ended December 31, 2020, 2019 and 2018:

	For the year ended December 31,		
	2020	2019	2018
Profit for the period before taxes	1,774,691	1,912,539	1,217,623
Statutory rate	34 %	34 %	34 %
Expected income tax and social contribution	(603,395)	(650,263)	(413,992)
<b>Income tax and social contribution effect on:</b>			
Permanent additions (exclusions)			
Gifts and donations	(7,175)	(814)	(352)
R&D and technological innovation benefit - Law 11.196/05 (i)	134,247	86,665	58,893
Taxation of income abroad	504	(302)	45,008
Other additions (exclusions)	(6,572)	19,200	3,309
Income tax and social contribution expense	(482,391)	(545,514)	(307,134)
Effective rate	27 %	29 %	25 %
Income tax and social contribution – current	(62,840)	(24,471)	(180,884)
Income tax and social contribution – deferred	(419,551)	(521,043)	(126,331)

(i) Refers to the benefit granted by the Technological Innovation Law (*Lei do Bem*), which reduces the income tax charges, based on the amount invested by PagSeguro Group on specific intangible assets, see Note 13.

**20. Equity**a) Share capital

On December 31, 2020, share capital is represented by 329,016,372 common shares, per value of US\$0.000025. Share capital is composed of the following shares for the Twelve-month period ended December 31, 2020:

December 31, 2018 shares outstanding	327,788,874
Treasury shares	15,000
Long-Term Incentive Plan	1,066,538
Repurchase of common shares	(15,000)
December 31, 2019 shares outstanding	328,855,412
Treasury shares	(350,006)
Long-Term Incentive Plan	1,058,509
Repurchase of common shares	(547,543)
December 31, 2020 shares outstanding	329,016,372

b) Capital reserve

The capital reserve can only be used to increase capital, offset losses, redeem, reimburse or purchase shares or pay cumulative dividends on preferred shares. For the twelve-month period ended December 31, 2020, the Company recognized LTIP expense in the total amount of R\$3,834 (R\$38,992 in the twelve-month period ended December 31, 2019).

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Notes to the consolidated financial statements (Continued)

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(All amounts in thousands of reais unless otherwise stated)

**20. Equity (Continued)**

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c) Share based long-term incentive plan (LTIP and LTIP goals)

On January 26, 2018, beneficiaries under the LTIP were granted rights in the form of notional cash amounts without cash consideration. These rights vest in five equal annual installments starting on the earlier of July 29, 2015 and the beneficiary's employment start date. Under the terms of the LTIP, upon completion of the IPO, the vested portion of each beneficiary's LTIP rights was converted into Class A common shares of PagSeguro Digital at the IPO price (US\$21.50) which is the assessed fair value at the grant date. As a result, the beneficiaries of the LTIP received a total of 1,823,727 new Class A common shares upon completion of the IPO.

The unvested portions of each beneficiary's LTIP rights will be settled on each future annual vesting date in shares.

This arrangement is classified as equity settled. For the twelve-month period ended December 31, 2020, the Company recognized in equity, costs expenses related to the LTIP and LTIP goals in the total amount of R\$75,218 (R\$93,369 and R\$299,037 in the twelve-month period ended December 31, 2019 and 2018, respectively). As of December 31, 2020, the amount of R\$11,029 was accounted for LTIP social charges (note 16) and the expected amount of cash disbursement with withholding income tax in 2021 is R\$41,397.

The maximum number of common shares that can be delivered to beneficiaries under the LTIP may not exceed 3% of our issued share capital at any time. On December 31, 2020 total shares granted were 6,960,139 (1,058,509 shares in the twelve-month period ended December 31, 2020) and the total shares issued were 5,149,671.

d) OCI and Equity valuation adjustments

The Company recognizes in this account the accumulated effect of the foreign exchange variation resulting from the conversion of the financial statements of the foreign subsidiary BCPS, which amounted to R\$959 in the twelve months ended on December 31, 2020 (negative value in R\$425 as of December 31, 2019 and positive value in R\$208 as of December 31, 2018). This accumulated effect will be reverted to the result of the year as gain or loss only in case of disposal or write-off of the investment.

The Financial investments mentioned in Note 5 was classified at fair value through other comprehensive income. Unrealized accumulated loss on LFTs as of December 31, 2020 totaled R\$306 (R\$278 in twelve-month period ended December 31, 2020).

The Company also recognized in this account the difference between the book value and the amounts paid in the acquisitions of additional interests from the non-controlling shareholders of the subsidiary represented by the accumulated amount of R\$22,372 as of December 31, 2020 related to R2TECH, in the amount of R\$11,663 (R\$11,663 as of December 31, 2019), and BIVA, in the amount of 10,709 (R\$10,709 as of December 31, 2019).

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**20. Equity (Continued)**

e) Treasury shares

On October 30, 2018, PagSeguro Digital's board of directors authorized a share repurchase program, under which the PagSeguro Group may repurchase up to US\$250 million in outstanding Class A common shares traded on the New York Stock Exchange (NYSE). The Company's management is responsible for defining the timing and the number of shares to be acquired, within authorized limits. Treasury shares are composed of the following shares for the Twelve-month period ended December 31, 2020, 2019 and 2018:

	<u>Shares</u>	<u>Amount</u>
<b>Repurchase shares</b>		
2018 (i)	503,642	39,532
2019 (ii)	15,000	1,735
2020 (iii)	<b>547,543</b>	<b>44,775</b>
<b>Distributed shares to the LTIP</b>		
2020	<b>(897,549)</b>	<b>(72,433)</b>
<b>Treasury Shares</b>	<b>168,636</b>	<b>13,609</b>

(i) average price of US\$20.09 per share  
(ii) average price of US\$28.14 per share  
(iii) average price of US\$16.13 per share

**21. Earnings per share**

a) Basic

Basic earnings per share is calculated by dividing net income attributable to equity holders of PagSeguro Digital by the weighted average number of common shares issued and outstanding during the twelve-month periods ended December 31, 2020, 2019 and 2018:

	<u>For the year ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Profit attributable to stockholders of the Company	1,291,658	1,365,597	909,267
Weighted average number of outstanding common shares (thousands)	329,292,240	328,169,609	317,647,562
Basic earnings per share - R\$	<b>3.9225</b>	<b>4.1613</b>	<b>2.8625</b>

b) Diluted

Diluted earnings per share is calculated by dividing net income attributable to equity holders of PagSeguro Digital by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares. The share in the LTIP are the only shares with potential dilutive effect. In this case, a calculation is done to determine the number of shares that could have been acquired at fair value.

	<u>For the year ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Profit used to determine diluted earnings per share	1,291,658	1,365,597	909,267
Weighted average number of outstanding common shares (thousands)	329,292,240	328,169,609	317,647,562
Weighted average number of shares under options	—	—	2,581,716
Weighted average number of shares that would have been issued at average market price	521,937	1,090,047	(2,102,607)
Weighted average number of common shares for diluted earnings per share (thousands)	<b>329,814,177</b>	<b>329,259,656</b>	<b>318,126,671</b>
Diluted earnings per share - R\$	<b>3.9163</b>	<b>4.1475</b>	<b>2.8582</b>

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**22. Total revenue and income**

	<b>For the year ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Gross revenue from transaction activities and other services (i)	<b>5,059,463</b>	3,862,627	2,638,103
Gross revenue from sales (ii)	—	243,728	513,795
Gross financial income (iii)	<b>2,193,963</b>	2,054,430	1,464,877
Other financial income (iv)	<b>128,594</b>	126,404	278,445
<b>Total gross revenue and income</b>	<b>7,382,020</b>	<b>6,287,189</b>	<b>4,895,220</b>
Deductions from gross revenue from transactions activities and other services (v)	<b>(550,744)</b>	(486,559)	(371,000)
Deductions from gross revenue from sales (ii)	—	(69,502)	(139,183)
Deductions from gross financial income (vi)	<b>(16,603)</b>	(23,919)	(50,345)
<b>Total deductions from gross revenue and income</b>	<b>(567,347)</b>	<b>(579,981)</b>	<b>(560,528)</b>
<b>Total revenue and income</b>	<b>6,814,673</b>	<b>5,707,209</b>	<b>4,334,692</b>

(i) In the twelve-month period ended December 31, 2020, R\$140,803 correspond to membership fee (R\$8,815 in the twelve-month period ended December 31, 2019).

(ii) On September 1st, 2019, the Company changed its POS police to merchants from sale to membership fee.

(iii) Includes (a) interest income from early payment of notes payable to third parties and (b) interest on accounts receivable due in installments.

(iv) Includes (a) interest of financial investments and (b) gain on exchange variation.

(v) Deductions consist of transactions taxes. Additionally, in the twelve-month period ended December 31, 2020, R\$13,314 (R\$815 in the twelve-month period ended December 31, 2019) correspond to membership fee taxes.

(vi) Deductions consist of taxes on financial income.

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**23. Expenses by nature**

	For the year ended December 31,		
	2020	2019	2018
Transactions costs (i)	(2,773,436)	(1,815,374)	(1,246,480)
Cost of goods sold (ii)	—	(463,293)	(567,807)
Marketing and advertising	(510,840)	(476,466)	(375,519)
Personnel expenses (iii)	(619,137)	(399,104)	(546,826)
Financial expenses (iv)	(109,232)	(38,138)	(31,209)
Chargebacks (v)	(288,309)	(200,633)	(71,491)
Depreciation and amortization (vi)	(376,335)	(128,348)	(95,363)
Other	(362,693)	(273,314)	(182,374)
	<b>(5,039,982)</b>	<b>(3,794,670)</b>	<b>(3,117,069)</b>
Classified as:			
Cost of services	(3,772,298)	(2,236,066)	(1,510,770)
Cost of sales	—	(526,021)	(633,929)
Selling expenses	(617,463)	(565,170)	(351,439)
Administrative expenses	(563,893)	(427,366)	(581,668)
Financial expenses	(109,232)	(38,138)	(31,209)
Other income (expenses), net	22,904	(1,909)	(8,054)
	<b>(5,039,982)</b>	<b>(3,794,670)</b>	<b>(3,117,069)</b>

(i) In the twelve-month period ended December 31, 2020, the increase is mainly represented by RS186,492 (RS83,374 in the twelve-month periods ended December 31, 2019) related to taxes paid on intercompany sale of POS devices and the amount of RS212,813 (RS120,870 in the twelve-month periods ended December 31, 2019) related to other costs, mainly freight, maintenance of POS devices and storage. Additionally, in the twelve-month periods ended December 31, 2020, costs in the amount of RS1,680,441 (RS1,390,600 and RS1,037,376 in the twelve-month periods ended December 31, 2019 and 2018), are related to interchange with the card issuers costs and the costs in amount of RS432,361 (RS292,629 and RS125,367 in the twelve-month periods ended December 31, 2019 and 2018), are related to card scheme fees.

(ii) On September 1st, 2019, the Company changed its POS policy to merchants from sale to membership fee.

(iii) Includes RS207,012, RS156,273 and RS264,179 of compensation expenses related to the LTIP, LTIP goals and LTIP social charges for the twelve-month period ended December 31, 2020, 2019 and 2018, respectively.

(iv) Relates mainly to the early payment of receivables, which in the twelve-month period ended December 31, 2020 amounted to RS49,205 (RS20,570 and RS1,476 in the twelve-month periods ended December 31, 2019 and 2018) and interest of deposits in the twelve-month period ended December 31, 2020 amounted to RS43,616.

(v) Chargebacks refer mainly to losses recognized during the period related to fraud on card processing operations, as detailed in Note 25.

(vi) Depreciation and amortization amounts incurred in the period are segregated between costs and expenses as presented below:

	For the year ended December 31,		
	2020	2019	2018
Depreciation			
Cost of sales and services (i)	(187,284)	(33,421)	(4,012)
Selling expenses	(25)	(28)	(13)
Administrative expenses	(17,319)	(4,421)	(1,760)
	<b>(204,628)</b>	<b>(37,870)</b>	<b>(5,785)</b>
Amortization			
Cost of sales and services	(174,943)	(97,765)	(97,856)
Administrative expenses	(4,709)	(1,892)	(795)
	<b>(179,652)</b>	<b>(99,657)</b>	<b>(98,651)</b>
PIS and COFINS credits (ii)	7,945	9,179	9,073
Depreciation and amortization expense, net	<b>(376,335)</b>	<b>(128,348)</b>	<b>(95,363)</b>

(i) The depreciation of POS in the twelve-month period ended December 31, 2020, amounted to RS172,519 (RS15,490 in the twelve-month period ended December 31, 2019).

(ii) PagSeguro Brazil has a tax benefit on PIS and COFINS that allows it to reduce the depreciation and amortization over some operational expenses when incurred. This tax benefit is recognized directly as a reduction of depreciation and amortization expense.



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**24 Financial instruments by category**

The PagSeguro Group estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies for each situation.

The interpretation of market data, as regards the choice of methodologies, requires considerable judgment and the establishment of estimates to reach an amount considered appropriate for each situation. Therefore, the estimates presented may not necessarily indicate the amounts that could be obtained in the current market. The use of different hypotheses to calculate market value or fair value may have a material impact on the amounts obtained. The assets and liabilities presented in this Note were selected based on their relevance. The PagSeguro Group believes that the financial instruments recognized in these consolidated financial statements at their carrying amount are substantially similar to their fair value. However, since they do not have an active market (except for the LFT included in financial investments, which is actively traded in the market), variations could occur in the event the PagSeguro Group were to decide to settle or realize them in advance.

The PagSeguro Group classifies its financial instruments into the following categories:

	December 31, 2020	December 31, 2019
<b>Financial assets</b>		
Amortized cost:		
Cash and cash equivalents	1,640,065	1,403,955
Accounts receivables	16,076,540	10,507,122
Other receivables	164,805	84,099
Judicial deposits	7,449	5,651
Investment	16,400	1,500
Fair value through other comprehensive income		
Financial investments	979,837	1,349,666
	<b>18,885,096</b>	<b>13,351,993</b>
	December 31, 2020	December 31, 2019
<b>Financial liabilities</b>		
Amortized cost:		
Payables to third parties	10,101,510	5,326,290
Trade payables	335,539	256,281
Trade payables to related parties	58,336	22,187
Other liabilities	159,198	4,579
Deferred revenue	213,555	68,550
Deposits	766,086	—
Fair value through profit or loss		
Contingent consideration (included in other liabilities)	—	15,800
	<b>11,645,255</b>	<b>5,693,687</b>

**25. Financial risk management**

The PagSeguro Group's activities expose it to a variety of financial risks: market risk, fraud risk (chargebacks), credit risk and liquidity risk. The PagSeguro Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the PagSeguro Group's financial performance.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. In the Group, market risk comprises interest rate risk and foreign currency risk and other price risk, such as equity price risk.

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**25. Financial risk management** (Continued)Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates arises primarily from financial investments and deposits both subject to variable interest rates, principally the CDI rate. The Group conducted a sensitivity analysis of the interest rate risks to which the financial instruments are exposed as of December 31, 2020. For this analysis, the Group adopted as a probable scenario for the future interest rates of 3.5% for the CDI (increase of 75%). As a result, financial income (with respect to financial investments) and financial expense (with respect to deposits) would be impacted as follows:

Transaction	Interest rate risk	Book Value	Scenario with maintaining of CDI (2%)	Probable scenario with increase of 75% (to 3.5%)
Financial investments	100% CDI	979,837	19,597	34,294
Deposits	160% CDI	766,086	(24,515)	(42,901)
<b>Total</b>			<b>(4,918)</b>	<b>(8,607)</b>

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. As of December 31, 2020, and December 31, 2019, the PagSeguro Group is not materially exposed to foreign exchange risk.

Equity price risk

The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment. As of December 31, 2020 and December 31, 2019, the exposure to equity price from such investments was not material.

Fraud Risk (chargeback)

The PagSeguro Group's sales transactions are susceptible to potentially fraudulent or improper sales and it uses the following two processes to control the fraud risk:

The first process consists of monitoring, on a real time basis, the transactions carried out with credit and debit cards and payment slips, through an anti-fraud system. This process approves or rejects suspicious transactions at the time of the authorization, based on statistical models that are revised on a periodic basis.

The second process detects chargebacks and disputes not identified by the first process. This is a supplemental process and increases the PagSeguro Group's ability to avoid new frauds. PagSeguro's expenses with chargeback as disclosed in note 23, remain stable compared with the growth of our TPV.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily accounts receivable) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments such as loans and credit card receivables with our customers.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**25. Financial risk management** (Continued)Credit risk (Continued)

Credit risk is managed on a group basis and for its accounts receivable is limited to the possibility of default by: (a) the card issuers, which have the obligation of transferring to the credit and debit card labels the fees charged for the transactions carried out by their card holders, (b) the acquirers, which are used by the PagSeguro Group to approve transactions with the issuers and (c) analyses for our customers background to provide access to credit portfolio.

In order to mitigate this risk, PagSeguro Brazil has established a Credit and Liquidity Risk Committee, whose responsibility is to assess the level of risk of each of the card issuers served by PagSeguro Group, classifying them into three groups:

- (i) Card issuers with a low level of risk, with credit ratings assigned by FITCH, S&P and Moody's, which do not require additional monitoring;
- (ii) Card issuers with a medium level of risk, which are also monitored in accordance with the financial metrics and ratios; and
- (iii) Card issuers with a high level of risk, which are assessed by the committee at monthly meetings.

PagSeguro has a rating process for loans and credit, based on statistical application models (in the early stages of customer relationships) and behavior scoring (used for customers who already have a relationship history). A process for designing, calibrating and implementing policies and guidelines for granting credit and calibrating collection rules.

A process for monitoring the portfolio's risk profile, with a prospective view, which generates early warning feedbacks to the credit granting policies and risk classification models in a timely manner.

Liquidity risk

The PagSeguro Group manages liquidity risk by maintaining reserves, bank and credit lines for the obtaining borrowings, when deemed appropriate. The PagSeguro Group continuously monitors actual and projected cash flows and matches the maturity profile of its financial assets and liabilities in order to ensure that the PagSeguro Group has enough funds to honor its obligations to third parties and meet its operational needs.

The PagSeguro Group invests surplus cash in interest bearing financial investments, choosing instruments with appropriate maturity or enough liquidity to provide adequate margin as determined by the forecasts. On December 31, 2020, PagSeguro Group held cash and cash equivalents of R\$1,640,065 (R\$1,403,955 on December 31, 2019).

The table below shows the PagSeguro Group's non-derivative financial liabilities divided into the relevant maturity group based on the remaining period from the balance sheet date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Due within 30 days	Due within 31 to 120 days	Due within 121 to 180 days	Due within 181 to 360 days	Due to 361 days or more days
<b>At December 31, 2020</b>					
Payables to third parties	8,348,127	1,146,135	300,058	299,645	7,544
Trade payables	332,733	2,806	—	—	—
Trade payables to related parties	—	46,945	5,063	6,328	—
Deposits	5,231	77,812	53,000	435,952	194,091
<b>At December 31, 2019</b>					
Payables to third parties	4,308,095	686,808	173,884	157,503	—
Trade payables	235,838	19,472	—	600	371
Trade payables to related parties	—	22,187	—	—	—

**26. Capital management**

The PagSeguro Group monitors capital based on the gearing ratio which corresponds to net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The PagSeguro Group had no loans on December 31, 2020, and December 31, 2019. Therefore, no gearing ratio is presented.

**27. Non-cash Transactions**

	<b>For the year ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Non-cash operation activities</b>			
Distribution of LTIP with treasury shares	72,433	—	—
Transfer of POS from inventory to property and equipment	—	(42,429)	—
<b>Non-cash investing activities</b>			
MTM of financial investments	(278)	(28)	—
Property and equipment acquired through lease	79,031	—	—
Unpaid consideration for acquisitions	68,701	1,961	2,528
<b>Non-cash financing activities</b>			
Unpaid consideration for acquisition of non-controlling shares	—	1,574	—

**28. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. A three-level hierarchy is used to measure fair value, as shown below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the assets and liabilities that are not based on observable market data (that is, unobservable inputs).

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements (Continued)

As of December 31, 2020

(All amounts in thousands of reais unless otherwise stated)

**28. Fair value measurement** (Continued)

The following table provides the fair value measurement hierarchy of PagSeguro Group's financial assets and financial liabilities as of December 31, 2020:

	December 31, 2020		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Financial assets</b>			
Cash and cash equivalents	321,674	1,318,391	—
Financial investments	979,837	—	—
Accounts receivable	—	16,076,540	—
Other receivables	—	164,805	—
Judicial deposits	—	7,449	—
Investment	—	—	16,400
<b>Financial liabilities</b>			
Payables to third parties	—	10,101,510	—
Trade payables	—	335,539	—
Trade payables to related parties	—	58,336	—
Deposits	—	766,086	—
Deferred revenue	—	213,555	—
Other liabilities	—	159,198	—

The PagSeguro Group believes that the financial instruments recognized in these consolidated financial statements at their carrying amount are substantially similar to their fair value. For the financial assets that is basically due to the nature of the receivables that are due from top tier financial institutions subject to low credit risk and are mostly receivable in a short-term period and are measured based on the consideration that the Group expects to receive as part of the transaction processing services.

Financial assets also include the financial investments represented by government bonds with quoted prices in an active market and recognized in the balance sheet based on its fair value.

Financial liabilities are mostly represented by deposits and short-term payables to merchants which are paid in accordance with the contract set out with the merchant and other short-term payables to service providers in the normal course of business and, as such, also approximate from their fair values. There were no transfers between Levels 1, 2 and 3 during the twelve-month period ended December 31, 2020.

**29. Events after the reporting period**

In January, 2021, PagSeguro Group submitted a request for Brazilian Central Bank approval of a corporate reorganization involving certain of its subsidiaries. The entities Net+Phone, Boa Compra, BCPS, R2TECH, BIVA and CDS will be spun off from PagSeguro Brazil and incorporated as subsidiaries of PagSeguro Digital's direct subsidiary, PagSeg. The subsidiaries TILIX, YAMÍ and ZYGO will be spun off from PagSeguro Brazil and incorporated as subsidiaries of PagBank. Additionally, Boa Compra incorporated R2Tech and Biva Serv incorporated BIVA. As a result, following regulatory approval, the PagSeguro Group organizational structure will reflect that:

- PagSeguro Digital subsidiaries will include PagSeguro Brazil, BS Holding and PagSeg.
- PagSeguro Brazil subsidiaries will include Biva Sec, FIDC, RegistraSeguro and MOIP.
- Bs Holding subsidiary will include BancoSeguro.
- PagSeg subsidiaries will include Net+Phone, Boa Compra, BCPS, Biva Serv, CDS and PagBank.
- PagBank subsidiaries will include TILIX, YAMÍ and ZYGO.

PagSeguro Brazil, MOIP and BancoSeguro are subject to the Brazilian Central Bank regulation and supervision. The proposed PagSeguro Group reorganization is intended to improve administration of the corporate structure and to group the operating subsidiaries under appropriate holding companies based on the services provided by each one. This reorganization requires Brazilian Central Bank approval before implementation.

**DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT**

As of December 31, 2020, PagSeguro Digital Ltd. ("we," "us," "our," "PagSeguro", "PagSeguro Digital" and the "Company") had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

<b>Title of each class:</b>	<b>Trading Symbol</b>	<b>Name of each exchange on which registered</b>
Class A common shares, par value US\$0.000025 per share	PAGS	New York Stock Exchange

We are an exempted company with limited liability incorporated under the laws of the Cayman Islands with the legal name PagSeguro Digital Ltd. Our principal executive office is located at Avenida Brigadeiro Faria Lima, 1384, 01451-001 São Paulo – SP, Brazil and our telephone number is +55 (11) 3914-9524. Our corporate affairs are governed by our Memorandum and Articles of Association and by the laws of the Cayman Islands.

Capitalized terms used but not defined herein have the meanings given to them in our annual report on Form 20-F for the fiscal year ended December 31, 2020.

**Description of Share Capital**

Set forth below is a summary of the material terms and provisions of our share capital. This description does not purport to be complete and is qualified in its entirety by reference to our Memorandum and Articles of Association (filed in our annual report on Form 20-F as Exhibit 1.01) and the laws of the Cayman Islands. We have included references to items of Form 20-F for convenience.

**Item 9.A.3 Preemptive Rights**

See "—Item 10.B Memorandum and Articles of Association—Preemptive or Similar Rights" below.

**Item 9.A.5 Type and Class of Securities**

Our Class A common shares are listed on the NYSE under the symbol "PAGS." Our Class A common shares are listed in registered form and are not certificated. The Class A common shares commenced trading on the NYSE on January 24, 2018. At March 31, 2021, the Class A common shares represented 61.23% of our shares and 100% of our current global public float.

As of December 31, 2020, our authorized share capital was US\$50,000 divided into 2,000,000,000 shares of a par value of US\$0.000025 per share. All of our outstanding share capital is fully paid. Our Class A common shares are in book-entry form, registered in the name of each shareholder or its nominee. The authorized but unissued shares are presently undesignated and may be issued by the board of directors as common shares of any class or as shares with preferred, deferred or other special rights or restrictions.

Our Memorandum and Articles of Association authorize two classes of common shares: Class A common shares, and Class B common shares. Any holder of Class B common shares may convert his or her shares at any time into Class A common shares on a share-for-share basis. The rights of the two classes of common shares are otherwise identical, except as described below and in our Articles of Association.

As of December 31, 2020, 201,461,511 Class A common shares and 127,554,861 Class B common shares were issued, fully paid and outstanding, and we held 168,636 Class A common shares in treasury.

**Item 9.A.6. Limitations Qualifications**

Not applicable.

**Item 9.A.7. Other Rights**

Not applicable.

**Item 10.B. Memorandum and Articles of Association**

**Description of Our Memorandum and Articles of Association**

History of Share Capital - Initial Public Offering

The shares offered and sold in our initial public offering ("IPO") were registered under the Securities Act of 1933, as amended, pursuant to our Registration Statement on Form F-1 (Registration No. 333-222292), which was declared effective by the Securities and Exchange Commission on January 19, 2018. On January 26, 2018, we closed our IPO, pursuant to which we issued and sold 50,925,642 Class A common shares and UOL sold 70,267,746 Class A common shares. The 121,193,388 registered Class A common shares were sold to the public at a price of US\$21.50 per Class A common share, for an aggregate price of US\$2,265,789,433.

Corporate Purpose

The corporate objects of PagSeguro Digital, as stated in the Memorandum and Articles of Association, are unrestricted, and PagSeguro Digital has the authority to carry out any object not prohibited by any law, as provided by Section 7(4) of the Companies Act.

Voting Rights

The holders of the Class A common shares and Class B common shares have identical rights, except that: (i) the holder of Class B common shares is entitled to ten (10) votes per share, whereas holders of Class A common shares are entitled to one (1) vote per share; (ii) Class B common shares have certain conversion rights; and (iii) the holder of Class B common shares is entitled to maintain a proportional ownership interest in the event that additional Class A common shares are issued. For more information see "—Preemptive or Similar Rights" and "—Conversion." The holders of Class A common shares and Class B common shares vote together as a single class on all matters (including the election of directors) submitted to a vote of shareholders at general meetings of the Company, except as provided below and as otherwise required by law.

Holders of our Class A and Class B common shares who are nonresidents of the Cayman Islands may freely hold and vote their shares.

The following summarizes the rights of holders of our Class A and Class B common shares:

- each holder of Class A common shares is entitled to one (1) vote per share on all matters to be voted on by shareholders generally, including the election of directors;
  - each holder of Class B common shares is entitled to ten (10) votes per share on all matters to be voted on by shareholders generally, including the election of directors;
  - the holders of our Class A common shares and Class B common shares are entitled to dividends and other distributions as may be recommended and declared from time to time by our board of directors out of funds legally available for that purpose, if any; and
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- upon our liquidation, dissolution or winding up, each holder of Class A common shares and Class B common shares will be entitled to share equally on a pro rata basis in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities.

The Memorandum and Articles of Association provide that at any time when there are Class A common shares in issue, Class B common shares may only be issued pursuant to: (a) a share split, subdivision or similar transaction or as contemplated in the Memorandum and Articles of Association; (b) a business combination involving the issuance of Class B common shares as full or partial consideration; or (c) an issuance of Class A common shares, whereby holders of Class B common shares are entitled to receive an issuance of Class B common shares that would allow holders of Class B common shares to maintain their proportional ownership interest in the Company. A business combination, as defined in the Memorandum and Articles of Association, would include, amongst other things, a statutory amalgamation, merger, consolidation, arrangement or other reorganization.

#### Share Repurchases

The Companies Act and the Memorandum and Articles of Association permit PagSeguro Digital to purchase its own shares, subject to certain restrictions. The board of directors may only exercise this power on behalf of PagSeguro Digital, subject to the Companies Act, the Memorandum and Articles of Association and to any applicable requirements imposed from time to time by the SEC, the NYSE, or by any recognized stock exchange on which our securities are listed.

On October 30, 2018, PagSeguro Digital announced the adoption of its share repurchase program in an aggregate amount of up to US\$250 million in outstanding Class A common shares traded on the NYSE. PagSeguro Digital's share repurchase program went into effect in the fourth quarter of 2018 and does not have a fixed expiration date. The program may be executed in compliance with Rule 10b-18 under the Exchange Act.

#### Dividends and Capitalization of Profits

PagSeguro Digital has not adopted a dividend policy with respect to payments of any future dividends. Subject to the Companies Act, PagSeguro Digital's shareholders may, by resolution passed by a simple majority of the voting rights entitled to vote at a general meeting, declare dividends (including interim dividends) to be paid to shareholders but for the avoidance of doubt no dividend shall be declared in excess of the amount recommended by the board of directors. The board of directors may also declare dividends. Dividends may be declared and paid out of funds lawfully available to PagSeguro Digital. Unless otherwise provided by the rights attached to shares and the Articles of Association of PagSeguro Digital, all dividends shall be paid in proportion to the number of Class A common shares or Class B common shares a shareholder holds at the date the dividend is declared (or such other date as may be set as a record date), except: (i) if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly; and (ii) where we have shares in issue which are not fully paid up (as to par value), we may pay dividends in proportion to the amounts paid up on each share.

The holders of Class A common shares and Class B common shares shall be entitled to share equally in any dividends that may be declared in respect of PagSeguro Digital's common shares from time to time. In the event that a dividend is paid in the form of Class A common shares or Class B common shares, or rights to acquire Class A common shares or Class B common shares: (i) the holders of Class A common shares shall receive Class A common shares, or rights to acquire Class A common shares, as the case may be; and (ii) the holders of Class B common shares shall receive Class B common shares, or rights to acquire Class B common shares, as the case may be.

#### Preemptive or Similar Rights

The Class A common shares and Class B common shares are not entitled to preemptive rights upon transfer and are not subject to conversion (except as described herein and below under "—Conversion"), redemption or sinking fund provisions.

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The Class B common shares are entitled to maintain a proportional ownership interest in the event that additional Class A common shares are issued. As such, except for certain exceptions, if PagSeguro Digital issues Class A common shares, it must first make an offer to each holder of Class B common shares to issue to such holder on the same economic terms such number of Class B common shares as would ensure such holder may maintain a proportional ownership interest in PagSeguro Digital. This right to maintain a proportional ownership interest may be waived by a majority of the holders of Class B common shares.

#### Conversion

The outstanding Class B common shares are convertible at any time as follows: (i) at the option of the holder, a Class B common share may be converted at any time into one Class A common share; or (ii) upon the election of the holders of a majority of the then outstanding Class B common shares, all outstanding Class B common shares may be converted into a like number of Class A common shares. In addition, each Class B common share will convert automatically into one Class A common share upon any transfer, whether or not for value, except for certain transfers described in the Articles of Association, including transfers to affiliates, trusts solely for the benefit of the shareholder or their affiliates, and partnerships, companies, corporations and other entities exclusively owned by the shareholder or their affiliates and certain transfers to organizations that are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Furthermore, each Class B common share will convert automatically into one Class A common share and no Class B common shares will be issued thereafter if, at any time, the voting power of the outstanding Class B common shares represents less than 10% of the combined voting power of the Class A common shares and Class B common shares then outstanding.

No class of PagSeguro Digital's common shares may be subdivided or combined unless the other class of common shares is concurrently subdivided or combined in the same proportion and in the same manner.

#### Record Dates

For the purpose of determining shareholders entitled to notice of, or to vote at any general meeting of shareholders or any adjournment thereof, or shareholders entitled to receive dividend or other distribution payments, or in order to make a determination of shareholders for any other purpose, PagSeguro Digital's board of directors may set a record date which shall not exceed forty (40) clear days prior to the date where the determination will be made.

#### General Meetings of Shareholders

As a condition of admission to a shareholders' meeting, a shareholder must be duly registered as a shareholder of PagSeguro Digital at the applicable record date for that meeting and, in order to vote, all calls or installments then payable by such shareholder to PagSeguro Digital in respect of the shares that such shareholder holds must have been paid.

Subject to any special rights or restrictions as to voting then attached to any shares, at any general meeting every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation or company, by its duly authorized representative not being himself or herself a shareholder entitled to vote) shall have one (1) vote per Class A common share and ten (10) votes per Class B common share.

As a Cayman Islands exempted company, PagSeguro Digital is not obliged by the Companies Act to call annual general meetings; however, the Articles of Association provide that in each year the company will hold an annual general meeting of shareholders, at a time determined by the board of directors. For the annual general meeting of shareholders the agenda will include, among other things, the presentation of the annual accounts and the report of the directors. In addition, the agenda for an annual general meeting of shareholders will only include such items as have been included therein by the board of directors.

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Also, PagSeguro Digital may, but is not required (unless required by the laws of the Cayman Islands), to hold other extraordinary general meetings during the year. General meetings of shareholders are generally expected to take place in São Paulo, Brazil, but may be held elsewhere if the directors so decide.

The Companies Act provides shareholders a limited right to request a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting in default of a company's articles of association. However, these rights may be provided in a company's articles of association. PagSeguro Digital's Articles of Association provide that upon the requisition of one or more shareholders representing not less than one-third of the voting rights entitled to vote at general meetings, the board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. The Articles of Association provide no other right to put any proposals before annual general meetings or extraordinary general meetings.

Subject to regulatory requirements, the annual general meeting and any extraordinary general meetings must be called by not less than ten (10) clear days' notice prior to the relevant shareholders meeting and convened by a notice discussed below. Alternatively, upon the prior consent of all holders entitled to receive notice, with regards to the annual general meeting, and the holders of 95% in par value of the shares entitled to attend and vote at an extraordinary general meeting, that meeting may be convened by a shorter notice and in a manner deemed appropriate by those holders.

PagSeguro Digital will give notice of each general meeting of shareholders by publication on its website and in any other manner that it may be required to follow in order to comply with Cayman Islands law, NYSE and SEC requirements. The holders of registered shares may be given notice of a shareholders' meeting by means of letters sent to the addresses of those shareholders as registered in our shareholders' register, or, subject to certain statutory requirements, by electronic means.

***Holders whose shares are registered in the name of DTC or its nominee, which is currently the case for all holders of Class A common shares, will not be a shareholder or member of the company and must rely on the procedures of DTC regarding notice of shareholders' meetings and the exercise of rights of a holder of the Class A common shares.***

A quorum for a general meeting consists of any one or more persons holding or representing by proxy not less than one-third of the aggregate voting power of all shares in issue and entitled to vote upon the business to be transacted.

A resolution put to a vote at a general meeting shall be decided on a poll. An ordinary resolution to be passed by the shareholders at a general meeting requires the affirmative vote of a simple majority of the votes cast by, or on behalf of, the shareholders entitled to vote, present in person or by proxy and voting at the meeting. A special resolution requires the affirmative vote on a poll of no less than two-thirds of the votes cast by the shareholders entitled to vote who are present in person or by proxy at a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our Company, as permitted by the Companies Act and PagSeguro Digital's Articles of Association.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands.

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Pursuant to PagSeguro Digital's Articles of Association, general meetings of shareholders are to be chaired by the chairman of our board of directors. If the chairman of our board of directors is absent, the directors present at the meeting shall appoint one of them to be chairman of the general meeting. If neither the chairman nor another director is present at the general meeting within fifteen minutes after the time appointed for holding the meeting, the shareholders present in person or by proxy and entitled to vote may elect any one of the shareholders to be chairman. The order of business at each meeting shall be determined by the chairman of the meeting, and he or she shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Company, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the polls.

#### Transfer of Shares

Subject to any applicable restrictions set forth in the Articles of Association, any shareholder of PagSeguro Digital may transfer all or any of his or her common shares by an instrument of transfer in the usual or common form or in the form prescribed by the NYSE or any other form approved by the Company's board of directors.

PagSeguro Digital's Class A common shares are traded on the NYSE in book-entry form and may be transferred in accordance with PagSeguro Digital's Articles of Association and NYSE's rules and regulations.

However, PagSeguro Digital's board of directors may, in its absolute discretion, decline to register any transfer of any common share which is either not fully paid up to a person of whom it does not approve or is issued under any share incentive scheme for employees which contains a transfer restriction that is still applicable to such common share. The board of directors may also decline to register any transfer of any ordinary share unless:

- a fee of such maximum sum as the NYSE may determine to be payable or such lesser sum as the board of directors may from time to time require is paid to PagSeguro Digital in respect thereof;
- the instrument of transfer is lodged with PagSeguro Digital, accompanied by the certificate (if any) for the common shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the common shares transferred are free of any lien in favor of PagSeguro Digital; and
- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If the directors refuse to register a transfer they are required, within two months after the date on which the instrument of transfer was lodged, to send to the transferee notice of such refusal.

#### Transmission of Shares

Our Articles of Association provide provisions for the transmission of shares where a person becomes entitled to a share in consequence of the death or bankruptcy of a shareholder.

#### Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by PagSeguro Digital's Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on PagSeguro Digital's shares. In addition, there are no provisions in the Memorandum and Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed.

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### Appointment, Disqualification and Removal of Directors

PagSeguro Digital is managed by its board of directors. The Articles of Association provide that, unless otherwise determined by a special resolution of shareholders, the board of directors will be composed of four (4) to eleven (11) directors, with the number being determined by a majority of the directors then in office. There are no provisions relating to retirement of directors upon reaching any age limit. The Articles of Association also provide that, while PagSeguro Digital's shares are admitted to trading on NYSE, the board of directors must always comply with the residency and citizenship requirements of the U.S. securities laws applicable to foreign private issuers.

The Articles of Association provide that directors shall be elected by an ordinary resolution of our shareholders, which requires the affirmative vote of a simple majority of the votes cast on the resolution by the shareholders entitled to vote who are present, in person or by proxy, at the meeting. Each director shall be appointed and elected for such term as the resolution appointing him or her may determine or until his or her death, resignation or removal.

Any vacancies on the board of directors that arise other than upon the removal of a director by resolution passed at a general meeting can be filled by the remaining directors (notwithstanding that they may constitute less than a quorum). Any such appointment shall be as an interim director to fill such vacancy until the next annual general meeting of shareholders.

Additions to the existing board (within the limits set pursuant to the Articles of Association) may be made by ordinary resolution of the shareholders.

### Grounds for Removing a Director

A director may be removed with or without cause by ordinary resolution. The notice of general meeting must contain a statement of the intention to remove the director and must be served on the director not less than ten (10) calendar days before the meeting. The director is entitled to attend the meeting and be heard on the motion for his removal.

The office of a director will be vacated automatically if he or she (i) becomes prohibited by law from being a director, (ii) becomes bankrupt or makes an arrangement or composition with his creditors, (iii) dies or is in the opinion of all his co-directors, incapable by reason of mental disorder of discharging his duties as director, (iv) resigns his office by notice to us, or (v) has for more than six (6) months been absent without permission of the directors from meetings of the board of directors held during that period, and the remaining directors resolve that his or her office be vacated.

### Proceedings of the Board of Directors

The Articles of Association provide that PagSeguro Digital's business is to be managed and conducted by the board of directors. The quorum necessary for the board meeting shall be a simple majority of the directors then in office (subject to there being a minimum of two (2) directors present) and business at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a casting vote.

Subject to the provisions of the Articles of Association, the board of directors may regulate its proceedings as they determine is appropriate. Board meetings shall be held at least once every calendar quarter and shall take place either in São Paulo, Brazil or at such other place as the directors may determine.

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Subject to the provisions of the Memorandum and Articles of Association, to any directions given by ordinary resolution of the shareholders and the listing rules of the NYSE, the board of directors may from time to time at its discretion exercise all powers of PagSeguro Digital, including, subject to the Companies Act, the power to issue debentures, bonds and other securities of the company, whether outright or as collateral security for any debt, liability or obligation of our company or of any third party.

#### Inspection of Books and Records

Holders of PagSeguro Digital shares will have no general right under Cayman Islands law to inspect or obtain copies of the list of shareholders or corporate records of the Company. However, the board of directors may determine from time to time whether and to what extent PagSeguro Digital's accounting records and books shall be open to inspection by shareholders who are not members of the board of directors. Notwithstanding the above, the Articles of Association provide shareholders with the right to receive annual financial statements at least ten (10) days before the date of the annual general meeting. Such right to receive annual financial statements may be satisfied by publishing the same on the company's website or filing such annual reports as we are required to file with the SEC.

#### Register of Shareholders

Our registered Class A common shares are held through DTC, and DTC or Cede & Co., as nominee for DTC, is recorded in the shareholders' register as the holder of our Class A common shares.

Under Cayman Islands law, PagSeguro Digital must keep a register of shareholders that includes:

- the names and addresses of the shareholders, a statement of the class and number of shares held by each member, and whether such shares carry voting rights, and of the amount paid or agreed to be considered as paid, on the shares of each member;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of shareholders of PagSeguro Digital is *prima facie* evidence of the matters set out therein (i.e., the register of shareholders will raise a presumption of fact on the matters referred to above unless rebutted) and a shareholder registered in the register of shareholders is deemed as a matter of Cayman Islands law to have *prima facie* legal title to the shares as set against his or her name in the register of shareholders. The shareholders recorded in the register of shareholders should be deemed to have legal title to the shares set against their name.

If the name of any person is incorrectly entered in or omitted from the register of shareholders, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a shareholder of PagSeguro Digital, the person or member aggrieved (or any shareholder of PagSeguro Digital, or PagSeguro Digital itself) may apply to the Cayman Islands Grand Court for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register of shareholders.

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## Exempted Company

PagSeguro Digital is an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of shareholders is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

PagSeguro Digital is subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. Except as otherwise disclosed in this annual report, PagSeguro Digital complies with the NYSE rules in lieu of following home country practice.

## Anti-Takeover Provisions in our Memorandum and Articles of Association

Some provisions of the Memorandum and Articles of Association may discourage, delay or prevent a change in control of PagSeguro Digital or management that shareholders may consider favorable. In particular, the capital structure of PagSeguro Digital concentrates ownership of voting rights in the hands of UOL. These provisions, which are summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of PagSeguro Digital to first negotiate with the board of directors. However, these provisions could also have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of the Class A common shares that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the management of PagSeguro Digital. It is possible that these provisions could make it more difficult to accomplish transactions that shareholders may otherwise deem to be in their best interests.

### *Two Classes of Common Shares*

The Class B common shares of PagSeguro Digital are entitled to ten (10) votes per share, while the Class A common shares are entitled to one (1) vote per share. Since it owns all of the Class B common shares of PagSeguro Digital, UOL currently has the ability to elect all directors and to determine the outcome of most matters submitted for a vote of shareholders. This concentrated voting control could discourage others from initiating any potential merger, takeover, or other change of control transaction that other shareholders may view as beneficial.

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So long as UOL has the ability to determine the outcome of most matters submitted to a vote of shareholders as well as the overall management and direction of PagSeguro Digital, third parties may be deterred in their willingness to make an unsolicited merger, takeover, or other change of control proposal, or to engage in a proxy contest for the election of directors. As a result, the fact that PagSeguro Digital has two classes of common shares may have the effect of depriving you as a holder of Class A common shares of an opportunity to sell your Class A common shares at a premium over prevailing market prices and make it more difficult to replace the directors and management of PagSeguro Digital.

### *Preferred Shares*

PagSeguro Digital's board of directors is given wide powers to issue one or more classes or series of shares with preferred rights. Such preferences may include, for example, dividend rights, conversion rights, redemption privileges, enhanced voting powers and liquidation preferences.

Despite the anti-takeover provisions described above, under Cayman Islands law, PagSeguro Digital's board of directors may only exercise the rights and powers granted to them under the Memorandum and Articles of Association, for what they believe in good faith to be in the best interests of PagSeguro Digital.

### Changes to Capital

Pursuant to the Articles of Association, PagSeguro Digital may from time to time by ordinary resolution:

- increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- convert all or any of its paid-up shares into shares and reconvert such shares into paid up shares of any denomination;
- subdivide its existing shares or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

PagSeguro Digital's shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by the Company for an order confirming such reduction, reduce its share capital or any capital redemption reserve in any manner permitted by law.

In addition, subject to the provisions of the Companies Act and PagSeguro Digital's Articles of Association, PagSeguro Digital may:

- issue shares on terms that they are to be redeemed or are liable to be redeemed;
  - purchase its own shares (including any redeemable shares); and
  - make a payment in respect of the redemption or purchase of its own shares in any manner authorized by the Companies Act, including out of its own capital.
-

### **Liquidation Rights**

If PagSeguro Digital is voluntarily wound up, the liquidator, after taking into account and giving effect to the rights of preferred and secured creditors and to any agreement between PagSeguro Digital and any creditors that the claims of such creditors shall be subordinated or otherwise deferred to the claims of any other creditors and to any contractual rights of set-off or netting of claims between PagSeguro Digital and any person or persons (including without limitation any bilateral or any multi-lateral set-off or netting arrangements between the company and any person or persons) and subject to any agreement between PagSeguro Digital and any person or persons to waive or limit the same, shall apply PagSeguro Digital's property in satisfaction of its liabilities *pari passu* and subject thereto shall distribute the property amongst the shareholders according to their rights and interests in PagSeguro Digital.

### **Protection of Non-Controlling Shareholders**

The Grand Court of the Cayman Islands may, on the application of shareholders holding not less than one fifth of the shares of PagSeguro Digital in issue, appoint an inspector to examine the Company's affairs and report thereon in a manner as the Grand Court shall direct.

Subject to the provisions of the Companies Act, any shareholder may petition the Grand Court of the Cayman Islands which may make a winding up order, if the court is of the opinion that this winding up is just and equitable.

Notwithstanding the U.S. securities laws and regulations that are applicable to PagSeguro Digital, general corporate claims against PagSeguro Digital by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by PagSeguro Digital's Memorandum and Articles of Association.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents, which permit a minority shareholder to commence a representative action against PagSeguro Digital, or derivative actions in PagSeguro Digital's name, to challenge: (i) an act which is *ultra vires* or illegal; (ii) an act which constitutes a fraud against the minority and the wrongdoers themselves control PagSeguro Digital; and (iii) an irregularity in the passing of a resolution that requires a qualified (or special) majority.



**REDACTED COPY**

Certain identified confidential information has been redacted from this exhibit because both (i) it is customarily and actually treated as private or confidential and (ii) it is not material.

Confidential portions of this Exhibit are designated by [\*\*\*\*\*].

ESPAIDER AMENDMENT No.: 04209/19

**8TH AMENDMENT TO THE EQUIPMENT SUPPLY AGREEMENT**  
Entered into on June 26, 2014.

**NET+PHONE TELECOMUNICAÇÕES LTDA.**, limited liability company, headquartered at Avenida Brigadeiro Faria Lima, No. 1.384, 7º andar, Parte A, in the City of São Paulo, State of São Paulo, enrolled with the National Corporate Taxpayers' Registry of the Ministry of Finance ("CNPJ/MF") under No. 06.066.832/0001-97, herein represented pursuant to its Bylaws, hereinafter referred to as "CLIENT 1";

**PAGSEGURO INTERNET S.A.**, corporation, headquartered at Avenida Brigadeiro Faria Lima, 1384, 4th floor, Parte A, City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 08.561.701/0001-01, herein represented pursuant to its Bylaws, hereinafter simply referred to as "CLIENT 2", and jointly with CLIENT 1, as "CLIENTS";

**PAX BR COMÉRCIO E SERVIÇOS LTDA.**, limited liability company, headquartered at Rua Santa Mônica, No. 281, Bloco A, City of Cotia, State of São Paulo, Postal Code 06.715-865, enrolled with CNPJ/MF under No. 11.603.135/0001-68, herein represented pursuant to its Articles of Incorporation, hereinafter simply referred to as "PAX"; and

**TRANSIRE FABRICAÇÃO DE COMPONENTES ELETRÔNICOS LTDA.**, limited liability corporation, headquartered in the City of Manaus, State of Amazonas, at Avenida Ministro Mario Andreazza, No. 4.120, Postal Code 69.075-830, enrolled with CNPJ/MF under No. 21.785.364/0001-02, herein represented pursuant to its Articles of Incorporation, hereinafter referred to simply as "TRANSIRE".

CLIENT 1, CLIENT 2, PAX and TRANSIRE are hereinafter jointly referred to as "Parties", and individually as "Party".

**WHEREAS:**

- (i) The Parties have executed the Equipment Supply Agreement ("Agreement") as of June 26, 2014, with subsequent amendments on October 21, 2014, July 3, 2015, October 8, 2015, May 20, 2016, December 9, 2016, February 6, 2017, and August 25, 2017; and
- (ii) The Parties wish to adjust the conditions of Exhibit I to the Agreement in relation with the Repair of the EQUIPMENT.

The Parties hereby have decided to enter into this 8th Amendment to the Equipment Supply Agreement ("Amendment"), pursuant to the following terms and conditions:

**1. AMENDMENTS**

1.1. The Parties have mutually agreed to adjust the conditions related to EQUIPMENT Repair and Maintenance, and the Exhibit I to the Agreement shall be effective as per the Exhibit I hereto.

**2. RATIFICATION**

2.1. The Parties hereby ratify all other terms and conditions of the Agreement, making it clear that the terms and clauses that have not been expressly changed by this document shall remain unchanged and fully effective.

In witness whereof, the Parties have executed this instrument in three (3) counterparts of equal content, in the presence of two witnesses.

São Paulo, November 05, 2019.

/s/ Renato Bertozzo Duarte

CPF: [\*\*\*\*\*]

/s/ Arthur Gaulke

CPF: [\*\*\*\*\*]

**NET + PHONE TELECOMUNICAÇÕES LTDA.**

/s/ Renato Bertozzo Duarte

CPF: [\*\*\*\*\*]

/s/ Arthur Gaulke

CPF: [\*\*\*\*\*]

**PAGSEGURO INTERNET S.A.**

/s/ signature illegible

**PAX BR COMÉRCIO E SERVIÇOS LTDA.**

/s/ signature illegible

**TRANSIRE FABRICAÇÃO DE COMPONENTES ELETRÔNICOS LTDA**

Witnesses:

1. /s/ Nathalia Marques

Name: Nathalia Marques

CPF: [\*\*\*\*\*]

2. /s/ Fabiana A. Algaves

Name: Fabiana A. Algaves

CPF: [\*\*\*\*\*]

Contract Management – UOL

ID: [\*\*\*\*\*]

CPF: [\*\*\*\*\*]

[\*\*\*\*\*] Confidential information redacted

**EXHIBIT I**

MAINTENANCE and WARRANTY of Equipment in Laboratory between PAX and the CLIENTS.

1 — **WARRANTY**

1.1— The Warranty of EQUIPMENT acquired by the CLIENTS shall be effective for [\*\*\*\*\*], as from [\*\*\*\*\*], and it shall cover [\*\*\*\*\*]. [\*\*\*\*\*].

2 — **SERVICES**

2.1— Maintenance and repair services ("Services") shall be provided by PAX to the CLIENTS for the unit value specified in the chart below:

a) As from January 01, 2020:

Terminal	PAX PROPOSAL	
D150	RS	[*****]
D155	RS	[*****]
D180	RS	[*****]
D190	RS	[*****]
D200	RS	[*****]
S920	RS	[*****]
A930C/C	RS	[*****]
A930S/C	RS	[*****]
D175	RS	[*****]
A50	RS	[*****]
Q92	RS	[*****]

The prices above are associated to repair + like new.

2.1.1 — The above-mentioned prices may be adjusted after the lapse of at least one year, using the INPC rate, using the basis date of January 1st, 2020 and upon mutual agreement of the Parties.

2.2 — Equipment semi-destroyed shall be repaired upon prior approval, from the CLIENTS, of specific budget or returned without repair with the relevant technical document proving the misuse, which, in such case, shall not be charged to the CLIENTS.

2.3 — PAX reserves its rights to not perform repair services on EQUIPMENT that presents signs of opening or technical intervention by third parties compromising the general condition of the EQUIPMENT after the lab repair.

2.4 — "Misuse/Semi-destruction" means all EQUIPMENT - therefore, not covered by the warranty - showing evidence of:

- Vandalism;
- Damages fallen terminal (broken cabinet);
- Wet equipment;
- Electric discharges [\*\*\*\*\*];
- Natural events (only sea air and heat waves);
- Indication of insects; or
- Violated/open Equipment or with third-party intervention.

2.5 — Spare parts (cables, charger, mini basis, lids, and external battery) will be billed separately.

[\*\*\*\*\*] Confidential information redacted

3 — **EQUIPMENT**

3.1 — EQUIPMENT subject matter of the Services comprise all models sold by PAX and TRANSIRE, and which are acquired by the CLIENT.

3.2 — New models acquired by the CLIENT and/or Services not included in the price chart of section 2.1 above will have their prices for Post-Warranty Repair or misuse and Like-New Price previously agreed between the Parties.

4 — **PAYMENT**

4.1 — The Payment for the MAINTENANCE Services shall be made by the CLIENT within thirty (30) days as from the receipt of the Invoice/Bill, as per flow established in the AGREEMENT, in Section 10 - Price and Payment Conditions

5 — **EFFECTIVENESS**

5.1 — The effective term of this Exhibit shall be the same as the one established in the AGREEMENT, pursuant to Section 11 - Effectiveness and Termination.

6 — **SLA**

6.1 — Assumptions:

- The deadline for performing the Services will be equivalent to [\*\*\*\*\*], as from the date the EQUIPMENT was received at PAX's laboratory, subject to the disclosed monthly forecast.
- If it takes more than [\*\*\*\*\*] to return the repaired machine, PAX undertakes to purchase such unrepaired machines, provided that the equipment/models have been included in the planning submitted by the CLIENT(s) at least [\*\*\*\*\*].
- Control of SLA assessment will occur through the serial number of each equipment.
- The volume for repair shall be agreed between the parties on a monthly basis.
- Prices are effective as of January 2020 for the equipment listed in item 2.1(a).

6.2 — PAX ADJUSTMENT PERIOD (06 MONTHS).

6.2.1 — For the first six (06) months, PAX shall follow the following conditions concerning the SLA, penalties, and bonus. As from the seventh (7th) month, the SLA conditions and chart provided in item 6.3 below will be used.

6.2.2 — The parties have mutually agreed to a minimum compliance of [\*\*\*\*\*] - SLA:

		Total requests	Deadline
Requests answered	D+5	[*****]	[*****]
	D+6	[*****]	

6.2.3 — The compliance with the goals defined above will be calculated based on the total of activities performed throughout the month, considering the date of receipt of the good for repair.

6.2.4 — The negative impact calculated on less than [\*\*\*\*\*] of the volume of equipment under repair for that month shall be subject to the following penalties:

Penalty				
SLA	[*****]	[*****]	[*****]	[*****]
Penalty / Invoice	[*****]	[*****]	[*****]	[*****]

6.2.5 — Likewise, if PAX performs an exceptional service reaching more than [\*\*\*\*\*] of the deliveries within the deadline established above, PAX shall be entitled to the following bonus:

Bonus		
SLA	[*****]	[*****]
Bonus	[*****]	[*****]

[\*\*\*\*\*] Confidential information redacted

6.3 — PERIOD AFTER PAX ADJUSTMENT

6.3.1 - The parties mutually agree that, after the first six months (PAX Adjustment Period), the minimum compliance shall be of [\*\*\*\*\*] - SLA:

		Total requests	Deadline
Requests answered	D+5	[*****]	[*****]
	D+6	[*****]	

6.3.2 - The compliance with the goals defined above will be calculated based on the total of activities performed throughout the month, considering the date of receipt of the good for repair.

6.3.3 - The negative impact calculated on less than [\*\*\*\*\*] of the volume of equipment under repair for that month shall be subject to the following penalties:

Penalty				
SLA	[*****]	[*****]	[*****]	[*****]
Penalty / Invoice	[*****]	[*****]	[*****]	[*****]

6.3.4 - Likewise, if the Service Provider performs an exceptional service reaching more than [\*\*\*\*\*] of the deliveries within the deadline established above, the Client shall be entitled to the following bonus:

Bonus		
SLA	[*****]	[*****]
Bonus	[*****]	[*****]

## REDACTED COPY

Certain identified confidential information has been redacted from this exhibit because both (i) it is customarily and actually treated as private or confidential and (ii) it is not material.

Confidential portions of this Exhibit are designated by [\*\*\*\*\*].

Agreement No. ADT:03458/20

**9TH AMENDMENT TO THE EQUIPMENT SUPPLY AGREEMENT**  
Entered into on June 26, 2014.

**NET+PHONE TELECOMUNICAÇÕES LTDA.**, limited liability company, headquartered at Avenida Caminho do Mar, No. 3.115, Bloco C, Pavimento Superior, Parte A, City of São Bernardo do Campo, State of São Paulo, enrolled with the National Corporate Taxpayers' Registry of the Ministry of Finance ("CNPJ/MF") under No. 06.066.832/0001-97, herein represented pursuant to its Bylaws, hereinafter referred to as "CLIENT 1";

**PAGSEGURO INTERNET S.A.**, corporation, headquartered at Avenida Brigadeiro Faria Lima, 1384, 4th floor, Parte A, City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 08.561.701/0001-01, herein represented pursuant to its Bylaws, hereinafter simply referred to as "CLIENT 2", and jointly with CLIENT 1, as "CLIENTS";

**PAX BR COMÉRCIO E SERVIÇOS DE EQUIPAMENTOS DE INFORMÁTICA LTDA.** (current corporate name of **PAX BR COMÉRCIO E SERVIÇOS LTDA.**) limited liability company, headquartered at Rua Santa Mônica, No. 281, Bloco A, City of Cotia, State of São Paulo, Postal Code 06.715-865, enrolled with CNPJ/MF under No. 11.603.135/0001-68, herein represented pursuant to its Articles of Incorporation, hereinafter simply referred to as "PAX"; and

**TRANSIRE FABRICAÇÃO DE COMPONENTES ELETRÔNICOS LTDA.**, limited liability corporation, headquartered at Avenida Ministro Mario Andreazza, No. 4.120, City of Manaus, State of Amazonas, Postal Code 69.075-830, enrolled with CNPJ/MF under No. 21.785.364/0001-02, herein represented pursuant to its Articles of Incorporation, hereinafter referred to simply as "TRANSIRE".

CLIENT 1, CLIENT 2, PAX and TRANSIRE are hereinafter jointly referred to as "Parties", and individually as "Party".

**WHEREAS:**

- (i) The Parties hereby execute the Equipment Supply Agreement ("Agreement") as of June 26, 2014, with subsequent amendments on October 21, 2014, July 3, 2015, October 8, 2015, May 20, 2016, December 9, 2016, February 6, 2017, August 25, 2017, and November 5, 2019;
- (ii) The Parties wish to include the company **TEC TOYS.A.** as a party to the Agreement; and
- (iii) The Parties wish to include the business conditions to supply Spare Parts.

The Parties hereby have decided to enter into this 9th Amendment to the Equipment Supply Agreement ("Amendment"), pursuant to the following terms and conditions:

**1. AMENDMENTS**

**1.1.** The Parties have mutually agreed to include, as from October 1st, 2020, the company **TEC TOYS.A.** as a contracted party to the Agreement, and the preamble of the Agreement shall be effective with the following wording:

*"NET+PHONE TELECOMUNICAÇÕES LTDA., limited liability company, headquartered at Avenida Caminho do Mar, No. 3.115, Bloco C, Pavimento Superior, Parte A, City of São Bernardo do Campo, State of São Paulo, enrolled with the National Corporate Taxpayers' Registry of the Ministry of Finance ("CNPJ/MF") under No. 06.066.832/0001-97, herein represented pursuant to its Bylaws, hereinafter referred to as "CLIENT 1";*

**PAGSEGURO INTERNET S.A.**, corporation, headquartered at Avenida Brigadeiro Faria Lima, 1384, 4th floor, Parte A, City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 08.561.701/0001-01, herein represented pursuant to its Bylaws, hereinafter simply referred to as "CLIENT 2", and jointly with CLIENT 1, as "CLIENTS";

**PAX BR COMÉRCIO E SERVIÇOS DE EQUIPAMENTOS DE INFORMÁTICA LTDA.**, limited liability company, headquartered at Rua Santa Mônica, No. 281, Bloco A, City of Cotia, State of São Paulo, Postal Code 06.715-865, enrolled with CNPJ/MF under No. 11.603.135/0001-68, herein represented pursuant to its Articles of Incorporation, hereinafter simply referred to as "PAX";

**TRANSIRE FABRICAÇÃO DE COMPONENTES ELETRÔNICOS LTDA.**, limited liability corporation, headquartered at Avenida Ministro Mario Andreazza, No. 4.120, City of Manaus, State of Amazonas, Postal Code 69.075-830, enrolled with CNPJ/MF under No. 21.785.364/0001-02, herein represented pursuant to its Articles of Incorporation, hereinafter referred to simply as "TRANSIRE";

**TEC TOYS.A.**, corporation, headquartered at Avenida Buriti, 3149, Distrito Industrial I, City of Manaus, State of Amazonas, Postal Code 69075-000, enrolled with CNPJ/MF under No. 22.770.366/0001-82, with branch at Rua Santa Mônica, 281, Bloco D, Parque Industrial San Jose, City of Cotia, State of São Paulo, Postal Code 06715-865, enrolled with CNPJ/MF under No. 22.770.366/0006-97, herein represented pursuant to its Articles of Incorporation, hereinafter simply referred to as "TEC TOY".

CLIENT 1, CLIENT 2, PAX, TRANSIRE and TEC TOY are hereinafter jointly referred to as "Parties", and individually as "Party".

1.2. TEC TOY is a partner corporation of the economic group of the companies PAX and TRANSIRE, through Electronic Equipment Supply Agreement executed by them, and TEC TOY herein represents to be aware and that it agrees with the conditions set forth in the Agreement, being liable for its rights and obligations established in such Instrument.

1.3. Due to the above-mentioned inclusion, all references made to the Service Providers in the Agreement, in whichever instance is not specified, it shall be construed as a reference to PAX, TRANSIRE and TEC TOY.

1.4. Therefore, the Parties wish to include, as from October 1, 2020, the business conditions related to the supply of spare parts, which shall become effective according to the chart below:

MODEL	ITEMS	Price
D150	USB Cable	[*****]
	Back Lid	[*****]
D155	USB Cable	[*****]
	Back Lid	[*****]
D175	USB Cable	[*****]
	Power supply for charger	[*****]
	Back Lid	[*****]
	Battery	[*****]
	Power supply for charger	[*****]

[\*\*\*\*\*] Confidential information redacted

D190	USB Cable (Type C) Back Lid	[*****] [*****]
D200	Battery Power supply for charger USB Cable Back Lid	[*****] [*****] [*****] [*****]
Q92	Battery Power supply for charger USB Cable (Type C) Upper rubber foot Lower rubber foot Full and assembled coil lid Back Lid	[*****] [*****] [*****] [*****] [*****] [*****]
S920	Battery Minicradle Power supply for charger USB Cable Upper rubber foot Lower rubber foot Full and assembled coil lid Back Lid	[*****] [*****] [*****] [*****] [*****] [*****] [*****]
A930	Battery Power supply for charger USB Cable (Type C) Upper rubber foot Lower rubber foot Full and assembled coil lid Back Lid	[*****] [*****] [*****] [*****] [*****] [*****]

1.4.1. Pursuant to the provisions in the Agreement and in compliance with what was established in it, it is hereby agreed that the items under guarantee shall be covered by the suppliers (PAX, TRANSIRE and TEC TOY), without any costs to the CLIENTS.

**2. JOINT AND SEVERAL LIABILITY**

2.1. PAX, TRANSIRE and TEC TOY hereby acknowledge and undertake the joint and several liability regarding the terms of the Agreement and its legal obligations. Each of such is aware of the entire content of the Agreement and its amendments.

**3. RATIFICATION**

3.1. The Parties hereby ratify all other terms and conditions of the Agreement, making it clear that the terms and clauses that have not been expressly changed by this Instrument shall remain unchanged and fully effective.

[\*\*\*\*\*] Confidential information redacted



In witness whereof, the Parties hereby execute this instrument in the electronic form, and such Parties, together with their Witnesses, acknowledge that electronic, digital, and computerized signatures are valid and fully effective, constituting instrument enforceable out-of-court for all legal purposes, even if it such signatures or certifications are not under ICP-Brazil standards, pursuant to the provisions in paragraphs of Article 10 of the Provisional Presidential Decree No. 2,200/2001 in force in Brazil. Therefore, this Agreement, as well as the Proposals, their exhibits and amendments may be executed through such means.

São Paulo, October 1, 2020.

-DocuSigned by: /s/ Artur Gaulke Schunck  
 -DocuSigned by: /s/ Renato Bertozzo Duarte

-DocuSigned by: /s/ Artur Gaulke Schunck  
 -DocuSigned by: /s/ Renato Bertozzo Duarte

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**NET+PHONE TELECOMUNICAÇÕES LTDA.**

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**PAGSEGURO INTERNET S.A.**

-DocuSigned by: /s/ Tiago Cabral

-DocuSigned by: /s/ Paulo Luisada

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**PAX BR COMÉRCIO E SERVIÇOS DE EQUIPAMENTOS DE INFORMÁTICA LTDA.**

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**TRANSIRE FABRICAÇÃO DE COMPONENTES ELETRÔNICOS LTDA.**

-DocuSigned by: /s/ Valdeni Rodrigues de Novaes  
 -DocuSigned by: /s/ Paulo Fernando Gasparo

---

**TEC TOYS A.**

Witnesses:

1\_-DocuSigned by: /s/ Carlos Ficher

2\_-DocuSigned by: /s/ Clayton Xavier Ribeiro

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Name:  
 CPF:

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Name:  
 CPF:

**Completion Certificate**

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**Signature**  
 -DS  
 Signature adoption: Signature image loaded  
 Using IP Address: [\*\*\*\*\*]

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 Sent: 11/10/2020 10:11:38  
 Viewed: 11/10/2020 10:16:35  
 Signed: 11/10/2020 10:19:07

**Signature Provider Details:**  
 Signature Type: DSElectronic

**Electronic Record and Signature Disclosure:**  
 Not offered via DocuSign

Aline Marins dos Santos  
 [\*\*\*\*\*]  
 Security Level: E-mail, Account Authentication (None)

-DS  
 Signature adoption: Pre-selected Style IP Address:  
 [\*\*\*\*\*]

Sent: 11/10/2020 10:19:11  
 Viewed: 11/10/2020 10:25:58  
 Signed: 11/10/2020 10:33:48

**Signature Provider Details:**  
 Signature Type: DSElectronic

**Electronic Record and Signature Disclosure:**  
 Accepted: 11/10/2020 10:25:58  
 ID: [\*\*\*\*\*]

Artur Gaulke Schunck  
 [\*\*\*\*\*] Chief Financial Officer  
 Security Level: E-mail, Account Authentication (None)

-DocuSigned by:

Signature adoption: Pre-selected Style IP Address:  
 [\*\*\*\*\*]

**Signature Provider Details:**  
 Signature Type: DSElectronic

**Electronic Record and Signature Disclosure:**  
 Accepted: 09/12/2018 12:32:08  
 ID: [\*\*\*\*\*]

Carlos Ficher  
 [\*\*\*\*\*]  
 Security Level: E-mail, Account Authentication (None)

-DocuSigned by:

Signature adoption: Pre-selected Style IP Address:  
 [\*\*\*\*\*]

**Signature Provider Details:**  
 Signature Type: DSElectronic

Sent: 11/10/2020 10:33:52  
 Viewed: 11/10/2020 10:58:39  
 Signed: 11/10/2020 10:58:43

Sent: 11/10/2020 10:33:52  
 Viewed: 11/10/2020 10:35:41  
 Signed: 11/10/2020 10:35:54

**Electronic Record and Signature Disclosure:**  
 Accepted: 11/10/2020 10:35:41  
 ID: [\*\*\*\*\*]

[\*\*\*\*\*] Confidential information redacted

Signer Events	Signature	Timestamp
<p>Clayton Xavier Ribeiro [*****] Security Level: E-mail, Account Authentication (None)</p> <p><b>Signature Provider Details:</b> Signature Type: DSElectronic</p> <p><b>Electronic Record and Signature Disclosure:</b> Accepted: 08/13/2018 06:54:30 ID: [*****]</p>	<p>-DocuSigned by:</p> <p>Signature adoption: Pre-selected Style IP Address: [*****]</p>	<p>Sent: 11/10/2020 10:33:52 Viewed: 11/10/2020 10:47:37 Signed: 11/10/2020 10:48:15</p>
<p>Paulo Fernando Gasparo [*****] HEAD OF CONTROLLERSHIP Security Level: E-mail, Account Authentication (None)</p> <p><b>Signature Provider Details:</b> Signature Type: DSElectronic</p> <p><b>Electronic Record and Signature Disclosure:</b> Accepted: 11/10/2020 10:48:44 ID: [*****]</p>	<p>- DocuSigned by:</p> <p>- DocuSigned by:</p>	<p>Signature adoption: Pre-selected Style IP Address: [*****]</p>
<p>Paulo Luisada [*****] Security Level: E-mail, Account Authentication (None)</p> <p><b>Signature Provider Details:</b> Signature Type: DSElectronic</p> <p><b>Electronic Record and Signature Disclosure:</b> Accepted: 11/10/2020 12:54:08 ID: [*****]</p>		<p>Signature adoption: Pre-selected Style IP Address: [*****]Signed using cellphone</p>
<p>RENATO BERTOZZO DUARTE [*****]OFFICER UNIVERSO ONLINE LEGAL DEPARTMENT Security Level: E-mail, Account Authentication (None)</p> <p><b>Signature Provider Details:</b> Signature Type: DSElectronic</p> <p><b>Electronic Record and Signature Disclosure:</b> Not offered via DocuSign</p>		<p>Signature adoption: Pre-selected Style IP Address: [*****]</p>
<p>Tiago Cabral [*****] Security Level: E-mail, Account Authentication (None)</p> <p><b>Signature Provider Details:</b> Signature Type: DSElectronic</p> <p><b>Electronic Record and Signature Disclosure:</b> Accepted: 08/14/2020 10:54:21 ID: [*****]</p>		<p>Signature adoption: Pre-selected Style IP Address: [*****]Signed using cellphone</p>
<p>Valdeni Rodrigues de Novaes [*****] Security Level: E-mail, Account Authentication (None)</p> <p><b>Signature Provider Details:</b> -DocuSigned by: Signature Type: DSElectronic - DocuSigned by:</p>		<p>Signature adoption: Pre-selected Style IP Address: [*****]Signed using cellphone</p>

[\*\*\*\*\*] Confidential information redacted

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Signed: 11/10/2020 10:51:38

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Signed: 11/10/2020 12:54:44

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Viewed: 11/10/2020 10:36:03  
Signed: 11/10/2020 10:36:09

Sent: 11/10/2020 10:33:53  
Viewed: 11/10/2020 10:34:18  
Signed: 11/10/2020 10:34:27

Sent: 11/10/2020 10:33:53  
Resent 11/10/2020 12:18:56  
Viewed: 11/10/2020 12:19:23  
Signed: 11/10/2020 12:20:27

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<b>Signer Events</b>	<b>Signature</b>	<b>Timestamp</b>
<b>Electronic Record and Signature Disclosure:</b>		
Accepted: 11/10/2020 12:19:23		
ID: [*****]		
<b>In Person Signer Events</b>	<b>Signature</b>	<b>Times tamp</b>
<b>Editor Delivery Events</b>	<b>Status</b>	<b>Times tamp</b>
<b>Agent Delivery Events</b>	<b>Status</b>	<b>Times tamp</b>
<b>Intermediary Delivery Events</b>	<b>Status</b>	<b>Times tamp</b>
<b>Certified Delivery Events</b>	<b>Status</b>	<b>Times tamp</b>
<b>Carbon Copy Events</b>	<b>Status</b>	<b>Times tamp</b>
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<b>Notary Events</b>	<b>Signature</b>	<b>Times tamp</b>
<b>Envelope Summary Events</b>	<b>Status</b>	<b>Times tamp</b>
Envelope sent	Hashed/Encrypted	11/10/2020 10:11:38
Certified delivery	Security checked	11/10/2020 12:19:23
Signing complete	Security checked	11/10/2020 12:20:27
Completed	Security checked	11/10/2020 12:54:44
<b>Payment Events</b>	<b>Status</b>	<b>Times tamp</b>
<b>Electronic Record and Signature Disclosure</b>		

[\*\*\*\*\*] Confidential information redacted

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In addition, you must notify DocuSign, Inc. in order to reflect your new e-mail address in your DocuSign account by following the process for changing e-mail in the DocuSign system.

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To request us to send you paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail and provide: your e-mail address, full name, Brazil Postal address, and telephone number. We will charge you for the amount of the copies, if applicable.

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(ii) send us an e-mail and provide your e-mail address

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**Required hardware and software\*\*:**

(i) Operating Systems: Windows® 2000, Windows® XP, Windows Vista®; Mac OS®

(ii) Browsers: Latest versions Internet Explorer® 6.0 or above (only Windows); Mozilla Firefox2.0 or above (Windows and Mac); Safari™ 3.0 or above (only Mac)

(iii) PDF readers: Acrobat® or similar software may be required to view and print PDF files.

(iv) Screen Resolution: 800 x 600 minimum

(v) Enabled Security Settings: Allow per session cookies

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By checking the "I agree" box, I confirm that:

(i) I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND CONSUMER SIGNATURE DISCLOSURES; and

(ii) I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and (iii) Until or unless I notify as described above, I consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by during the course of my relationship with you.

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### **Consequences of changing your mind**

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### **All notices and disclosures will be sent to you electronically**

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To contact us by email send messages to: UOL - UNIVERSO ONLINE S/A

[\*\*\*\*\*] Confidential information redacted

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To let us know of a change in your e-mail address to which we should send notices and disclosures electronically to you, you must send us an e-mail to [\*\*\*\*\*] providing: your previous e-mail address and your new e-mail address. We do not require any other information from you to change your e-mail address. We do not require any other information from you to change your email address.

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- (ii) send an e-mail to [\*\*\*\*\*] and provide your e-mail address, full name, Brazil Postal Address, and telephone number. We do not need any other information from you to withdraw consent. The consequences of your withdrawing consent for online documents will be that transactions may take longer to process. We do not require any other information from you to change your email address. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process.

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- (ii) Browsers: Latest versions Internet Explorer® 6.0 or above (only Windows); Mozilla Firefox 2.0 or above (Windows and Mac); Safari™ 3.0 or above (only Mac)
- (iii) PDF readers: Acrobat® or similar software may be required to view and print PDF files.
- (iv) Screen Resolution: 800 x 600 minimum.
- (v) Enabled Security Settings: Allow per session cookies

\*\* These minimum requirements are subject to change. If these requirements change, you will be asked to re-accept the disclosure. Pre-release (e.g. beta) versions of operating systems and browsers are not supported.

[\*\*\*\*\*] Confidential information redacted

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- (i) I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND CONSUMER SIGNATURE DISCLOSURES; and
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## REDACTED COPY

Certain identified confidential information has been redacted from this exhibit because both (i) it is customarily and actually treated as private or confidential and (ii) it is not material.

Confidential portions of this Exhibit are designated by [\*\*\*\*\*].

**1ST AMENDMENT TO THE COLOCATION AGREEMENT No. CT:02827/19**

By this private instrument, on one side,

**UD TECNOLOGIA S.A.**, company headquartered at Alameda Glete, 700, 2nd floor, Campos Eliseos, in the City of São Paulo, State of São Paulo, enrolled with the National Corporate Taxpayers' Registry ("CNPJ") under No. 34.562.112/0001-58, herein represented pursuant to its corporate acts, hereinafter simply referred to as "**UD TECNOLOGIA**", and on the other side,

**PAGSEGURO INTERNET S.A.**, company headquartered in the City of São Paulo, State of São Paulo, at Avenida Brigadeiro Faria Lima, No. 1384, 4th floor, parte A, Jardim Paulistano, Brazil, Postal Code 01451-001, duly enrolled with the CNPJ/MF under No. 08.561.701/0001-01, herein represented pursuant to its corporate acts, hereinafter simply referred to as "**CLIENT**",

Whereas:

- (i) *The CLIENT and UOL DIVEO TECNOLOGIA LTDA. ("UOL DIVEO") hereby execute the Colocation Agreement No. CT:02827/19 as of July 1st, 2019 ("Agreement");*
- (ii) *The rights and obligations of UOL DIVEO hereunder have been assigned to UD TECNOLOGIA through "Assignment Instrument for Colocation Agreement No. CT:02827/19" entered into between UOL DIVEO and UD TECNOLOGIA as of December 1st, 2019, with full consent from the CLIENT;*
- (iii) *The parties have agreed on formalizing the hiring of new items supplementing the scope of the agreement and other covenants.*

The parties have decided to enter into this 1st Amendment Instrument to the Agreement, pursuant to the following terms and conditions established below.

**SECTION 1 - PURPOSE**

**1.1** The purpose of this Amendment is to change sections 2.2 and 8.1 of the Agreement, which shall be governed by the following wording:

*"2.2. The parties hereby elect IPCA as the monetary adjustment index, annually applicable to the prices included in the Chart above, taking into account the IPCA variation during the twelve (12) months before the month of January of each year (starting on January 1st, 2019), which is considered the base date of the Agreement. If the index is not available, or if permitted by law or by court order, the official index replacing IPCA shall be applied, or if it does not exist, another index with a monthly variation, calculated on a pro-rata basis, which best reflects the inflationary effects of the national currency will be adopted."*

*"8.1. The Parties may not assign or transfer, whether in full or partially, this Agreement, or the rights and obligations arising from this instrument, without the previous and express consent from the other Party. Except as otherwise provided in this Agreement, the SERVICE PROVIDER may assign, whether in full or partially, the receivables resulted from this Agreement to any person, including to creditors, as security to loans."*

**1.2** This Amendment also has the purpose to formalize that newly acquired services or products together with the Colocation, such as Golden Jumper or security services may be acquired by the CLIENT from UD TECNOLOGIA upon express agreement between the parties. Such additional services shall have their technical scope and fees established in their associated Technical and Business Proposals, which upon signature by the parties, shall become an integral part of the Agreement.

**1.3** The parties hereby agree that UD TECNOLOGIA shall have, for the period of 5 years as from the date hereof, the same preemptive right as third parties (including, but not limited to, financial and technical conditions, service levels and support) to provide colocation services ("Colocation Services") to the CLIENT in Brazil. If the CLIENT requests, obtains or receives a proposal from any individual or legal entity ("Third Party") concerning the Colocation Services, the CLIENT must promptly notify UD TECNOLOGIA before entering into any agreement or binding document related to the Colocation Services. UD TECNOLOGIA shall have 15 days as from the receipt of such notice in order to exercise its preemptive right (however, not an obligation) to perform the Colocation Services to the CLIENT under the same terms and conditions offered by the Third Party. If UD TECNOLOGIA submits a notice to the CLIENT (as the case may be) exercising its preemptive right, the CLIENT (on one side) and UD TECNOLOGIA (on the other side) must execute an agreement or any other binding instrument for the performance of Colocation Services within 10 days as from the submission of the notice by UD TECNOLOGIA exercising its preemptive right. The price of any Colocation Service hired between the CLIENT and UD TECNOLOGIA shall be added to the amounts due under the Agreement, and they shall not be used to amortize the Minimum Commitment provided in the Agreement and the Amendment, entered into on the date hereof between the CLIENT, BANCOSEGURO S.A., UNIVERSO ONLINE S.A., UOL DIVEO TECNOLOGIA LTDA. and UD TECNOLOGIA.

**1.3.1** The omission or non-compliance, by UD TECNOLOGIA, within 15 days as per Section 1.3 above, shall be construed as the non-exercise, by UD TECNOLOGIA, of its preemptive right, thus, the CLIENT is free to hire Colocation Services from Third Parties.

**SECTION 2 - GENERAL PROVISIONS**

**2.1** Although this instrument is executed on the date hereof, all of its effects shall be applied on a retroactive basis as from August 1st, 2019, when the Parties had already started the commercial negotiation.

**2.2** Sections Sixteen and Seventeen of the Agreement are included herein for reference, *mutatis mutandis*.

IN WITNESS WHEREOF, the Parties have executed this Amendment in two (02) counterparts, same in form and content, ratifying all other clauses and conditions previously agreed, except for the clauses expressly amended herein, which shall remain unchanged.

São Paulo, April 22, 2020.

**PAGSEGURO INTERNET S.A.**

-DocuSigned by: /s/ Judith Brito  
Name: Judith Brito  
[\*\*\*\*\*]

-DocuSigned by: /s/ Eduardo Alcaro  
Name: Eduardo Alcaro  
[\*\*\*\*\*]

**UD TECNOLOGIA S.A.**

-DocuSigned by: /s/ Gil Torquato  
Name: Rogildo Torquato Landim  
ID (R.G.) No.: [\*\*\*\*\*]

-DocuSigned by: /s/ Marcelo Epperlein  
Name: Marcelo Epperlein  
ID (R.G.) No.: [\*\*\*\*\*]

**WITNESSES:**

-DocuSigned by: /s/ Fabiana Algaves  
Name: Fabiana Algarves  
ID No.: [\*\*\*\*\*]

-DocuSigned by: /s/ Karina Spina de Mouraa  
Name: Karina Spina de Mouraa  
ID No.: [\*\*\*\*\*]

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**Completion Certificate**

Envelope ID: 2A1523176D11422C931B588ED88755A5  
Completed Subject: DocuSign: Project Dynamite - Colocation Agreement Pageseguro - First Amendment (EXECUTION VERSIO...  
Source Envelope:  
Document Pages: 2 Signatures: 6  
Certificate Pages: 8 Initials: 0  
AutoNav: Enabled  
Envelope ID Stamping: Enabled  
Time Zone: (UTC-08:00) Pacific Time (US & Canada)

Status:  
Envelope Sent by:  
Helena Diniz Ribeiro Klemp  
Av. Brigadeiro Faria Lima, 1.384  
SP, SP 01452-002  
[\*\*\*\*\*]IP Address: [\*\*\*\*\*]

**Record Tracking**

Status: Original Holder: Helena Diniz Ribeiro Klemp Location: DocuSign  
04/22/2020 05:27:34 [\*\*\*\*\*]

**Signer Events**

Signature	Times stamp
Eduardo Alcaro [*****] CFO  Security Level: E-mail, Account Authentication (None)	Sent: 04/22/2020 05:29:44 Viewed: 04/22/2020 05:46:47 Signed: 04/22/2020 05:49:05
-DocuSign by: Signature established by: Pre-set style Using IP Address: [*****]	

**Electronic Record and Signature Disclosure:**

Accepted: 02/04/2019 04:07:27  
ID: [\*\*\*\*\*]

Fabiana Algaves [*****]  ANALISTA DE CONTRATOS UNIVERSO ONLINE SA Security Level: E-mail, Account Authentication (None)	-DocuSign by:  Signature adoption: Pre-selected Style IP Address: [*****]	Sent: 04/22/2020 05:29:44  Viewed: 04/22/2020 06:18:06 Signed: 04/22/2020 06:18:10
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[\*\*\*\*\*] Confidential information redacted

**Electronic Record and Signature Disclosure:**

Not offered via DocuSign

Gil Torquato [\*\*\*\*\*]

-DocuSign by:

Sent: 04/22/2020 05:29:44

CEO UOLDIVEO

CEO

Signature adoption: Pre-selected Style IP Address: [\*\*\*\*\*]

Viewed: 04/22/2020 05:38:50

Signed: 04/22/2020 05:38:56

Security Level: E-mail, Account Authentication (None)

**Electronic Record and Signature Disclosure:**

Accepted: 04/22/2020 05:38:50

ID: [\*\*\*\*\*]

Judith Brito

[\*\*\*\*\*]

-DocuSign by:

Sent: 04/22/2020 05:29:44

Viewed: 04/22/2020 05:48:40

Security Level: E-mail, Account Authentication (None)

Signature adoption: Pre-selected Style IP Address: [\*\*\*\*\*] Signed using  
cellphone

Signed: 04/22/2020 05:50:25

**Electronic Record and Signature Disclosure:**

Accepted: 04/22/2020 05:48:40

ID: [\*\*\*\*\*]

[\*\*\*\*\*] Confidential information redacted

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Signer Events	Signature	Times tamp
Karina Spina de Moura [*****] Security Level: E-mail, Account Authentication (None)	-DocuSign by:  Signature adoption: Pre-selected Style IP Address: [*****]	Sent: 04/22/2020 05:29:45 Viewed: 04/22/2020 05:33:01 Signed: 04/22/2020 05:33:10

**Electronic Record and Signature Disclosure:**

Accepted: 03/21/2018 11:27:22  
ID: [\*\*\*\*\*]

Marcelo Epperlein [*****] CFO  CFO Security Level: E-mail, Account Authentication (None)	-DocuSign by:  Signature adoption: Pre-selected Style IP Address: [*****]	Sent: 04/22/2020 05:29:44 Viewed: 04/22/2020 07:39:10  Signed: 04/22/2020 07:40:40
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**Electronic Record and Signature Disclosure:**

Accepted: 08/31/2018 13:30:22  
ID: [\*\*\*\*\*]

In Person Signer Events	Signature	Timestamp
<b>Editor Delivery Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Agent Delivery Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Intermediary Delivery Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Certified Delivery Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Carbon Copy Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Witness Events</b>	<b>Signature</b>	<b>Timestamp</b>
<b>Notary Events</b>	<b>Signature</b>	<b>Timestamp</b>
<b>Envelope Summary Events</b>	<b>Status</b>	<b>Timestamp</b>
Envelope sent	Hashed/Encrypted	04/22/2020 05:29:45
Certified delivery	Security checked	04/22/2020 07:39:10
Signing complete	Security checked	04/22/2020 07:40:40
Completed	Security checked	04/22/2020 07:40:40
<b>Payment Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Electronic Record and Signature Disclosure</b>		

[\*\*\*\*\*] Confidential information redacted

## **CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND SIGNATURE DISCLOSURES**

### **Electronic Record and Signature Disclosure**

From time to time, UOL - UNIVERSO ONLINE S/A may be required by law to provide you with certain written notices or disclosures. Described below are the terms and conditions for us to provide you with such notices and disclosures electronically through the DocuSign, Inc. (DocuSign) electronic signature system. Read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, confirm your agreement by clicking the 'I agree' button at the bottom of this document.

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At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print the documents we send to you through the DocuSign system during and immediately after the signature session, and, if you elect to create a DocuSign user account, you may access them for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish to get paper copies of any such documents to be sent from our office to you, you will not be charged a per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

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If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us thereafter that you want to receive notices and disclosures only in paper format. The procedure to inform us of your decision to receive future notices and disclosures in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

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### **All notices and disclosures will be sent to you electronically**

Unless you tell us otherwise in accordance with the procedures described herein, we will electronically send you through the DocuSign system all required notices, disclosures, authorizations, acknowledgments, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you using the same method and to the same address you have informed us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, let us know as described below. Also see the paragraph immediately above that describes the consequences if you elect not to receive notices and disclosures electronically from us.

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To contact us by email send messages to: UOL - UNIVERSO ONLINE S/A

[\*\*\*\*\*] Confidential information redacted

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**To inform of your new e-mail address to UOL - UNIVERSO ONLINE S/A:**

To let us know of a change in your e-mail address to which we should send notices and disclosures electronically to you, you must send us an e-mail to [\*\*\*\*\*] providing: your previous e-mail address and your new e-mail address. We do not require any other information from you to change your e-mail address. We do not require any other information from you to change your email address.

In addition, you must notify DocuSign, Inc. in order to reflect your new e-mail address in your DocuSign account by following the process for changing e-mail in the DocuSign system.

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To request us to send you paper copies of the notices and disclosures previously provided by us to you electronically, you must send an e-mail to [\*\*\*\*\*] and provide: your e-mail address, full name, Brazil Postal address, and telephone number. We will charge you for the amount of the copies, if applicable.

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To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- (i) refuse to sign a document in your DocuSign session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent; or you may
- (ii) send an e-mail to [\*\*\*\*\*] and provide your e-mail address, full name, Brazil Postal Address, and telephone number. We do not need any other information from you to withdraw consent. The consequences of your withdrawing consent for online documents will be that transactions may take longer to process. We do not require any other information from you to change your email address. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process.

**Required hardware and software\*\*:**

- (i) Operating Systems: Windows® 2000, Windows® XP, Windows Vista®; Mac OS®
- (ii) Browsers: Latest versions Internet Explorer® 6.0 or above (only Windows); Mozilla Firefox 2.0 or above (Windows and Mac); Safari™ 3.0 or above (only Mac)
- (iii) PDF readers: Acrobat® or similar software may be required to view and print PDF files.
- (iv) Screen Resolution: 800 x 600 minimum
- (v) Enabled Security Settings: Allow per session cookies

\*\* These minimum requirements are subject to change. If these requirements change, you will be asked to re-accept the disclosure. Pre-release (e.g. beta) versions of operating systems and browsers are not supported.

[\*\*\*\*\*] Confidential information redacted

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**Acknowledging your access and consent to receive materials electronically:**

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please make sure you read this electronic disclosure and are able to print on paper or electronically save this page for your future reference and access or are able to e-mail this disclosure and consent to an e-mail address in which you will be able to print on paper or save this page for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format under the terms and conditions described above, let us know by clicking the "I agree" button below.

By checking the "I agree" box, I confirm that:

- (i) I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND CONSUMER SIGNATURE DISCLOSURES; and
  - (ii) I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and (iii) Until or unless I notify UOL - UNIVERSO ONLINE S/A as described above, I consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by UOL - UNIVERSO ONLINE S/A during the course of my relationship with you.
-

**CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND SIGNATURE DISCLOSURES**  
**Electronic Record and Signature Disclosure**

From time to time, we may be required by law to provide you with certain written notices or disclosures. Described below are the terms and conditions for us to provide you with such notices and disclosures electronically through the DocuSign, Inc. (DocuSign) electronic signature system. Read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, confirm your agreement by clicking the 'I agree' button at the bottom of this document.

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**To inform of your new e-mail address:**

To let us know of a change in your e-mail address to which we should send notices and disclosures electronically to you, you must send us an e-mail and provide: your previous e-mail address and your new e-mail address. We do not require any other information from you to change your e-mail address.

In addition, you must notify DocuSign, Inc. in order to reflect your new e-mail address in your DocuSign account by following the process for changing e-mail in the DocuSign system.

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To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- (i) refuse to sign a document in your DocuSign session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent; or you may
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full name, Brazil Postal Address, and telephone number. We do not need any other information from you to withdraw consent. The consequences of your withdrawing consent for online documents will be that transactions may take longer to process.

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- (iii) PDF readers: Acrobat® or similar software may be required to view and print PDF files.
- (iv) Screen Resolution: 800 x 600 minimum
- (v) Enabled Security Settings: Allow per session cookies

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To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please make sure you read this electronic disclosure and are able to print on paper or electronically save this page for your future reference and access or are able to e-mail this disclosure and consent to an e-mail address in which you will be able to print on paper or save this page for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format under the terms and conditions described above, let us know by clicking the "I agree" button below.

By checking the "I agree" box, I confirm that:

- (i) I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND CONSUMER SIGNATURE DISCLOSURES; and
- (ii) I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and (iii) Until or unless I notify as described above, I consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by during the course of my relationship with you.

## REDACTED COPY

Certain identified confidential information has been redacted from this exhibit because both (i) it is customarily and actually treated as private or confidential and (ii) it is not material.

Confidential portions of this Exhibit are designated by [\*\*\*\*\*]

**AMENDMENT AND RESTATEMENT TO THE SUPPLEMENT  
TO MASTERCARD LICENSE AGREEMENT**

This Amendment and Restatement to Supplement to Mastercard License Agreement (the "Supplement Agreement") is effective as of 7<sup>th</sup>, October, 2020, and is entered into by and between **PAGSEGURO INTERNET S.A.** ("Licensee") and **MASTERCARD INTERNATIONAL INCORPORATED** ("Mastercard") and constitutes an amendment to the Supplement to Mastercard License Agreement, dated March 11, 2015 (the "Prior Supplement Agreement"). The Mastercard License Agreement was entered into by and between Licensee and Mastercard on March 11, 2015 (the "License Agreement"). According to the License Agreement, Mastercard granted to Licensee a license (the "License") to use the Marks subject to the terms and conditions set forth in the License Agreement.

PRELIMINARY STATEMENTS

**WHEREAS**, Licensee received on March 11, 2015, the License from Mastercard authorizing Licensee to engage in Mastercard business, specifically in the issuing of Mastercard pre-paid products and in the acquiring of Mastercard transactions, and to use the Marks in Brazil and such License was subject to certain additional terms and conditions, which were established in the Prior Supplement Agreement;

**WHEREAS**, Licensee now intends to engage in the issuing of Mastercard credit products and to use the Marks in Brazil and in any other country or jurisdiction for which Licensee receives an extension of area of use as outlined in Section I(e) below (collectively, the "Area of Use");

**WHEREAS**, this this Supplement Agreement shall regulate the additional terms and conditions of the License regarding Mastercard credit product, as well as to consolidate herein the terms and conditions regarding the acquiring and issuing of pre-paid products;

**NOW THEREFORE**, incorporating the above preliminary statements, and in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Mastercard and Licensee further agree as follows:

1. Terms and Conditions upon License. With respect to its participation in the issuing of pre-paid and credit products and acquiring Mastercard business in the Area of Use pursuant to the License, notwithstanding anything in the License Agreement or the Mastercard Standards ("Standards") as defined in the License Agreement, including, but not limited to the Mastercard Rules, to the contrary and in addition to, and not in lieu of, any other obligations Licensee may owe Mastercard under the License Agreement or Standards, Licensee hereby further acknowledges and agrees, throughout the term of the License (the "Term"), that:

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- a. Financial Reporting.** Licensee will deliver to Mastercard (i) quarterly within 30 days following the end of the first three fiscal quarters of each fiscal year of Licensee, consolidated and consolidating balance sheets, income statements and statements of cash flow of Licensee for such quarterly period and for the period from the end of the last fiscal year of Licensee, and (ii) within 60 days of when audited financial statements are filed or reported, as required under applicable law, and following the end of each fiscal year Licensee audited comparative consolidated and unaudited comparative consolidating balance sheets, income statements and statements of cash flows, certified, in the case of consolidated annual statements by independent public accountants of recognized standing, and in the case of quarterly and consolidating annual statements, by a financial officer of Licensee for such period.
- b. Audits.** In accordance with Rule 2.5 of the Mastercard Rules and except where prohibited by applicable local laws and or regulations, Licensee will submit to periodic audits or investigations by Mastercard or designated independent third parties, as Mastercard may determine necessary, and conducted as Mastercard deems appropriate, to determine Licensee's compliance with the provisions of this Supplement Agreement, the License Agreement, the Mastercard Standards, as may be amended from time to time, and applicable laws and regulations. Licensee will cooperate and cause the cooperation of its independent auditors and other necessary agents and personnel, in the conduct of any such audit or investigation by Mastercard or such independent third party.
- c. Approved Products Only; Program Registration Requirement.** Licensee acknowledges and agrees that the License authorizes Licensee to engage solely in the issuing of credit and pre-paid Mastercard products and in the acquiring of Mastercard transactions and under no circumstances shall the Licensee issue, or attempt to issue, by direct or indirect means, any other Mastercard products without the prior written consent of Mastercard.
- d. No Sponsorship of Affiliates.** Licensee shall not sponsor any other entity to be an Affiliate member or licensee of Mastercard.
- e. Extensions of Area of Use.** Notwithstanding anything in Mastercard Rule 1.7.2 to the contrary, Licensee shall seek Mastercard's prior written consent before any extension of area of use into every country or jurisdiction into which Licensee desires to issue, or will issue, permitted Mastercard-branded products or desires to acquire, or will acquire Mastercard transactions. Mastercard may or may not grant any such extension of area of use request, at its sole discretion.
- f. Legal and Regulatory Compliance; Indemnification.** Licensee hereby represents and warrants to Mastercard that the execution and delivery of the License Agreement (as modified by this Supplement Agreement), and the performance of the Mastercard issuing or acquiring business in the Area of Use contemplated in such documents, do not violate any law, statute, ordinance, regulation, judgment, writ, injunction, rule, decree, order, or any other restriction or requirement of any kind or character applicable to Licensee. Licensee hereby further represents and warrants to Mastercard that Licensee's activities to be performed pursuant to the License shall not constitute unlawful banking or other activity under applicable law or regulation. In addition to any other indemnification obligation Licensee may owe to Mastercard under the License Agreement, Standards or otherwise, Licensee shall protect, indemnify and hold harmless Mastercard, and its stockholders, directors, officers, employees, agents and affiliates, from and against any and all actions, proceedings losses, costs, liability and/or expenses (including, without limitation, the fees and expenses of counsel for Mastercard at both trial and all appellate and bankruptcy levels, costs of investigation, and disbursement), actual and threatened claims and/or demands in any way arising out of the acts or omissions and/or the performance or failure to perform by Licensee in connection with the representations and/or warranties made by Licensee to Mastercard under this subsection, including, without limitation, in the event that any of such representations and/or warranties are not true.
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2. Miscellaneous. Except as expressly supplemented or amended herein, the License Agreement shall continue in full force and effect as in effect on the date of this Supplement Agreement. To the extent that any such terms of the License Agreement conflict with the terms of this Supplement Agreement, the terms of this Supplement Agreement shall govern. All capitalized terms not defined herein shall have the meanings given to them in the License Agreement or Standards. If applicable local law and/or regulation within Licensee's Area of Use impose a greater or a conflicting obligation on Licensee's Activities, such applicable local law and/or regulation shall govern. Nothing herein is, or shall be construed as, a waiver or release of any right or privilege held by, or obligation Licensee may owe to, Mastercard under the License Agreement or Standards. All such rights and privileges are affirmatively retained by Mastercard.

**IN WITNESS WHEREOF**, the parties have negotiated and agreed upon each and every one of the provisions in this Supplement Agreement for which reason this Supplement Agreement cannot, under any circumstances, be considered an adhesion contract and have executed this Supplement Agreement first written above.

**MASTERCARD INTERNATIONAL INCORPORATED**

By: /s/Daniel Paula  
Name: Daniel Paula  
Title: Franchise Director  
Date: October 20, 2020

**PAGSEGURO INTERNET S.A.**

By: /s/Renato Bertozzo Duarte  
Name: Renato Bertozzo Duarte  
CPF: [\*\*\*\*\*]  
Title:  
Date: 07<sup>th</sup>, October, 2020

/s/Leandro Roberto Rodrigues  
Leandro Roberto Rodrigues  
CPF: [\*\*\*\*\*]

[\*\*\*\*\*] Confidential information redacted



**Exhibit I**  
**LONG-TERM INCENTIVE PLAN – Goals (LTIP - Goals)**  
**PAGSEGURO INTERNET S.A.**

**Long-Term Incentive Plan – Goals**

- 1.1 The Board of Directors of PagSeguro Digital Ltd., company listed since January 24, 2018, on the New York Stock Exchange (NYSE), established in Cayman Islands ("**Company**"), parent company of the operational company PagSeguro Internet S.A., headquartered in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 08.561.701/0001-01 ("**PagSeguro Brasil**"), has approved this Long-Term Incentive Plan - Goals (hereinafter referred to as "**LTIP-Goals**"), through which PagSeguro Brasil may grant shares to certain employees (hereinafter referred to as "**Beneficiaries**"), provided that they are previously selected and approved by the LTIP-Goals Committee ("**LTIP Goals Committee**"), as defined below, within the limits and conditions herein established.
  - 1.2 The purpose of the LTIP-Goals is to reinforce the alignment of interests between the Beneficiaries and the Company, giving them the opportunity to become partners of the Company, thus deepening their commitment. PagSeguro Brasil hopes to encourage the expansion, success and achievement of its corporate purposes, attracting and hiring highly-committed professionals who wish to succeed.
  - 1.3 LTIP-Goals management, including selection of Beneficiaries and the definition of the relevant participation conditions, will be attributed to the LTIP-Goals Committee, a Company's body comprised by the Company's Chief Executive Officer and two (2) other officers appointed by the CEO. PagSeguro may only enter into any agreement or amendment with the Beneficiaries of the LTIP-Goals as previously resolved by the LTIP-Goals Committee.
  - 1.4 The shares related to the LTIP-Goals described herein are those issued by the Company (the "**Shares**").
  - 1.5 The LTIP-Goals Committee will entitle each Beneficiary the right to annually receive, as payment of part of the PagSeguro Brasil Profit Sharing Plan ("**PSP-PSB**"), a maximum number of Shares, provided that the goals established in the PSP-PSB have been met in the previous year. If PSP-PSB goals are not met in the previous year, the Beneficiaries will not receive any payment or Shares for that year.
  - 1.6 Once the requirements above are met, the Shares shall be delivered to the Beneficiary or the settlement may be performed in cash, at the LTIP-Goals Committee's discretion.
    - If the payment is made in cash: the amount in Brazilian Reals shall be calculated on the date fixed by the LTIP Goals Committee, up to the last business day of March of the following year ("**Conversion Date**"), pursuant to Section 2, and the payment shall be made within ten (10) business days from the Conversion Date;
    - If the payment is made in Shares: the Shares shall be issued within ten (10) business days after the Conversion Date.
    - PagSeguro Brasil shall make payment of taxes related to the delivery of Shares or cash payment, pursuant to then current legislation.
    - The Beneficiary will have sole responsibility for the payment of any taxes due related to a sale or any other type of transaction involving a transfer of ownership of Shares received by such Beneficiary in connection with the LTIP Goals.
  - 1.7 If the LTIP Goals Committee decides to include a new Beneficiary before October of the current year, and provided that the goals of the PSP-PSB have been met, the Beneficiary shall receive the Shares (or cash) on a *pro-rata temporis* basis. Any new Beneficiaries included in November and December shall be effective as from January of the following year.
-

- 1.8 On an exceptional basis, and within the remit of the LTIP-Goals Committee, the Company may grant awards to certain selected Beneficiaries in Shares or in cash, within designated periods to be set (and not necessarily subject to the other terms and conditions defined below), and in recognition of superior performance above what is typically expected (according to criteria established by the Company), all at the discretion of the LTIP-Goals Committee.

#### **Conversion of Shares for cash payment**

- 2.1 The total number of Shares acquired from achieving the PSP-PSB goals in the previous year shall be converted, at the Conversion Date, in Brazilian Reais, multiplying the number of Shares by the average price of Company's shares in the previous thirty (30) auctions before the Conversion Date.

#### **Delivery of Shares and Lockup**

- 3.1 In the event of payment in Shares, such Shares shall be transferred to the Beneficiary within ten (10) business days as from the Conversion Date.
- 3.2 Once the Company's Shares have been delivered, the Beneficiary shall comply with all lock-up rules established by the SEC (U.S. Securities and Exchange Commission), by the Company, by PagSeguro Brasil or in the LTIP-Goals concerning the sale of Shares.
- 3.3 Once the ownership has been effectively transferred from the Company to the Beneficiary, the latter shall be solely responsible for managing the Shares, except as provided for in Section 3.2.
- 3.4 As resolved by the LTIP-Goals Committee, the delivery of Shares shall occur through sale of treasury shares, subscription of new Shares or payment in cash for the Beneficiary to acquire the Company's Shares in the market.

#### **Events of Termination of Employment of the Beneficiary of PagSeguro or affiliated companies**

- 4.1 If the termination of employment of the Beneficiary occurs before the end of the relevant year for the LTIP-Goals: the Beneficiary will not be entitled to any corresponding Shares.
- 4.2 If termination occurs after the end of the year and before the Conversion Date: the Beneficiary shall receive the Shares, provided that the PSP-PSB goals for the previous year have been met.

#### **Legal Charges – Shares and Settlement in Cash**

- 5.1 The amounts related to the LTIP-Goals described herein – paid in Shares or settled in cash – are related to the development goals of PagSeguro Brasil, established in each annual PSP-PSB. Thus, they do not result in payment of labor (FGTS, 13th salary and holidays) or social security charges.
- 5.2 PagSeguro Brasil, as part of a Profit Sharing Plan, as provided by Law No. 10.101/00, shall perform the due discounts and payments provided by applicable law, considering the payment date as basis for calculation.
-

## **6 LTIP-Goals Effectiveness**

- 6.1** The LTIP-Goals was approved by the Company's Board of Directors and the LTIP Goals Committee is authorized to take all necessary measures in order to be implemented by the Company.
- 6.2.** The LTIP-Goals shall be effective until the Company's Board of Directors or the LTIP Committee decides to end it.
- 6.3.** Without prejudice to the effectiveness and term of the PSP-PSB, the LTIP Goals and the Individual Agreements may be amended or terminated, at any time, by decision from the Company's Board of Directors or the LTIP-Goals Committee, in the event of force majeure or drastic fluctuation in the general conditions of economy that indicates unpredictability or instability, or also in the event of changes in the law or regulations applicable to the Company or to PagSeguro Brasil that may result in material changes to the provisions of the LTIP-Goals and the Individual Agreement.
- 6.4.** In the event of corporate restructuring of the Company and/or PagSeguro Brasil, including third-parties, or in the event of spin-off, merger, consolidation, or also in the event of an IPO by the subsidiaries, LTIP-Goals and the Individual Agreement may be adjusted to such new corporate structure and may be amended, as exclusively resolved by the Board of Directors or the LTIP-Goals Committee.

## **7 Final Provisions**

- 7.1** The provisions in this Individual Agreement and in the LTIP-Goals do not confer upon any rights to the Beneficiary that ensure his or her stay at PagSeguro Brasil or at any other company comprising its corporate group, and it does not interfere in anyway in PagSeguro Brasil's right to, at any time and pursuant to applicable law, remove the Beneficiary from his or her duties and terminate the legal relationship with the Beneficiary.
- 7.2** Cases not provided by this instrument shall be ruled by the LTIP-Goals Committee or by the Company's Board of Directors.

Approved on December 18, 2018, ratified on August 07, 2019, on February, 21, 2020, and on January, 19, 2021.

**REDACTED COPY**

Certain identified confidential information has been redacted from this exhibit because both (i) it is customarily and actually treated as private or confidential and (ii) it is not material.

Confidential portions of this Exhibit are designated by [\*\*\*\*\*].

**FIRST AMENDMENT TO THE AGREEMENT FOR ACCREDITOR'S PARTICIPATION IN ELO PAYMENT ARRANGEMENTS**

<b>SUMMARY</b>
The following parties (individually referred to as Party, and jointly as Parties) have decided to execute this Amendment:
<b>I - IDENTIFICATION</b>
<b>On one side:</b>
ELO SERVIÇOS S.A. (" <b>ELO SERVIÇOS</b> ")
Address: Alameda Xingu, 512, 5º andar Alphaville Industrial, Barueri/SP
CNPJ/MF: 09.227.084/0001-75
<b>And, on the other side:</b>
<b>PARTICIPANT: PAGSEGURO INTERNET S.A.</b>
Address: Avenida Brigadeiro Faria Lima, 1.384, 4º andar (Parte A), São Paulo, SP, Postal Code: 01451-001
CNPJ/MF: 08.561.701/0001-01

(i) **ELO SERVIÇOS** and the **PARTICIPANT** have executed on 02.13.2019, the AGREEMENT FOR ACCREDITOR'S PARTICIPATION IN ELO PAYMENT ARRANGEMENTS ("Instrument"), setting forth the rights and obligations of each Party, as specified therein;

(ii) Law 13,709/2018, the General Data Protection Law, provides for the handling of personal data, including in electronic means, by individual and private or public legal entities, with the purpose of protecting fundamental freedom and privacy rights and free personal development of the individual; and

(iii) the Parties hereby undertake to the terms and conditions established in this amendment in relation to data protection and privacy, specially concerning the performance of the Instrument.

Thus, the Parties have decided to enter into this Amendment to the Instrument ("Amendment"), subject to the following clauses and conditions:

**SECTION ONE - DATA PROTECTION AND PRIVACY**

1.1. The Parties hereby undertake to comply with all applicable laws on data protection and privacy, including (at all times and as applicable) the Brazilian Federal Constitution, the Brazilian Consumer Protection Code, the Brazilian Civil Code, the Brazilian Civil Rights Framework for the Internet (Federal Law No. 12,965/2014), its regulatory decree (Decree No. 8,771/2016), the General Data Protection Law (Federal Law No. 13,709/2018), and other associated or general rules on the subject matter.

**SECTION TWO – GENERAL PROVISIONS**

2.1. The Parties represent to have analyzed all terms, clauses and conditions hereof, and acknowledge such terms, clauses and conditions pursuant to the applicable laws, under all aspects.

2.2. The Parties hereby acknowledge and agree that this Amendment may be electronically signed upon electronic signature submitted through tool and/or system appointed by **ELO SERVICES** at the time. The Parties' electronic signatures shall be considered as an original signature for all legal intents and purposes.

2.3. This Amendment binds the Parties and their successors, at any title, on an irrevocable and irreversible basis for all legal intents and purposes.

2.4. All other terms and conditions of the Instrument herein amended shall remain the same and are hereby ratified, provided that they have not been expressly changed by this Amendment.

IN WITNESS WHEREOF, the Parties have executed this Amendment in two (2) counterparts, same in form and content, in the presence of two (2) undersigned witnesses.

Barueri, August 24, 2020

**Elo Serviços S.A.**

DocuSigned by: /s/Eduardo Goni de Oliveira /s/Marcelo Marques  
Name: Eduardo Goni de Oliveira Marcelo Marques  
Title: Superintendente de Desenvolvimento Diretor de Negócios

**PAGSEGURO INTERNET S.A.**

DocuSigned by: /s/Renato Bertozzo Duarte /s/Wagner Chagas Feder  
Name: Renato Bertozzo Duarte Wagner Chagas Feder  
Title: Diretor Jurídico Diretor Financeiro

Witnesses:

1.  
DocuSigned by: /s/Luciana Franco  
Name: Luciana Franco  
CPF/ME: [\*\*\*\*\*]

2.  
DocuSigned by: /s/Renata Maria de Moraes  
Name: Renata Maria de Moraes  
CPF/ME: [\*\*\*\*\*]

[\*\*\*\*\*] Confidential information redacted

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**Completion Certificate**

Envelope ID: E672E18F9D6F4AB587897708A9A893AE Subject:

Status: Completed

LCPD Amendment

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Document Pages: 2

Assinaturas: 6

Envelope Sent by:

Certificate Pages: 2 AutoNav:

Initials: 1

LUCIANA FRANCO

Enabled

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08/24/2020

[\*\*\*\*\*]

20:53:43

**Signer Events**

**Signature**

**Timestamp**

Natani Ventura Azevedo

[\*\*\*\*\*] Lawyer

Sent: 08/24/2020 21:03:39

UNIVERSO ONLINE S.A.

Viewed: 08/28/2020 09:46:22

Security Level: E-mail, Account Authentication (None)

Signature adoption: Signature image loaded Using IP Address: [\*\*\*\*\*]

Signed: 08/28/2020 09:54:04

**Electronic Record and Signature Disclosure:**

Not offered via DocuSign

Renata Maria de Moraes

[\*\*\*\*\*]

-DocuSign by:/s/ Renata Maria de Moraes

Sent: 08/28/2020 09:54:06

Security Level: E-mail, Account Authentication (None)

Signature adoption: Pre-selected Style IP Address: [\*\*\*\*\*]

Viewed: 08/28/2020 10:14:37

Signed: 08/28/2020 10:15:59

**Electronic Record and Signature Disclosure:**

Not offered via DocuSign

RENATO BERTOZZO DUARTE

[\*\*\*\*\*]

-DocuSign by:/s/ Renato Bertozzo Duarte

Sent: 08/28/2020 10:16:01

OFFICER UNIVERSO ONLINE LEGAL DEPARTMENT

Signature adoption: Pre-selected Style IP

Viewed: 08/28/2020 12:55:10

Security Level: E-mail, Account Authentication (None)

Address: [\*\*\*\*\*]

Signed: 08/28/2020 12:55:22

**Electronic Record and Signature Disclosure:**

Not offered via DocuSign

Wagner Chagas Feder

[\*\*\*\*\*]

-DocuSign by:/s/ Wagner Chagas Feder

Sent: 08/28/2020 12:55:23

Chief Financial Officer

Signature adoption: Pre-selected Style IP

Viewed: 08/28/2020 15:47:49

Security Level: E-mail, Account Authentication (None)

Address: [\*\*\*\*\*]

Signed: 08/28/2020 15:47:57

**Electronic Record and Signature Disclosure:**

Not offered via DocuSign

[\*\*\*\*\*] Confidential information redacted

Signer Events	Signature	Timestamp
LUCIANA FRANCO [*****] Business Development Manager Elo Serviços Security Level: E-mail, Account Authentication (None)	-DocuSign by:/s/ Luciana Franco  Signature adoption: Pre-selected Style IP Address: [*****]	Sent: 08/28/2020 15:47:58 Viewed: 08/31/2020 16:23:40 Signed: 08/31/2020 16:23:58

**Electronic Record and Signature Disclosure:**  
Not offered via DocuSign

EDUARDO GONI DE OLIVEIRA [*****] Business Development Superintendent Elo Serviços S.A. Security Level: E-mail, Account Authentication (None)	-DocuSign by:/s/ Eduardo Goni de Oliveira  Signature adoption: Signature image loaded Using IP Address: [*****]	Sent: 08/28/2020 12:55:23 Viewed: 08/28/2020 15:47:49 Signed: 08/28/2020 15:47:57
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**Electronic Record and Signature Disclosure:**  
Not offered via DocuSign

Marcelo Marques [*****] Business Officer Elo Serviços S.A. Security Level: E-mail, Account Authentication (None)	-DocuSign by:/s/ Marcelo Marques  Signature adoption: Pre-selected Style IP Address: [*****] Signed using cellphone	Sent: 09/04/2020 11:51:27 Viewed: 09/04/2020 12:34:38 Signed: 09/04/2020 12:34:55
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**Electronic Record and Signature Disclosure:**  
Not offered via DocuSign

In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
<b>Envelope Summary Events</b>	<b>Status</b>	<b>Timestamp</b>
Envelope sent	Hashed/Encrypted	09/04/2020 11:51:27
Certified delivery	Security checked	09/04/2020 12:34:38
Signing complete	Security checked	09/04/2020 12:34:55
Completed	Security checked	09/04/2020 12:34:55
Payment Events	Status	Timestamp

[\*\*\*\*\*] Confidential information redacted

REDACTED COPY

Certain identified confidential information has been redacted from this exhibit because both (i) it is customarily and actually treated as private or confidential and (ii) it is not material.

Confidential portions of this Exhibit are designated by [\*\*\*\*\*].



Business Solutions for your Needs

**Client:** PAGSEGURO INTERNET S.A  
**Registry No. (CNPJ):** 08.561.701/0001-01  
**Service Provider:** COMPASSO TECNOLOGIA LTDA  
**Registry No. (CNPJ):** 07.654.824/0001-24  
**Project Name:** PagSeguro – Data Specialists.  
**Agreement No.:** 2735/19

Corporate Taxpayers’  
 Corporate Taxpayers’

Service Agreement No.: 05

This Service Agreement is governed by the above-mentioned Service Agreement, which was executed between PAGSEGURO INTERNET S.A and COMPASSO TECNOLOGIA LTDA on July 15, 2019.

**Scope:**

This Service Agreement provides for the allocation of a Squad of professionals with skills to develop software, working in an agile dynamic, as per the work model used by PagSeguro.

The team shall be comprised by a senior data engineer working full-time and our internal Data Evangelist working part-time (50%).

Detailed scope of the services, as well as the items outside the scope are described in document named TECHNICAL/BUSINESS PROPOSAL: *PS-20191016-DATSPC-v2* which was initialed by the parties and is an integral part hereof as an Exhibit attached hereto.

**Compensation:**

a) **Monthly non-cumulative baseline equivalent to 264 hours of work during business hours:** [\*\*\*\*\*].

- Baseline is accounted for regardless of monthly consumption, thus ensuring the availability of capacity for the project.

b) **Additional hours to the baseline** shall be measured and charged as per the ratecard shown below:

Baseline						Amount of Additional Hour of Work			
Employee Profile	# of Employees	Location	Hours/Month	Rate/hour	Monthly Investment (Baseline)	Stand-by	Overtime	Night shift from 10 p.m. to 6 a.m.	Night shift overtime
Data & Analytics Expert	0.5	SP	88	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Senior Data Engineer	1	RS	176	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
	1.5		264		[*****]				

% of Hourly Rate		Amount of Additional Hour of Work		
Stand-by	Overtime	Night shift from 10 p.m. to 6 a.m.	Night shift overtime	
[*****]	[*****]	[*****]	[*****]	

[\*\*\*\*\*] Confidential information redacted





**Premises and requirements:**

All premises and requirements are described in the above-mentioned document named *TECHNICAL/BUSINESS PROPOSAL: PS-20191016-DATSPC-v2*.

**Place where services will be provided:**

The activities will be performed at Compasso's Delivery Center in Rio Grande do Sul, and also, on special occasions and as necessary, at the Client's headquarters.

**Period in which services will be provided:**

All activities that have not been specified as 24x7 shall be carried out during business hours. Business hours means the period from 07:00 am to 07:00 pm, GMT -3 (Brasilia Time Zone), from Monday to Friday, except holidays.

All of Compasso's employees strictly comply with all Brazilian Labor Laws (CLT), especially concerning mandatory lunch break and overtime limit.

**Travel expenses:**

Travel expenses are not included in the price and shall be reimbursed to Compasso upon submission of expense report, together with a Debit Note and payment instructions, provided that those expenses are previously notified and authorized by PagSeguro by e-mail, pursuant to the terms and limitations set forth in its policies in force.

Travel expenses refer to transportation, meals, insurance, and accommodation, as established below:

**Travel expense policy**

- Daily amount for meals in the Southeastern Region [\*\*\*\*\*]
- Hotel - 3 Star Executive Category
- Air tickets - Cheapest ticket at the determined time Insurance - For trips abroad
- Commuting by land
- Corporate taxi/Uber rate upon receipt
- Intermunicipal bus when needed
- Trips/Commuting during business hours

\*\*In case of change to the daily meal amount in the Travel Expense Policy, it shall be notified to the Client by e-mail and formalized in an amendment hereto.

[\*\*\*\*\*] Confidential information redacted



**Payment condition:**

- Baselines shall be issued until the 10th day of the month in which the service was provided, plus any additional amounts from the previous month, as applicable;
- All invoices shall be due within 30 days as from its issuance date;

**Notes:**

- All levied taxes are included in the above-mentioned rates, namely: taxes on services of any nature (ISSQN) (2%), social integration program (PIS) (0.65%), and contribution to social security financing (COFINS) (3%), for invoices billed in Brazil;
- Compasso shall issue Invoices from the unit performing the services, and it may use its branches in order to do so;
- In the event activities are performed outside the scope of the agreement and are not provided in the additional provisions herein, they shall be previously agreed between the Client and Compasso, and will be the subject matter of a specific Service Agreement;
- All transactions concerning this Agreement shall be billed in Brazilian currency (BRL).
- Except upon prior notice as provided herein, at the end of the term, the services herein described shall be automatically renewed under the same conditions.
- As per contractual provision, the rates herein presented shall be adjusted for inflation every 12 months by the Extended National Consumer Price Index (IPCA).

**Other conditions:**

All other terms and conditions in the above-mentioned Service Agreement shall apply to the Services.

The following are an integral part hereof:

Exhibit 1 - *TECHNICAL|BUSINESS PROPOSAL: PS-20191016-DATSPC-v2*

In case of any discrepancy between the terms and conditions herein and the above-mentioned proposals, the provisions set forth in this Service Agreement shall prevail.

**Commencement of Activities:** 2 weeks from the approval of the Business Proposal.

**Effectiveness:** 03 months

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**Type of project:** Dedicated SQUAD

IN WITNESS WHEREOF, the Parties have executed this Agreement in two (2) counterparts, same in form and content, in the presence of the undersigned witnesses.

São Paulo, January 09, 2020.

**Parties:**

**PAGSEGURO INTERNET S.A**

-DocuSigned by: /s/ Wagner Chagas Feder

-DocuSigned by: /s/ Artur Gaulke Schunck

**Title:**

**Title:**

**COMPASSO TECNOLOGIA**

-DocuSigned by: /s/ Renato Bertozzo Duarte

-DocuSigned by: /s/ Cleyton de Almeida Ferreira

**Title:**

**Title:**

**Witnesses:**

1. -DocuSigned by: /s/ Claudio Moreira Faria Sobrinho

2. -DocuSigned by: /s/ [signature illegible]

**CPF No.:**

**CPF No.:**

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Business Solutions for your Needs

**EXHIBIT 1**

*TECHNICAL|BUSINESS PROPOSAL PS-20191016-DATSPC-v2*

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# TECHNICAL|BUSINESS PROPOSAL

## PagSeguro – Data Specialists

November 18, 2019  
Proposal number: PS-20191016-DATSPC-v2

---

# Initial provisions

- All information herein about products, services, images, graphic layouts and intellectual content are owned by COMPASSO or by its relevant contractors. Copies are only permitted for the internal use of PagSeguro, and may not be used as source of information to third parties. All information provided to COMPASSO shall not be disclosed nor used in other projects, except as otherwise authorized in writing by both parties;
  - The content hereof includes ideas and material owned by COMPASSO, and it must be solely used for the evaluation of such proposal;
  - This material may not be accessed by persons who are not directly related to the client and to the evaluation of the proposal under discussion;
  - The same terms are also to be applied for information obtained at meetings and documents received from the client and used by COMPASSO in order to create this proposal.
  - No part of this document may be reproduced in other documents and/or presentations without the express and written authorization from COMPASSO.
-

# TECHNICAL PROPOSAL

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# Scope

- This proposal has defined scope and term, and the purpose of serving the needs of PagSeguro concerning its Data Lake, through the creation of a solution and building of models presenting practices to be followed by the engineering team. The scope herein will be achieved limited to the following epics:
  - The team shall be comprised by a senior data engineer working full-time and our internal Data Evangelist working part-time (50%);
  - The team will work on business hours, from Monday to Friday, from 7 am to 7 pm (except during holidays);
  - The team assigned to this squad will be working part of the time in person from PagSeguro's facilities, in the city of São Paulo, State of São Paulo, and the other part of the time at Compasso's Delivery Centers;
  - This team has a weekly work load of 40 hours.
-



# Scope

## **Epic #1 – Data Files**

Processing of data batch or stream submitted as avro file to Kafka, for versioning, merging, formatting (parquet) and partitioning of files in a layer specific for data analysis within cloud storage.

### Goals

- To remove the need of copying the data into Redshift storage;
  - To turn the data layer independent from the search engines;
  - To implement a life cycle/cooling of data in order to reduce costs.
-

# Scope

## **Epic #2 – Data Catalog**

Creation of a centralized data catalogue to be used as metastore by the query engines (Presto, Hive, Spark SQL, Impala, Redshift Spectrum, Athena, etc.) using SQL language to query data within cloud storage.

### **Goals**

- **To create a semantic layer to access cloud storage data**
  - **To enable management of access to data through grants to the cloud storage's drivers**
-

# Scope

## **Epic #3 – Maintenance**

Contingency flows, integrity assurance process and data consistency in the analytical layer of the Data Lake, processing buffer and log engineering (repository and availability for query).

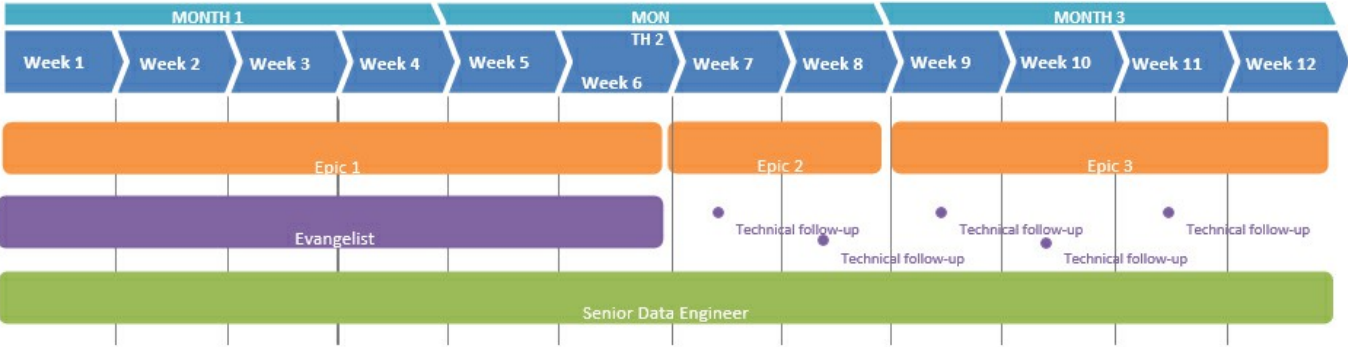
### Goals

- To design active monitoring mechanics - it does not include the design of all required warnings and dashboards;
  - To design failure tolerance mechanisms for Kafka's data capture process and availability for consumption.
-

# Process and Deliverables

- The purpose of this work is to create an analytical data solution, based on a Data Lake with the following characteristics:
    - Data Centric
    - Elastic, secure, reliable and with the best cost performance
    - Easy to add new data producers and consumers
  - The purpose of the experts is to build templates on how each piece shall be implemented by the engineers;
  - The experts' work will follow the stages below:
    1. Based on the epics defined herein, they will determine the product backlog;
    2. They will prioritize backlog items in 2-week sprints (together with PagSeguro's PO)
    3. For each sprint
      - a. They will come up with a solution for the issue
      - b. They will build a solution template
      - c. They will define the set of usage and development practices to be adopted by the engineers
-

# Schedule



**Notes:**

- Each epic shall be divided into N sprints, as per the schedule above. Definition of deliverables shall be defined in the planning for each sprint;
- Before the start of each sprint, the backlog may be changed or *reclassified*;
- The evangelist will be working on the development during the sprints of the first epic; for the other epics, he will work as advisor;
- At the end of each sprint, one (or multiple) prototypes will be delivered to be used as template for the engineering team for the developments;
- Implementation of the development may be escalated by assigning more data engineers.

# Premises

- All accesses needed in order to perform the work from PagSeguro's office in São Paulo/SP, or from Compasso's DCs, shall be granted to the members of the team by PagSeguro;
  - The deliverables of this work are about solution designs and creation of templates of the practices to be adopted. Therefore, some of the items from the solution will be limited to only a few objects (e.g., charts), requiring their replication by the data engineering team;
  - We recommend that, during the execution of the sprints from the first epic, the Data Engineer who is part of the team is assigned to the headquarters of PagSeguro.
-

# BUSINESS PROPOSAL

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# Team Structure - Business Planning

- The team will be assigned within 2 weeks as from the approval of the business proposal.
- The chart below shows its structure, which is considered as the monthly baseline:

# of Employees	Employee Profile	Knowledge
0.5	Data & Analytics Expert	Understanding the needs concerning data life cycle and creation of cloud engineering solutions (AWS) in order to meet those needs. Person in charge of finding ways to overcome challenges inherent to a Big Data context, ensuring reliability, security, performance, and a manageable cost.
1	Senior Data Engineer	Person in charge of the development of the Expert's ideas.

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# Investment

Below please find the business proposal based on the profile of employees mapped to be part of the team proposed herein:

Employee Profile	# of Employees	Monthly gross rate per profile
Data & Analytics Expert	0.5	[*****]
Senior Data Engineer*	1	[*****]
<b>Monthly gross rate</b>	<b>1.5</b>	<b>[*****]</b>

**CONSIDERATIONS:**

- The amounts are presented in Reais;
- All taxes are included in the above-mentioned rates, namely: taxes on services of any nature (ISSQN) (2%), social integration program (PIS) (0.65%), and contribution to social security financing (COFINS) (3%);
- The rates above take into account the assignment of the team for 3 months.

\* working at Compasso’s Delivery Center

[\*\*\*\*\*] Confidential information redacted

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# Investment

Overtime Night shift hour Night shift overtime  
10 pm to 6 am

## DrillDown Additional Hours

Baseline					Amount of Additional Hour of Work				
Employee Profile	# of Employees	Location	Hours/Month	Rate/hour	Monthly Investment (Baseline)	Stand-by	Overtime	Night shift from 10 p.m. to 6 a.m.	Night shift overtime
Data & Analytics Expert	0.5	SP	88	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Senior Data Engineer	1	RS	176	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
	1.5		264		[*****]				

% of Hourly Rate		Amount of Additional Hour of Work		
Stand-by	Overtime	Night shift from 10 p.m. to 6 a.m.	Night shift overtime	
[*****]	[*****]	[*****]	[*****]	[*****]

- Calculation is made on the month after services were provided
- Charge upon submission of report and approval by the Client

[\*\*\*\*\*] Confidential information redacted

# Travel Policy

## Travel expense policy

Daily amount for meals in the Southeastern Region [\*\*\*\*\*]  
Hotel - 3 Star Executive Category  
Air travel - Cheapest ticket at the defined time  
Insurance - For trips abroad  
Commuting by land  
Corporate taxi/Uber rate upon receipt  
Intermunicipal bus when needed  
Trips/Commuting during business hours

\*\*In case of change to the daily meal amount in the Travel Expense Policy, it shall be notified to the Client by e-mail and formalized in an amendment hereto.

- **Calculation is made on the month after the trip**
- **Charge upon submission of report and approval by the Client**

\*\*\*] Confidential information redacted

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# Business Conditions

- Billing related to the monthly baseline herein shall be performed under the CNPJ (corporate taxpayer number) of Compasso Tecnologia Ltda;
  - Rates will be billed on a monthly basis, and the Service Invoice shall be issued until the 5th business day of the month of service, pursuant to the monthly fixed baseline presented herein;
  - Any overtime in the period shall be included in the invoice for the subsequent period;
  - Payment shall be due within 30 days as from the issuance of Invoice;
  - Rates are for full-time allocation of the employees listed herein, working during business hours. Overtime is subject to the increases provided by the Brazilian Labor Law (CLT);
  - The rates presented herein are effective for 12 months, and they shall be annually adjusted based on the IPCA accumulated for the period;
  - Logistics expenses for the work of Compasso's employees (assigned at Compasso's Delivery Centers), at PagSeguro's headquarters, shall be borne by the client and billed through a Debit Note issued by Compasso Tecnologia LTDA, following all of Compasso's Expense Policies;
  - Ratification shall be performed through the execution of a service agreement linked to the master agreement between the parties;
  - This proposal is effective for 30 days as from its date of issuance.
-

INNOVATION CHALLENGES TO

**BUSINESS**

TRANSFORMATION

INNOVATION

## Service Agreement

Client: PAGSEGURO INTERNET S.A.

Corporate Taxpayers' Registry No. (CNPJ): 08.561.701/0001-01

Service Provider: COMPASSO TECNOLOGIA LTDA.

Corporate Taxpayers' Registry ("CNPJ"): 07.654.824/0001-24

Project: Commercial BU Planning

Agreement No.: 2735/19

SA No.: 19

This Service Agreement is governed by the above-mentioned Service Agreement, which was executed between PAGSEGURO INTERNET S.A and COMPASSO TECNOLOGIA LTDA on July 15, 2019.

## SCOPE

The scope of this proposal provides for the allocation of a Squad of professionals with skills to develop software, working in an agile dynamic, as per the work model used by PagSeguro.

Detailed scope of the services, as well as the items outside the scope are described in the document named TECHNICAL/BUSINESS PROPOSAL: PagSeguro Commercial BU Planning PROPOSAL PS-20208026-V1 dated 09/25/2020, which was initiated by the parties and is an integral part hereof as an Exhibit attached hereto.

## COMPENSATION

a) Monthly non-cumulative baseline equivalent to 704 hours of work during business hours: [\*\*\*\*\*] . Billing for the first month shall charge the amount on a pro rata basis since the commencement of activities.

- Baseline is accounted for regardless of the monthly consumption, thus ensuring the availability of capacity for the project.

Baseline				
Employee Profile	# of Employees	Hours/Month	Rate/hour	Monthly Investment (Baseline)
Senior Data Engineer	2	176	[*****]	[*****]
Data Engineer	2	176	[*****]	[*****]
		<b>704</b>		[*****]

\*Amounts in Reais (R\$)

b) **Additional hours to the baseline** shall be measured and charged as per the ratecard shown below:

Employee Profile	Rate/hour	Amount of Additional Hour of Work				Percentage of Additional Hour of Work			
		Stand-by	Overtime	Night shift from 10 p.m. to 6 a.m.	Night shift overtime	Stand-by	Overtime	Night shift from 10 p.m. to 6 a.m.	Night shift overtime
Senior Data Engineer	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
Data Engineer	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]

\*Amounts in Reais (R\$)

[\*\*\*\*\*] Confidential information redacted

## PREMISES AND REQUIREMENTS

All premises and requirements are described in the above-mentioned Business Proposal.

## PLACE WHERE THE SERVICES WILL BE PROVIDED:

The activities will be performed at Compasso's Delivery Center, and also, on special occasions and as necessary at the Client's headquarters.

## TIME OF SERVICE PROVISION

All activities that have not been specified as 24x7, shall be carried out during business hours. Business hours means the period from 07:00 am to 07:00 pm, GMT -3 (Brasília Time Zone) from Monday to Friday, except holidays.

All of Compasso's employees strictly comply with all Brazilian Labor Laws (CLT), especially concerning mandatory lunch break and overtime limit.

## TRAVEL EXPENSES

Travel expenses are not included in the price and shall be reimbursed to Compasso upon submission of expense report, together with a Debit Note and payment instructions, provided that those expenses are previously notified and authorized by PagSeguro by e-mail, pursuant to the terms and limitations set forth in its policies in force.

Travel expenses refer to transportation, meals, insurance, and accommodation, as established below:

### Travel expense policy

Daily amount for meals in the Southeastern Region  
Hotel - 3 Star Executive Category  
Air tickets - Cheapest ticket at the determined time  
Insurance - For trips abroad  
Commuting by land  
Corporate taxi/Uber rate upon receipt  
Intermunicipal bus when needed  
Trips/Commuting during business hours

[\*\*\*\*\*]

\*\*In case of change to the daily meal amount in the Travel Expense Policy, it shall be notified to the Client by e-mail and formalized in an amendment hereto.

[\*\*\*\*\*] Confidential information redacted



**PAYMENT CONDITION:**

- Baselines shall be issued until the 5th day of the month after the service was provided, plus any additional amounts, as applicable;
- All invoices shall be due within 30 days as from its issuance date;

**NOTES**

- All levied taxes are included in the above-mentioned rates, namely: taxes on services of any nature (ISSQN) (2%), social integration program (PIS) (0.65%), and contribution to social security financing (COFINS) (3%), for invoices billed in Brazil;
- Compasso shall issue Invoices from the unit performing the services, and it may use its branches in order to do so;
- In the event activities are performed outside the scope of the agreement and are not provided in the additional provisions herein, they shall be previously agreed between the Client and Compasso, and will be the subject matter of a specific Service Agreement;
- All transactions concerning this Agreement shall be billed in Brazilian currency (BRL).
- Except upon prior notice as provided herein, at the end of the term, the services herein described shall be automatically renewed under the same conditions;
- As per contractual provision, the rates herein presented shall be adjusted for inflation every 12 months by the Extended National Consumer Price Index (IPCA).

**OTHER CONDITIONS**

All other terms and conditions in the above-mentioned Service Agreement shall apply to the Services.

**The following are an integral part hereof:**

**Exhibit I - TECHNICAL|BUSINESS PROPOSAL: PagSeguro Commercial BU Planning PROPOSAL PS-20208026-V1 dated 09/25/2020.**

In case of any discrepancy between the terms and conditions herein and the above-mentioned proposal, the provisions set forth in this Service Agreement shall prevail.

**Commencement of Activities:** 19Oct20

**Effectiveness:** 12 months

**Type of project:** Dedicated SQUAD

**IN WITNESS WHEREOF** The Parties have executed this Agreement in two (2) counterparts, same in form and content, in the presence of the undersigned witnesses, through *DocuSign* technology.

São Paulo, September 28, 2020.

**PARTIES**

**PAGSEGURO INTERNET S.A**

DocuSigned by: /s/ Ricardo Dutra  
By: \_\_\_\_\_  
Title:

DocuSigned by: /s/ Renato Bertozzo Duarte  
By: \_\_\_\_\_  
Title:

**COMPASSO TECNOLOGIA LTDA.**

DocuSigned by: /s/ Cleyton de Almeida Ferreira  
By: \_\_\_\_\_  
Title:

DocuSigned by: /s/ Marcelo Ivaldo da Silva  
By: \_\_\_\_\_  
Title:

**Witnesses:**

1. DocuSigned by: /s/ Jessika Caroline Milhomem Moreira  
Name: \_\_\_\_\_  
CPF No.:

2. DocuSigned by: /s/ Cristina Ely  
Name: \_\_\_\_\_  
CPF No.:



# PagSeguro – Commercial BU Planning

TECHNICAL | BUSINESS PROPOSAL

Irma Carvalho



# INITIAL PROVISIONS



- All information herein about products, services, images, graphic layouts and intellectual content are owned by COMPASSO or by its relevant contractors. Copies are only permitted for the internal use of PagSeguro, and may not be used as source of information to third parties. All information provided to COMPASSO shall not be disclosed nor used in other projects, except as otherwise authorized in writing by both parties;
  - The content hereof includes ideas and material owned by COMPASSO, and it must be solely used for the evaluation of such proposal;
  - This material may not be accessed by persons who are not directly related to the client and to the evaluation of the proposal under discussion;
  - The same terms are also to be applied for information obtained from meetings and documents received from and used by COMPASSO in order to create this proposal;
  - No part hereof may be reproduced in other documents and/or presentations without the express and written authorization by COMPASSO.
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# BUSINESS PROPOSAL

TEAM AND PROFILE

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# SCOPE

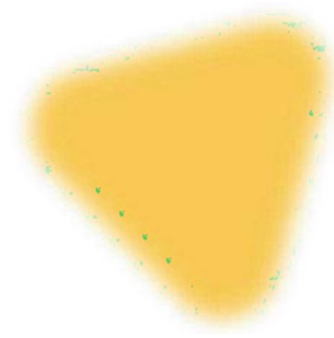
## COMPASSO DELIVERY CENTER ALLOCATION



- The scope of this proposal provides for the allocation of a squad of professionals with skills to develop software, working in an agile dynamic, as per the work model used by PagSeguro.
  - Professionals who are members of the squad will be working on an exclusive basis (full-time).
  - The allocation of the team is performed during working hours, from Monday to Friday.
  - Deliveries made outside business hours, may be made upon agreement with the project's Scrum Master/AM, who shall organize the team's shift schedule, pursuant to the Brazilian Labor Laws (CLT);
  - The period from 7 am to 7 pm (except holidays) is accounted by Compasso as regular working hour rate, within the ratecard described herein. Work outside those hours shall be consider overtime, as per the Brazilian Labor Laws (CLT) and provisions herein.
  - The team allocated to this squad will be working in person at Compasso's Delivery Centers in the Southern Region of Brazil.
  - This team has a weekly work load of 44 hours.
-

# SCOPE

## SQUAD STRUCTURE AND SIZE



- The squad will be assigned within 20 days as from the approval of the business proposal.
- The chart below shows the squad structure, which is considered as the monthly baseline:

FTEs	Profile
2	Senior Data Engineer
2	Data Engineer

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# INVESTMENT



- Below please find the business proposal based on the profile of employees mapped to be part of the team proposed herein:

Employee Profile	# of Employees	Monthly gross rate per profile
Senior Data Engineer	2	[*****]
Data Engineer	2	[*****]
<b>Monthly gross rate</b>	<b>4</b>	[*****]

## CONSIDERATIONS:

- The amounts are presented in Reais;
- All taxes are included in the above-mentioned rates, namely: taxes on services of any nature (ISSQN) (2%), social integration program (PIS) (0.65%), and contribution to social security financing (COFINS) (3%);
- The rates above take into account the assignment of the squad for 12 months, with automatic renewal. If PagSeguro ceases the activities, Compasso shall be notified with 30 days in advance.

[\*\*\*\*\*] Confidential information redacted

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# INVESTMENT

## DRILL-DOWN OVERTIME

- We present below the rates for any overtime worked outside the baseline herein contracted:



		Baseline			Amount of Additional Hour of Work					
Employee Profile	# of Employees	Location	Hours/Month	Rate/hour	Monthly Investment (Baseline)	Stand-by	Overtime	Night shift from 10 p.m. to 6 a.m.	Night shift overtime	
Senior Data Engineer	1	DC	176	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	
Data Engineer	1	DC	176	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	
				Total	[*****]					
						% of Hourly Rate		Amount of Additional Hour of Work		
						Stand-by	Overtime	Night shift from 10 p.m. to 6 a.m.	Night shift overtime	
						[*****]	[*****]	[*****]	[*****]	

[\*\*\*\*\*] Confidential information redacted

# TRAVEL POLICY



## Travel expense policy

Daily amount for meals in the Southeastern Region [\*\*\*\*\*]  
Hotel - 3 Star Executive Category  
Air tickets - Cheapest ticket at the determined time  
Insurance - For trips abroad  
Commuting by land  
Corporate taxi/Uber rate upon receipt  
Intermunicipal bus when needed  
Trips/Commuting during business hours  
\*\*In case of change to the daily meal amount in the Travel Expense Policy, it shall be notified to the Client by e-mail and formalized in an amendment hereto.

- Calculation is made after the trip
- Charge upon submission of report and approval by the Client
- Allocation of employees involving travel expenses shall always be previously aligned by e-mail authorizing the reallocation and acknowledging the associated expenses.

[\*\*\*\*\*] Confidential information redacted

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# BUSINESS CONDITIONS



- Billing related to the monthly baseline herein shall be performed under the CNPJ (corporate taxpayer number) of Compasso Tecnologia Ltda;
  - Billing will be performed on a monthly basis, the Invoice will be issued by the 5th business day of the month, and the amount shall refer to the worked hours (and overtime) during the month before the issuance of the Invoice.
  - Payment shall be due within 30 days as from the issuance of Invoice;
  - Rates are for full-time allocation of the employees listed herein, working during business hours. Overtime is subject to the increases provided by the Brazilian Labor Law (CLT);
  - The rates presented herein are effective for 12 months, and they shall be annually adjusted based on the IPCA accumulated for the period;
  - Logistics expenses for the work of Compasso's employees (assigned at Compasso's Delivery Centers), at PagSeguro's headquarters, shall be borne by the client and billed through an Invoice issued by Compasso Tecnologia LTDA, following all of Compasso's Expense Policies;
  - Ratification shall be performed through the execution of a service agreement linked to the master agreement between the parties;
  - This proposal is effective for 30 days as from its date of issuance.
-



compasso  
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**REDACTED COPY**

**Certain identified confidential information has been redacted from this exhibit because both (i) it is customarily and actually treated as private or confidential and (ii) it is not material.**

**Confidential portions of this Exhibit are designated by [\*\*\*\*\*].**

This **Bonus Program and Strategic Alliance Agreement ("Agreement")** was executed on the date hereof between **MASTERCARD BRASIL SOLUÇÕES DE PAGAMENTO LTDA.**, limited liability corporation, headquartered in the City of São Paulo, State of São Paulo, at Avenida das Nações Unidas, 14.171, Rochaverá Corporate Plaza, Torre C Edifício Crystal Tower - 20º andar, enrolled with the Corporate Taxpayers' Registry of the Ministry of Finance ("CNPJ/ME") under No. 05.577.343/0001-37, herein represented pursuant to its articles of association ("**MASTERCARD BRASIL**"); and **PAGSEGURO INTERNET S.A.**, corporation headquartered in the City of São Paulo, State of São Paulo, at Avenida Brigadeiro Faria Lima, 1.384, 4º andar, parte A, Jardim Paulistano, CEP 01.451-001, enrolled with CNPJ/ME under No. 08.561.701/0001-01, herein represented pursuant to its bylaws ("**CLIENT**"). **MASTERCARD BRASIL** and **CLIENT** are hereinafter individually referred to as **Party**, and jointly as **Parties**.

Capitalized terms used herein shall have their definition provided in **Exhibit A**, whether used in singular or in plural.

**Whereas:**

- a) The CLIENT is licensed by Mastercard International, Inc. and also a business partner of MASTERCARD BRASIL; and
- b) MASTERCARD BRASIL and the CLIENT have decided to execute a Bonus Program aiming to promote, within the Brazilian market:
  - (i) the ongoing and increase in the issuance of Mastercard Pagseguro Cards, as prepaid cards ("Mastercard PagSeguro Cards - Prepaid"); and
  - (ii) the launch of a new product, upon the issuance of a Mastercard PagSeguro Card, as credit and prepaid cards which also accepts debit charges ("Mastercard PagSeguro Cards - Credit", "Mastercard PagSeguro Cards - Prepaid (OLC)"), jointly referred to as "Mastercard PagSeguro Cards - Combo"), subject to the terms and conditions provided in section 3.1(i), with the subsequent growth of this Portfolio.

The Parties hereby decide, as strategic allies, to execute this Agreement, pursuant to the following terms and conditions:

**I AGREEMENT OF 10/31/2016**

**1.1.** This Agreement fully replaces the Bonus Program and Strategic Alliance Agreement executed between the parties on October 31, 2016 ("**Prepaid Portfolio Bonus Agreement**"), which, as from June 30, 2020, is no longer effective for all legal purposes, as well as all the other rights and obligations by which the Parties were bound.

**1.1.1.** Upon termination of the Prepaid Portfolio Bonus Agreement, the Parties agree that any earned Bonus not yet received and/or any outstanding balances shall be made available and/or credited to the CLIENT's account by October 30, 2020, pursuant to the terms in the debit note to be provided by the CLIENT.

**1.1.2.** Specifically regarding the 5th installment of the Bonus (Innovation Forum) under section 5.6 of the Prepaid Portfolio Bonus Agreement, in the amount of [\*\*\*\*\*], which the CLIENT has already earned, it may be used by the CLIENT for the commute of its executives to Mastercard's Innovation Forum in 2021.

**1.1.2.** Except for the amount to be received by the CLIENT and/or Bonus that has been earned but not yet provided under the aforementioned agreement, the Parties grant each other full, absolute, irrevocable, unrestricted and general release of all rights and obligations by which the Parties were bound, and shall, as from the date hereof, be bound by this Agreement.

[\*\*\*\*\*] Confidential information redacted

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## II BONUS

2.1. Subject to the applicable conditions provided below to each Bonus, and provided that the CLIENT complies on a timely manner with all obligations provided in section III, MASTERCARD BRASIL shall provide the CLIENT with the following Bonus:

a) **Sign-On Bonus.** MASTERCARD BRASIL shall provide the amount of [\*\*\*\*\*] as "Sign-On Bonus" to the CLIENT. The Sign-On Bonus shall be provided to the CLIENT [\*\*\*\*\*] as from the execution of the Agreement.

b) **Bonus on POS Revenue from Credit Portfolio.** From Year 2 to Year 7, MASTERCARD BRASIL shall provide the following amounts to the CLIENT as "Bonus on POS Revenue from Credit Portfolio" (BPS), as per Volume achievement range (POS), multiplied by POS Revenue from Credit Portfolio for each evaluation period (Year defined in exhibit A). The Bonus is subject to the achievement of [\*\*\*\*\*], for each year.

% of Volume achieved (POS)	Years 2 to 7
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]

\*BPS (basis points): 1/10000; unit used to calculate Bonus.

### Applicable Conditions:

(i) Bonus on POS Revenue from Credit Portfolio shall only be paid if the CLIENT achieves [\*\*\*\*\*]. If such minimum percentage is not achieved in any given Year, the CLIENT shall not be entitled to the Bonus.

(ii) If the CLIENT achieves or exceeds [\*\*\*\*\*], the Bonus shall be provided, pursuant to the chart above and subject to the maximum limit of [\*\*\*\*\*].

(iii) The Bonus is calculated on the Volume of Total POS Revenue in Credit Portfolio for the current Year.

[\*\*\*\*\*] Confidential information redacted

c) **Bonus on POS Revenue from Prepaid Portfolio (OLC).** From Year 2 to Year 7, MASTERCARD BRASIL provides to the CLIENT, as "Bonus on POS Revenue from Prepaid Portfolio (OLC)", the following amounts (BPS), as per Volume achievement range (POS), multiplied by Total Revenue (POS) from Prepaid Portfolio (OLC) for each evaluation period. The Bonus is subject to the achievement of [\*\*\*\*\*], and to the following chart for payouts:

% of Volume achieved (POS)	Years 2 to 7
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]

\*BPS (basis points): 1/10000 unit used to calculate the Bonus' amount.

**Applicable Conditions:**

(ii) Bonus on POS Revenue from Prepaid Portfolio (OLC) will be paid if the CLIENT achieves [\*\*\*\*\*]. If such minimum percentage is not achieved in any given Year, the CLIENT shall not be entitled to the Bonus.

(iii) If the CLIENT achieves or exceeds [\*\*\*\*\*], the Bonus shall be provided, pursuant to the chart above and subject to the maximum limit of [\*\*\*\*\*].

(iv) Bonus is calculated on the Volume of POS Revenue from Prepaid Portfolio (OLC).

d) **Bonus on POS Incremental Revenue from Prepaid Portfolio.** From Year 1 to Year 7, MASTERCARD BRASIL provides to the CLIENT, as "Bonus on POS Incremental Revenue from Prepaid Portfolio", the following amounts (BPS), as per Volume achievement range (POS), multiplied by POS Incremental Revenue from Prepaid Portfolio (OLC) for each evaluation period. The Bonus is subject to the achievement [\*\*\*\*\*], and to the following chart for payouts:

% of Volume achieved (POS)	Years 1 to 7
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]

\*BPS (basis points): 1/10000 unit used to calculate the Bonus' amount.

[\*\*\*\*\*] Confidential information redacted



**Applicable Conditions:**

- (i) Bonus on POS Incremental Revenue from Prepaid Portfolio will be paid if the CLIENT achieves [\*\*\*\*\*]. If such minimum percentage is not achieved for a certain Year, the CLIENT shall not be entitled to the Bonus.
- (ii) If the CLIENT achieves or exceeds [\*\*\*\*\*] the Bonus shall be provided, pursuant to the chart above and subject to the maximum limit of [\*\*\*\*\*].
- (iii) The Bonus is calculated on the Volume of POS Incremental Revenue from Prepaid Portfolio.
- e) **Bonus on Advisory Services from Advisory Services with Mastercard Advisors.** MASTERCARD BRASIL provides to the CLIENT, as "Bonus on Advisory Services", the amount [\*\*\*\*\*], as per the chart below:

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]

**Applicable Conditions:**

- (i) The installment of Bonus on Advisory Services corresponding to Year 1 will be paid [\*\*\*\*\*], on date mutually agreed between the Parties and, despite its early payment, it will be subject to the CLIENT achieving [\*\*\*\*\*].
- If the CLIENT **does not** achieve [\*\*\*\*\*] for Year 1, the CLIENT shall pay MASTERCARD BRASIL a fine equivalent to [\*\*\*\*\*], with reference to Year 1 within thirty (30) days, as from the receipt of notice requesting payment of such fine;
- If the CLIENT achieves from [\*\*\*\*\*] for Year 1, the CLIENT shall pay MASTERCARD BRASIL a fine, on a pro-rata basis, calculated on the achieved result of the goal of the Volume of Total POS Revenue for Year 1.
- In the event of early termination of the Agreement at the CLIENT's fault, regardless of the reason or Year of termination, the CLIENT undertakes to pay MASTERCARD BRASIL a fine equivalent to [\*\*\*\*\*], within thirty (30) days as from the receipt of notice requesting payment of such fine.
- (ii) Bonus' installments from Year 2 to Year 7 shall be paid early at the beginning of each Year, upon the achievement of the goals of Volume of Total POS Revenue for the previous Year. If the CLIENT does not achieve [\*\*\*\*\*], the Bonus installment for such year shall not be due.
- (iii) The annual amounts of the Bonus are calculated [\*\*\*\*\*] and they must be used by the CLIENT within the Year it is provided, subject to the loss of Bonus, except for specific scenarios, duly proven by the CLIENT, which shall be previously analyzed and agreed between the Parties.
- (iv) In addition to the obligation of achieving [\*\*\*\*\*], the CLIENT undertakes to maintain, during the Term, the volume of the Annual Recurring Revenue. If there is a reduction in the CLIENT's Annual Recurring Revenue for any given year, the CLIENT undertakes to pay a fine to MASTERCARD BRASIL in an amount equivalent to [\*\*\*\*\*], within thirty (30) days from the receipt of notice requesting reimbursement.
- (v) Bonus on Advisory Services is subject to the terms and conditions agreed between the Parties on June 17, 2020, No. 278021.3 ("Terms and Conditions"). The amount of all Bonus shall be established in the applicable "Statement of Work" or simply "SOW" (pursuant to the Terms and Conditions), effective for such services and for the periods when the Bonus will be delivered and the works shall be concluded within the Bonus availability period.

[\*\*\*\*\*] Confidential information redacted

f) **Bonus on POS Recurring Revenue from Prepaid Portfolio.** MASTERCARD BRASIL provides to the CLIENT, as a "Bonus on POS Recurring Revenue from Prepaid Portfolio", the amounts described in the chart below as per Volume achievement range (POS), Recurring Revenue (POS), which reflects the Prepaid Portfolio for each assessment period. The Bonus shall be paid on the volume of POS Recurring Revenue for Prepaid Portfolio for a certain Year and is subject to the CLIENT achieving or exceeding, [\*\*\*\*\*], as per chart below:

% of Volume achieved (POS)	Years 1 to 7
[*****]	[*****]
[*****]	[*****]

\*BPS (basis points): 1/10000 unit used to calculate the Bonus' amount.

**Applicable Conditions:**

- (i) Bonus on Recurring Revenue for Prepaid Portfolio will be paid if the CLIENT achieves or exceeds [\*\*\*\*\*]. Otherwise, the CLIENT shall not be entitled to the Bonus.
- (ii) Once [\*\*\*\*\*] is achieved, MASTERCARD BRASIL shall pay [\*\*\*\*\*] to the CLIENT, which shall be calculated on the volume of POS Recurring Revenue from Prepaid Portfolio for that Year.
- g) **Bonus on Annual Marketing Support.** MASTERCARD BRASIL provides to the CLIENT, as "Bonus on Annual Marketing Support", the total amount of [\*\*\*\*\*], to be paid according to the chart below:

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]

**Applicable Conditions:**

- (i) The installment of the Bonus on Annual Marketing Support corresponding to Year 1, will be paid [\*\*\*\*\*] on date mutually agreed between the Parties and, despite its early provision, it will be subject to the CLIENT achieving [\*\*\*\*\*].
- If the CLIENT does not achieve [\*\*\*\*\*] for Year 1, the CLIENT shall pay MASTERCARD BRASIL a fine equivalent to [\*\*\*\*\*], with reference to Year 1, within thirty (30) days, as from the receipt of notice requesting payment of such fine;
  - If the CLIENT achieves [\*\*\*\*\*] for Year 1, the CLIENT shall pay MASTERCARD BRASIL a fine, on a pro-rata basis, calculated on the achieved result of the goal of the Volume of Total POS Revenue for Year 1;
  - In the event of early termination of the Agreement at the CLIENT's fault, regardless of the reason or Year of the termination, the CLIENT undertakes to pay MASTERCARD BRASIL a fine equivalent to [\*\*\*\*\*], within thirty (30) days as from the receipt of notice requesting payment of such fine.
- (ii) Bonus' installments from Year 2 to Year 7 shall be paid early at the beginning of each Year, upon the achievement of the goals of Volume of Total POS Revenue for the previous Year. If the CLIENT does not achieve, [\*\*\*\*\*], the Bonus installment for such year shall not be due.
- (iii) The annual amounts of the Bonus are calculated [\*\*\*\*\*] and they must be used by the CLIENT within the Year it is provided, subject to the loss of Bonus, except for specific scenarios, duly proven by the CLIENT, which shall be previously analyzed and agreed between the Parties.

[\*\*\*\*\*] Confidential information redacted

(iv) In addition to the obligation of achieving [\*\*\*\*\*], the CLIENT undertakes to maintain, during the Term, the volume of the Annual Recurring Revenue. If there is a reduction in the CLIENT's Annual Recurring Revenue for any of the years, the CLIENT undertakes to pay a fine to MASTERCARD BRASIL in an amount equivalent to [\*\*\*\*\*], within thirty (30) days as from the receipt of notice requesting reimbursement.

(v) This Bonus shall be used by the CLIENT as established in the Annual Marketing Plans, as previously agreed between the Parties, in order to pay for expenses related to communication, promotion, campaigns, product development and other actions regarding the issuance of Cards of the Mastercard Portfolio and for the implementation of the award program for the Cards.

(vi) MASTERCARD BRASIL shall pay the Bonus to the CLIENT, upon receiving and analyzing all Quarterly Reports required by this Agreement for each Year. Any installment of the Bonus on Annual Marketing Support may be paid in full or partially, directly to the CLIENT or to a strategic vendor of MASTERCARD BRASIL (marketing agencies or promotions that have been certified by MASTERCARD BRASIL), as previously and expressly agreed between the Parties.

(vii) MASTERCARD BRASIL shall approve, together with the CLIENT, any marketing campaign/initiative focused on and concerning the Mastercard Portfolio performed with amounts established herein, regardless whether MASTERCARD BRASIL decides to take part or not.

**h) Bonus on Total ATM Revenue from Prepaid Portfolio.** MASTERCARD BRASIL provides to the CLIENT, as "Total ATM Revenue from Prepaid Portfolio", the amount equivalent to [\*\*\*\*\*], for Prepaid Mastercard PagSeguro Cards, included in the Mastercard Portfolio, with Bonus paid pursuant to the following chart:

% of Volume achieved (POS)	Years 1 to 7
[*****]	[*****]
[*****]	[*****]

\*BPS (basis points): 1/10000 unit used to calculate the Bonus' amount.

**Applicable Conditions:**

(i) Once [\*\*\*\*\*] is achieved or exceeded, MASTERCARD BRASIL shall pay [\*\*\*\*\*], which shall be calculated on the volume of Total ATM Revenue from Prepaid Portfolio for that Year.

(ii) If the CLIENT does not achieve at least [\*\*\*\*\*], the Bonus shall not be paid.

**i) Bonus on Total ATM Revenue from Credit Portfolio.** MASTERCARD BRASIL provides to the CLIENT, as "Total ATM Revenue from Credit Portfolio", the amount equivalent to [\*\*\*\*\*] for Prepaid Mastercard PagSeguro Cards, included in the Mastercard Portfolio, with Bonus paid pursuant to the following chart:

% of Volume achieved (POS)	Years 1 to 7
[*****]	[*****]
[*****]	[*****]

\*BPS (basis points): 1/10000 unit used to calculate the Bonus' amount.

[\*\*\*\*\*] Confidential information redacted

**Applicable Conditions:**

- (i) Once [\*\*\*\*\*] is achieved or exceeded, MASTERCARD BRASIL shall pay [\*\*\*\*\*], which shall be calculated on the volume of Total ATM Revenue from Credit Portfolio for that Year.
- (ii) If the CLIENT does not achieve at least [\*\*\*\*\*], the Bonus shall not be paid.

**III. CLIENT'S OBLIGATIONS**

**3.1.** In consideration for the receipt of the Bonus that will be provided by Mastercard, the CLIENT agrees with, on a cumulative basis, all obligations presented below ("CLIENT's Obligations"):

(i) **Mastercard PagSeguro Card - Combo** - The CLIENT shall launch the Mastercard PagSeguro Card - Combo in up to twelve (12) months, as from the Effective Date hereof ("Launching Date"), as credit and prepaid cards, but also accepting debit charges. The CLIENT is aware that MASTERCARD BRASIL has the intent to launch the new product Prepaid Mastercard (DMC - Debit), as from the second semester of 2021. The Parties hereby agree that, due to the closeness of the launching date, the CLIENT is not required to proceed with the reissuance or migration of any Prepaid Mastercard PagSeguro Card ("OLC") for at least five (5) years as from the Launching Date of Mastercard PagSeguro Card - Combo. However, the CLIENT is aware that the product is subject to new conditions and rules. Thus, in order to include the new product into the CLIENT's Mastercard Portfolio and to make it the subject matter hereof, the Parties hereby agree that they will negotiate, at the implementation of the new product, the new terms and conditions for the product, which shall be reflected in this Bonus Program, through contractual amendment. For clarification purposes, the contractual amendment will have the sole and exclusive purpose of adding the terms and conditions to the new product, and the CLIENT may not change any condition agreed upon herein with respect to the other products and Bonus.

(ii) **Non-Exclusive Basis and Priority in the issuance of Mastercard PagSeguro Card - Combo**: This Agreement is executed on a non-exclusive basis. Despite that, the CLIENT warrants, on its own account and on account of its Affiliates, during the Term of the Agreement, to give priority to the use of "Mastercard" logo in the issuance of the Mastercard PagSeguro Card - Combo, in relation to the logo of any Mastercard Competitor, and the CLIENT shall use its best efforts to mandatorily issue Mastercard PagSeguro Cards Combo. During the Term hereof, the CLIENT undertakes not to migrate from Mastercard PagSeguro Card - Combo to any other Mastercard Competitor.

(iii) **Volume of Total POS Revenue Goals**: The CLIENT, during the Term, undertakes to achieve all goals related to the Volume of Total POS Revenue for Pagsseguro Cards from Mastercard Portfolio listed below, as per the following chart:

[\*\*\*\*\*] Confidential information redacted

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**GOALS FOR VOLUME OF TOTAL POS REVENUE FOR MASTERCARD PORTFOLIO (R\$)**

PagSeguro Cards from Mastercard Portfolio	POS Volume (Credit)	POS Volume (OLC Prepaid)	Incremental POS Volume (Prepaid)	POS Recurring Volume (Prepaid)	Total (R\$)
Year 1	*****	*****	*****	*****	*****
Year 2	*****	*****	*****	*****	*****
Year 3	*****	*****	*****	*****	*****
Year 4	*****	*****	*****	*****	*****
Year 5	*****	*****	*****	*****	*****
Year 6	*****	*****	*****	*****	*****
Year 7	*****	*****	*****	*****	*****

3.1.1. The Parties hereby represent that the goals above were previously established by and agreed between the Parties.

3.1.2. **Volume Processing.** Except as otherwise expressly provided herein, all Transactions made with products from Mastercard Portfolio shall be submitted for authorization, release and settlement through GCMS and Banknet Systems, as per the guides on operational policies by Mastercard - "Authorization Manual" and "Settlement Manual", which can be accessed through the Mastercard Online, on Section "Member Publication".

3.1.3. **Use of the Bonus.** The CLIENT agrees to use the Bonus received under the terms and conditions established herein, and it is aware that the Bonus will be exclusively and fully invested in the development of businesses related to the activity performed by the CLIENT, which are directly or indirectly linked to the partnership between the Parties, with the purpose of launching Mastercard PagSeguro Card - Combo (with credit and prepaid functions, also accepting debit transactions), in addition to the continuity and expansion of the issuance of Prepaid Mastercard Pagseguro Cards, which shall occur through special promotions and marketing campaigns together with the activation of the Cards (special marketing promotion of the Cards in all of the CLIENT's point of sales, in printed or electronic media, through telemarketing, mailing list or any other means, including electronic means and promotion of cultural or sports events), anti-chum campaigns, special promotion of the Cards during festive occasions generally used by shops or any other activity with the direct purpose of developing Mastercard Portfolio and that also is under the common interest of the Parties. The CLIENT shall not use any Bonus for the benefit of any product from any brand other than "Mastercard", including, but not limited to, any Mastercard Competitor. If the CLIENT uses any amounts from any Bonus any purposes other than the ones provided herein, it will result in a **material breach** hereof.

3.1.4. **Cards with the Mastercard Brand.** The CLIENT shall provide support, promote the volume of Mastercard Portfolio Cards businesses, and shall keep the Mastercard Brand and its relevant portfolios on the Cards, subject to all of the CLIENT's management policies under operational, risk, credit, and other aspects, as cards with the "Mastercard" Brand, for as long as the relationship between the Card Holders and the CLIENT lasts. Except as expressly requested by the card holder, the CLIENT shall not convert any Mastercard Card (regardless of the date or issuance entity, whether before or during the Term hereof) into a new card with any brand other than "Mastercard".

[\*\*\*\*\*] Confidential information redacted

**3.1.5. Mastercard Rules** All rights, obligations, terms and conditions included herein are supplementary and do not replace, for all legal purposes, each of the rights, obligations, terms and conditions of the CLIENT and MASTERCARD BRASIL provided for in the Mastercard Rules and other associated rules. In the event of any divergence between the provisions herein and the provisions included in the Mastercard Rules and other associated rules, the provisions in Mastercard Rules shall prevail. The CLIENT shall use all efforts to cause its employees to comply with and apply Mastercard Rules, including, but not limited to, the requirement that each store affiliated to the CLIENT shall display the Mastercard brand, indicating that all Mastercard cards are accepted, regardless of the issuing financial institution, in the location and in each store affiliated to the CLIENT. If the CLIENT does not comply with the obligations herein established, it will result in a material and severe breach of this Agreement, in addition to any other guarantees that MASTERCARD BRASIL may be entitled hereunder, pursuant to Law, MASTERCARD BRASIL is not required to pay Bonus to the CLIENT.

**3.1.6. Penalty for early termination by the client or decrease in Volume of POS Recurring Revenue (Prepaid).** In the event of early termination of the Agreement by the CLIENT, regardless of the reason or Year of the termination, or in the event of a lower POS Recurring Revenue from Prepaid Portfolio for any of the years of the Agreement, the CLIENT undertakes to pay MASTERCARD BRASIL a fine equivalent to [\*\*\*\*\*], within thirty (30) days as from the receipt of notice requesting payment of such fine.

#### IV PAYMENTS

**4.1. Payments.** Unless otherwise specified herein, all Bonus shall be paid within sixty (60) days from the assessment of the compliance with the relevant goal and/or obligation, as established in Section Two and Three hereof. As a rule, unless otherwise provided herein, all payments shall be performed through MCBS (Mastercard Consolidated Billing System) or using another method exclusively established by MASTERCARD BRASIL upon prior and express notice to the CLIENT.

**4.1.2. Reports and Auditing.** As a condition to the obligation of MASTERCARD BRASIL to annually provide the Bonus, as specified in Section II hereof, upon the closing of each calendar quarter (Jan/Mar, Apr/Jun, Jul/Sep, Oct/Dec –"Performance Quarters"), the CLIENT shall provide a breakdown in the Quarterly Reports, pursuant to the rules of MasterCard Worldwide, of all information related to the actual number of Cards and Accounts issued or converted, the total Cards and Accounts issued (specifying the International Use Accounts and Domestic Accounts, if any) and the Revenue Volume for the previous Performance Quarter, listed by type of Card. The Quarterly Report may include additional information, provided that it is previously agreed between the CLIENT and MASTERCARD BRASIL, as periodically requested by MASTERCARD BRASIL, also provided that the CLIENT receives a prior notice in this regard. In order to check such information and for the CLIENT to comply with this agreement, MASTERCARD BRASIL and its assigned Independent Auditors shall be entitled to audit the books and records of the CLIENT, exclusively in regards to any information comprised in those reports, upon prior notification submitted sixty (60) days in advance to the CLIENT concerning the scope and nature of the analysis that shall be restricted to the purpose hereof, and the CLIENT reserves its right not to share any information subject to a non-disclosure obligation or protection and confidentiality of data. MASTERCARD BRASIL shall bear all costs related to the audit procedures and the CLIENT undertakes to cooperate and to obtain full support from its independent auditors and any other personnel needed concerning any audit to be performed by MASTERCARD BRASIL. If the audit is not performed by Independent Auditors, the CLIENT shall be entitled to have the audit checked or approved by an Independent Audit firm mutually chosen by MASTERCARD BRASIL and the CLIENT. If the audit presents any discrepancy, or underpayment or overpayment of any amounts due hereunder, the relevant Party shall pay the other Party, as mutually agreed, the amounts established by the audit as due or payable to the other Party in this regard.

[\*\*\*\*\*] Confidential information redacted

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**Clawback.** Any Bonus, other cash amounts or benefits provided by MASTERCARD BRASIL at any time, exceeding or as an early payout of Bonus accumulated periodically, shall be subject to future compliance and offset against amounts of Bonus that may be earned by the CLIENT. MASTERCARD BRASIL, upon prior notice, shall charge any amount that may be paid early from the CLIENT, if later proved that the CLIENT was not entitled to that amount or amounts, whether as a difference or in full, due to the non-compliance with, lower performance or breach of the Agreement's terms. MASTERCARD BRASIL may also return any amounts through MCBS account or any other means it deems suitable, if necessary, at any time during the Term or event after the Agreement is terminated. Such right is additional to any other right or resource MASTERCARD BRASIL may have judicially under the terms of the Agreement.

**4.2.1.** The amounts to be refunded, whether in whole or proportionally as provided for herein, will be adjusted based on IGPM-FGV index and calculated from the date of actual non-performance of the obligations described above to the actual payment date.

**4.3. Calculation of Bonus (excluding any other benefits, support or Bonus agreement).** Notwithstanding anything to the contrary herein, in order to avoid the double payment of Bonus related to the Cards and all associated transactions and volumes, the Parties agree that any amounts paid hereunder will be excluded from Bonus calculation if: (i) said Cards, transactions or volumes are subject to any other benefit, support or bonus agreement entered into between MASTERCARD BRASIL, Mastercard International and/or its Affiliates

and the CLIENT, or between MASTERCARD BRASIL, Mastercard International and/or its Affiliates and any other entity, other than as set forth herein, including any amounts resulting from co-branded under specific agreement, or (ii) if the CLIENT or any other entity, such as the successor of an Acquired Entity or Acquired Portfolio, receives now or in the future, under any condition, the support or Bonus agreement entered into between MASTERCARD BRASIL and said Acquired Institution or its Affiliates or the assignor of said Acquired Portfolio in relation to these Cards, transactions or volume.

## V. TERM AND TERMINATION

**5.1.** The Agreement will come into effect on the date it is executed, July 1, 2020 ("**Effective Date**"), until June 30, 2027 ("**End Date**"), provided that the obligations set forth in Section VIII ("**Confidentiality**") and Section XI ("**General Conditions of the Agreement**") hereof shall survive until the date of execution hereof and after this agreement is ended or terminated. Each Year hereof will begin and end as set forth in Exhibit A.

**5.1.1.** Mastercard Pagueseguro Card - Combo must be launched within twelve (12) months, counted from the Effective Date.

**5.2.** This agreement may be immediately terminated, with cause, upon express prior notice:

(i) Non-performance of any of the obligations set forth herein, by any of the Parties, within forty-five (45) days after notice in this regard, except as otherwise agreed between the Parties or as the Parties otherwise mutually agree on a different term to remedy such default; or

(ii) Proven insolvency by any of the Parties, demonstrated by any deferred court-supervised or out-of-court reorganization or adjudication of bankruptcy.

**5.2.2.** If MASTERCARD BRASIL terminates this Agreement without cause, the CLIENT shall not bear any burden, including, but not limited to, return of any amounts paid, subject matter hereof. MASTERCARD BRASIL shall notify the CLIENT thirty (30) days in advance on the termination without cause of this Agreement.

**5.3.** MASTERCARD BRASIL will have the right to immediately terminate this Agreement upon express and prior notice to the CLIENT in the following events:

(i) if the CLIENT is controlled by any unaffiliated third-party, whether or not a Mastercard Competitor, whether through a transaction for the acquisition of assets, spin-off, consolidation, merger or any other corporate reorganization transaction; or

(ii) if the CLIENT, through any business or financial transaction, disposes of, assigns under any circumstance or otherwise provides as guarantee, to any unaffiliated third-party, whether or not a Mastercard Competitor, the portfolio of Mastercard Cards, in whole or in part.

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5.4. Subject to the provisions set forth in sections 2.1.(e), (g), (h), (i), and 3.1.6, in the event of early termination of this Agreement by the CLIENT, the CLIENT shall pay a fine under the terms set forth therein to MASTERCARD BRASIL. In the event of termination of this Agreement, pursuant to sections 5.2. (i) and (ii) hereof, the CLIENT shall pay a fine to MASTERCARD BRASIL for all Bonuses paid until the moment of termination.

## VI ACQUIRED CARDS

6.1. **General terms.** If the CLIENT acquired cards from another entity ("Acquired Party") through merger, consolidation, spin-off, joint venture, acquisition of portfolio or any other acquisition of any nature (including, but not limited to, the right to operate and manage said cards - hereinafter referred to as "Acquisition Transaction"), after the Effective Date hereof, said Cards will be referred to as "Acquired Cards" and will be subject to this Agreement after closing of the acquisition transactions as set forth in this Section 6.

6.2. **Acquired Mastercard Cards.** If the Acquired Cards are Mastercard:

(i) they are subject to a benefit, support or Bonus agreement with MASTERCARD BRASIL, provided that the Acquired Cards and all associated transactions and volumes will be excluded from this Agreement and will remain subject to said benefit, support or bonus agreement under the terms set forth therein until the expiration or termination of said agreement, provided, further, that MASTERCARD BRASIL and the CLIENT may agree in writing on a prior date, event in which the Parties shall mutually agree on the acceptable terms to include the Acquired Mastercard Cards and all associated transactions and volumes in the scope of this Agreement;

(ii) the Acquired Cards subject to the terms and conditions for the closing of the Acquisition Transaction are not subject to any benefit, support or Bonus agreement with MASTERCARD BRASIL, provided, however, that any volume generated by the Acquired Mastercard Cards after closing of the Acquisition Transaction ("Acquired Volume") will be excluded from the calculation of Bonus supporting additional volume in a given Year until the Parties agree on a base-volume that includes such acquired volume for the applicable period.

6.3. **Competing brand cards acquired.** If the Acquired Cards fall under the definition of Cards, but have been issued, managed or offered by the Acquiror as Competing Cards ("Bound Competing Cards"):

(i) The CLIENT shall use its best efforts so that the Acquired Cards are converted into Cards Mastercard within twelve (12) months from the closing of the Acquisition Transaction, which term may be renegotiated between the Parties, unless the Acquired Cards are subject to a contractual obligation that prevents them from being converted into Mastercard Cards that: (a) has been formalized in a bound written agreement which the Acquiror was party to prior to the closing of the Acquisition Transaction; (b) the CLIENT has not persuaded, influenced or induced, directly or indirectly, the Contracting Party to enter into or after the Effective Date; (c) has not been renewed or amended at the end or after the closing of the Acquisition Transaction; and (d) the CLIENT, as successor of the Acquiror, does not have the right to terminate without affecting or incurring in financial penalties under this Agreement ("Pre-Existing Obligation");

(ii) If the CLIENT promptly notifies MASTERCARD BRASIL and provides sufficient documentation (reasonably satisfactory to Mastercard, pursuant to applicable laws) on the terms of any Pre-Existing Obligation, including any financial penalties imposed on conversion, the CLIENT will not be required to convert the Competing Cards Acquired into Mastercard Cards within twelve (12) months after the expiration or termination of the Pre-Existing Obligation (whether due to payment of financial penalties, whether under its terms or otherwise). MASTERCARD BRASIL may, at its sole discretion, reimburse the CLIENT for any financial penalties directly related to the removal of any Pre-Existing Obligation, event in which the CLIENT shall promptly remove said obligation and shall convert the cards pursuant to the schedule set forth in this Section;

(iii) After converting the Competing Cards Acquired as described in this Section 5, the entire Volume and associated transactions generated by said converted cards will be automatically included in this Agreement.

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## VII DISPOSAL, ASSIGNMENT OR TRANSFER OF MASTERCARD PORTFOLIO

7.1. If the CLIENT disposes of or transfers (through a sale of assets, transfer of portfolio, sale of shares, spin-off, consolidation or merger, as provided by law or otherwise), any Mastercard Portfolio to any third-party, the CLIENT shall expressly make sure that all obligations set forth herein are bound by and expressly assumed by the assignee or successor, as well as shall provide for in the legal instrument resulting from said disposal or transfer of any Mastercard Portfolio that MASTERCARD BRASIL will have the right to perform the obligation to maintain the credit card brand directly against the assignee/successor of the portfolio (provided that no act or omission by the CLIENT shall constitute defense against it). The duty to expressly provide for said obligations in the assignment agreement shall not apply to the companies comprising the same economic group as the CLIENT, which shall, in this event, communicate MASTERCARD BRASIL of any assignment to companies comprising its economic group.

## VIII CONFIDENTIALITY

8.1. During the Effective Term and for the additional term of five (5) years, as from the termination of this Agreement, MASTERCARD BRASIL and the CLIENT shall keep all Confidential Information obtained from one another confidential, as set forth herein. The Parties may not use any information (i) the disclosing Party indicates in writing as exclusive and/or confidential; or (ii) that due to its disclosure circumstances should be deemed, in good-faith, exclusive and/or confidential ("Confidential Information"), except as otherwise set forth herein. The Parties may not disclose any Confidential Information to any third-party unless upon prior written notice from the other Party. Confidential Information may only be disclosed to those who need to be aware of them in the companies (as long as these persons are bound by the confidentiality obligations set forth herein). Confidential Information may not be disclosed to any third-party unless previously and expressly approved by the disclosing Party, provided that any of the Parties may disclose them to their auditors, regulatory bodies, members of their Board of Directors and Board of Executive Officers, or to their internal or external lawyers, as long as these persons are informed about and subject to the obligations set forth in this Section. "Confidential Information" does not include information: (i) already under the possession of the receiving Party or known by the receiving Party at the moment it has received it, without violation to any obligation due to the disclosing Party; (ii) known by the public not by virtue of an act performed by the receiving Party; (iii) legally received from a third-party, as long as the receiving Party complies with any restrictions imposed by any third-party; (iv) disclosed by the receiving Party as required by court order, by a governmental body, or any other laws or rules that are applicable or disclosed with respect to any dispute resolution hereunder; or (v) created by the receiving Party regardless of this Agreement.

8.1.1. The provisions set forth in this section shall replace the confidentiality obligation set forth in any previous communications between the Parties with respect to the subject matter hereof. The Parties acknowledge that, in the event any of the Parties breach the provisions set forth in this section, the non-breaching Party may suffer immediate and irreparable loss that may not be fully redressed by pecuniary damages. Therefore, in addition to any right of recourse or termination set forth herein, conferred upon the non-breaching Party under applicable laws, the non-breaching Party will have the right to file a preliminary injunction against any breach, in any competent Court, and the other Party hereby waives any requirements applicable to the claiming Party of posting bond or assuming any other commitment under said preliminary injunction. In the event any such breach results in a third-party claim, the breaching Party shall indemnify, defend and hold the non-breaching Party harmless from any claims, interests, expenses (including reasonable attorney's fees disbursed with trial and appellate courts), fines and costs results from said third-party claim(s).

## IX REPRESENTATIONS AND WARRANTIES

9.1. Each of the Parties hereby represents and warrants to have all powers and authorization required to enter into this Agreement which, after signed and formalized, will be legally valid and binding upon pursuant to all of its terms. The Parties warrant that they are legally qualified under their bylaws to cause their Affiliates to perform the obligations set forth herein.

## X TAXES

10.1. Each of the Parties will be individually responsible for their own Taxes, as provided by applicable tax laws, as well as for any income, gross income, franchise or taxes charged upon the exercise of similar business activities in any country, State or location in their own revenues or receipts, as well as for any taxes on real estate or amount and any associated interests or penalties imposed by Law. All payment made, consideration provided and the amount of services provided by the Parties hereunder include all applicable taxes on sales, use, excise, occupancy, goods and services, or any other tax or fee of similar nature.

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## 11. GENERAL CONDITIONS

**11.1. Notices.** Any notice, communication, documentation or declaration made in writing, required or that needs to be submitted to any of the Parties under the terms of this Agreement will be deemed to have been duly sent when delivered in person or received, if sent by courier service generally accepted by the market, to the addresses of each of the Parties indicated in the recitals hereof, or to any other addresses any of the Parties may later indicate upon sending notice.

**11.2. Irrevocability.** This Agreement is entered into on an irrevocable and Irreversible basis, binding upon the Parties and any successors. The rights and obligations of the Parties hereunder shall be binding upon and revert to the benefit of each of the Parties or their respective successors and assignees, provided that none of the Parties may assign to any third-party their rights and obligations, except as otherwise previously and expressly authorized by the other Party, provide, further, that the CLIENT shall be released from the need to obtain authorization when the assignment or transfer is made to companies comprising its economic group, or to companies with which the CLIENT maintain a corporate bond, as parent company, subsidiary, or affiliate, or to companies in which the parent company of the CLIENT holds interest, provided that any of the Parties may assign their rights hereunder to a wholly-owned subsidiary. If any person takes part in this Agreement or in the subject matter hereof on any account, whether by virtue of voluntary or involuntary transfer, as provided by law or otherwise, said participation will be subject to all terms and conditions hereof, and, by acquiring or holding such participation, the acquiror or holder thereof will be deemed definitely bound by all terms and conditions set forth herein.

**11.3. No Waiver.** Failure or delay by any of the Parties hereof to comply with any of the provisions set forth herein, or the non-exercise of any right set forth herein, or the non-requirement to comply with any of the provisions set forth herein will not be construed as waiver to the provisions set forth herein. Except as otherwise expressly set forth herein, no waiver shall be effective unless it is made in writing. No act, conduct or course of negotiation by any of the Parties, and no failure, refusal or impediment from performing any act by any Parties shall constitute any change or amendment to any of the terms and conditions set forth herein.

**11.4. Potential invalidation, non-applicability.** If any section hereof is, for any reason, deemed unenforceable or invalid by any law or court decision, such unenforceable or invalid provision shall not affect any other provision set forth in this Agreement, which shall be then construed as if said unenforceable or invalid provision had never been included in this Agreement. In this case, the Parties shall immediately negotiate, in good-faith, a provision to replace such unenforceable or invalid provision, which shall reflect the original intent and purpose of the replaced provision.

**11.5. Act of God or force majeure.** None of the Parties will be held liable for any delay or non-performance of obligations to the extent such delay or non-performance results from events of act of God or force majeure, as defined in the sole paragraph of article 393 of the Brazilian Civil Code (Law No. 10,406, dated January 10, 2002). If any event of act of God or force majeure occurs, the affected Party shall submit a written notice to the other indicating the nature of said event of act of God or force majeure and the measures the affected Parties shall immediately take to reduce or avoid the effects from said event of act of God or force majeure and how long such event is expected to occur. Then, the term to perform the acts and obligations whose performance was affected by such act (and any corresponding acts or obligations of the compliance Party) will be extended for as long as the event of act of God or force majeure lasts, provided that the defaulting Party shall have used its best efforts to overcome or resolve such event of act of God or force majeure and their consequences.

**11.6. Change of Control.** If any of the Parties acquires (directly or indirectly) any ownership interests through change of Control, the legal successor thereof will be subject to all terms and conditions of this Agreement, and shall comply with all terms and perform all obligations set forth herein. Except as otherwise set forth herein, in writing, the Parties hereby agree that MASTERCARD BRASIL will not be required to pay Bonus or offer any other benefits hereunder, and that the successor will be not any rights against MASTERCARD BRASIL with respect to this Agreement, if, upon such change of Control, the legal successor of the CLIENT: (i) cannot perform the obligations set forth herein; (ii) may cause MASTERCARD BRASIL to suffer any losses to its reputation by virtue of such change of Control; (iii) is a direct Competitor of MASTERCARD BRASIL, or any of its Affiliates, including, but not limited to, a competing brand ("Mastercard Competitor"); or (iv) is not authorized or licenses to manage Mastercard cards or programs pursuant to the Mastercard Rules or is not in compliance with the Mastercard Rules.

**11.7. Entire Agreement.** This Agreement constitutes the entire agreement between the Parties as to the obligations and rights set forth herein, and it supersedes all previous agreements between the Parties on this Bonus Program. No amendment, in whole or in part, or waiver to the terms and conditions set forth herein shall be binding upon the Parties unless made through an Instrument of Amendment, duly signed by the authorized representatives of the Parties.

**11.8. Independent Parties.** The Parties shall comply with all laws and regulations and normative acts applicable to this Agreement. The Parties shall perform their respective obligations under the terms set forth therein as independent parties, and no provisions set forth herein shall be deemed to create any employment bond, partnership or relationship between grantor-grantee or employer-employee between the Parties hereof, nor will them grant any right, power or authorization, expressly or tacitly, upon any Party, to bind or create any duty or obligation on behalf of the other Party.

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**11.9. Compliance with antibribery and anticorruption laws.** In all actions related to this Agreement, the CLIENT and MASTERCARD BRASIL shall comply with all applicable antibribery and anticorruption laws, as well as assure that their subcontractors and employee also comply with all applicable antibribery and anticorruption laws. Violation to this Section shall constitute material breach of this Agreement.

**11.10. Principles of honesty and good-faith.** This Agreement was entered into between the Parties under the principles of honesty and in good-faith, and upon the obtaining of all consents, and it may be signed in one or more counterparts, same in content and form, each of which shall jointly constitute a single original counterpart.

**11.11. Intellectual Property and Trademarks.** The Parties agree that all trademarks and logos to be used hereunder refers to registered trademarks owned by *Mastercard International, Inc.* or the CLIENT, who hold all intellectual property rights associated to said trademarks. Each of the Parties acknowledges, with respect to the trademarks and logos of the other Party, that no licenses on any such intellectual or industrial property rights are assigned hereunder. Each of the Parties further acknowledges that the trademarks and logos of the other Party constitute a highly valuable asset, reason by which each of them undertakes to respect and protect them, refraining from using them, whether directly or indirectly, for any purpose other than the purpose expressly set forth herein. The improper use by any of the Parties of the trademarks and logos of the other Party will give rise to the immediate termination of this Agreement, without prejudice to any applicable court and out-of-court measures, as well as the applicable reparation and damages due.

**11.12. Indemnification.** Each of the Parties ("Indemnifying Party") shall, at its own cost, defend, protect, indemnify and hold the other Party, its Affiliates, and any of their respective shareholders, board members, officers, employees, agents (jointly, "Indemnified Party") harmless from any claims, liabilities, obligations, actions, lawsuits, resulting from any alleged act or omission by the Indemnifying Party, or by any of its employees, agents and subcontractors related to the subject matter hereof, as well as from all and any expenses (including reasonable attorney's fees), judgments, fines, costs, amounts paid under settlements or any losses or damages incurred by the Indemnified Party or its Affiliates. The Indemnifying Party shall immediately notify the Indemnified Party with respect to any events or circumstance the former believes may result in an indemnify obligation, and the Indemnified Party shall cooperate with the Indemnifying Party in its defense and resolution. The Parties agree that, under no circumstance, the indemnification set forth in this Section shall exceed the total and global amount of this Agreement, which remains limited, and that the Parties shall not be held liable for any indirect or punitive losses, even by fault or as a result of fraud. The limitation of liability set forth in this Section does not apply to breaches of confidentiality and intellectual property, which shall survive the termination of this Agreement and will not be limited for purposes of indemnification, as provided by law, through proper proceeding.

**11.13. Venue and Jurisdiction.** This Agreement shall be governed in accordance with the Laws of the Federative Republic of Brazil. The Parties agree that all and any claims or controversies arising from the execution and performance of this Agreement, which have not been amicably settled between the Parties based on the principles of ethics and good-faith, which govern their business transaction, shall be filed with the Central Court of the Judicial District of São Paulo, State of São Paulo, to the express waiver of any other, however privileged it may be.

**11.14. Electronic Signature.** The Parties acknowledge the truthfulness, authenticity, integrity, validity and effectiveness of this Agreement and its terms also in electronic format and/or signed by means of electronic certification, pursuant to article 10, paragraph 2, of Provisional Presidential Decree No. 2.220-2, dated August 24, 2001, as well as the signature by means of the electronic signature platform used to prove the legitimacy and integrity of the documents in electronic form, which shall produce all of its effects in relation to the signatories thereof. The Parties further agree that the electronic signature of this Agreement does not prevent or affect its enforceability, which must be deemed, for all legal purposes, an out-of-court execution instrument. If an individual represents more than one Party to this Agreement, as attorney-in-fact or legal representative, the sole registration of his/her signature by means of digital certificate in this Agreement will be deemed valid representation of all Parties being represented herein, for all legal purposes. This Agreement shall become effective for all Parties as from the date indicated herein, even if one or more Parties sign this Agreement electronically at a later date.

IN WITNESS WHEREOF, the Parties execute this Agreement, by their legal representatives, in two (2) counterparts, same in content and form, in the presence of two witnesses, for all legal purposes, binding upon their represented parties and any successors or assignees thereof.

São Paulo, July 1, 2020.

**PAGSEGURO INTERNET S.A.**

-DocuSigned by: /s/ Paulo César Frossard Severino  
Name: Paulo César Frossard Severino

-DocuSigned by: /s/ Maurício Fernandes  
Name: Maurício Fernandes

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**MASTERCARD BRASIL SOLUÇÕES DE PAGAMENTO LTDA.**

-DocuSigned by: /s/ Artur Gaulke Schunck  
Name: Artur Gaulke Schunck

-DocuSigned by: /s/ Renato Bertozzo Duarte  
Name: Renato Bertozzo Duarte

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**PAGSEGURO INTERNET S.A.**

Witnesses:

-DocuSigned by: /s/ Deborali Cardoso Bruno de B.  
Name: Deborali Cardoso Bruno de B.

-DocuSigned by: /s/ Susanne S. Souza  
Name: Susanne S. Souza

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## EXHIBIT A DEFINITIONS

### 1. DEFINITION OF CONTRACTUAL TERMS

1.1. For the right understanding and construction hereof, the following definitions marked in bold have been adopted to the terms used in the plural and singular form:

**Affiliate** - Concerning any of the Parties, any other individual or legal entity that directly or indirectly, using one or more intermediates, controls, is controlled by or is under common control of such individual or legal entity. "Control" (including its associated meanings, "controlled by" or "under common control of") means the direct or indirect ownership of the power to elect the majority of directors and to carry out the corporate activities and to coordinate the operation of the company's bodies and policies (whether through the ownership of securities, or shares, or any other ownership rights, arising out of an agreement, proxy with voting rights or by any other means, pursuant to article 116 or Law No. 6,404/76 of the Brazilian Corporate Law).

**Year** - period of twelve (12) months, as shown:

- **Year 1** from 07/01/2020 to 06/30/2021
- **Year 2** from 07/01/2021 to 06/30/2022
- **Year 3** from 07/01/2022 to 06/30/2023
- **Year 4** from 07/01/2023 to 06/30/2024
- **Year 5** from 07/01/2024 to 06/30/2025
- **Year 6** from 07/01/2025 to 06/30/2026
- **Year 7** from 07/01/2026 to 06/30/2027

**Independent Auditor** - Audit firm with international reputation, appointed by MASTERCARD BRASIL, among the following: PriceWaterhouseCoopers, EY, Deloitte, or KPMG.

**Mastercard PagSeguro Cards - Combo** - new product, combining credit and prepaid (single) methods, included in the CLIENT's Mastercard Portfolio, namely:

- (a) Credit Mastercard PagSeguro Cards, with product code MLC ("Mastercard Credit Microbusiness"); and
- (b) Prepaid Mastercard PagSeguro Cards (OLC), which also accepts debits, with product code OLC ("Mastercard Prepaid Business Card - debit terms")

**Mastercard PagSeguro Cards - Prepaid** - Prepaid Mastercard PagSeguro, which also accepts credit charges in dual message, with the Brand "Mastercard", comprising the CLIENT's Mastercard Portfolio, with product codes MRW ("Mastercard Prepaid Business Card - credit terms") and MGR ("Mastercard Prepaid General Spend Consumer").

**Cards or Mastercard PagSeguro Cards** - all products included in the CLIENT's Mastercard Portfolio.

**Mastercard Competitor** - Any other domestic or foreign company or branch, as the payment arrangement settlor with corporate purposes or commercial activities directly or indirectly involving the Card products subject matter hereof.

**Account** - Account associated to the Mastercard PagSeguro Cards - Combo, and Mastercard PagSeguro Cards - Prepaid.

**Effective Date** - 07/01/2020, date of execution of the Agreement by the Parties and date when the Agreement becomes effective.

**Launch Date** - 07/01/2021, deadline for the first Mastercard PagSeguro Card - Combo to be launched by the CLIENT in the Brazilian market in an effective and proven form.

**End Date** - 06/30/2027.

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**Acquiring Firm** - Company licensed *Mastercard International, Inc.* within the Brazilian territory or abroad, which has the purpose of analyzing and accrediting commercial establishments or service providers ("Establishments") from different segments and activities, located in different regions within Brazil or abroad, to accept "Mastercard" Brand in payment Transactions for goods and/or services. These companies also carry out activities related to the capturing, routing, transmission and processing of Transactions.

**POS Recurring Revenue from Prepaid Portfolio** - Volume during the period of twelve (12) months prior to the Effective Date, with reference to the Transactions for national and/or international purchases, in full and/or divided into installments, of all Prepaid Mastercard PagSeguro Cards issued by the CLIENTS and comprising the Mastercard Portfolio, in a prepaid term, excluding withdrawal transactions.

**Annual Recurring Revenue** - total volume, for each Year, of the highest revenue for the years prior to the current one. To calculate the Annual Recurring Revenue for Year 1, the previous year corresponds to the total volume resulted from Transactions achieved for the year from 07/01/2019 to 06/30/2020.

**Total POS Revenue** - volume of revenue assessed for the period of twelve (12) months, resulted from Transactions made with Mastercard Pagseguro Cards, part of the Mastercard Portfolio, as credit charges, prepaid (OLC) and prepaid (dual message), and processed within GCMS and Banknet Systems ("Mastercard Global Clearing Management System"), excluding withdrawal transactions.

**POS Revenue from Credit Portfolio** - volume of revenue assessed for the period of twelve (12) months, resulted from Transactions made with Mastercard Pagseguro Cards, which are part of the Mastercard Portfolio, as credit charges, and processed within GCMS and Banknet Systems ("Mastercard Global Clearing Management System"), excluding withdrawal transactions.

**POS Revenue from Prepaid Portfolio (OLC)** - volume of revenue assessed for the period of twelve (12) months for each Year, resulted from Transactions made with Mastercard Pagseguro Cards (OLC), as prepaid charges, and also accepting debit charges with the Maestro Brand, which are part of the Mastercard Portfolio, and processed within GCMS and Banknet Systems ("Mastercard Global Clearing Management System"), excluding withdrawal transactions.

**POS Incremental Revenue from Prepaid Portfolio** - volume of revenue assessed for the period of twelve (12) months for each Year, resulted from Transactions made with Mastercard Pagseguro Cards, excluding withdrawal transactions, which are part of the Mastercard Portfolio, as prepaid charges, which are processed within GCMS and Banknet Systems ("Mastercard Global Clearing Management System"), deducting the volume of Recurring POS Revenue from Prepaid Portfolio.

**Total ATM Revenue from Credit Portfolio** - volume of revenue assessed for the period of twelve (12) months for each Year, resulted from Transactions made with Mastercard Pagseguro Cards, as credit charges, captured by Mastercard ATM Network.

**Total ATM Revenue from Prepaid Portfolio** - volume of revenue assessed for the period of twelve (12) months for each Year, resulted from withdrawal Transactions made with Mastercard Pagseguro Cards, as prepaid charges, captured by Mastercard ATM Network.

**ATM Incremental Revenue from Prepaid Portfolio** - difference between the Total ATM Revenue and the ATM Revenue from the previous Year. On that difference, the amount to be paid to the CLIENT shall be calculated as Bonus on Incremental Revenue from withdrawal charges captured by Mastercard ATM Network.

**ATM Recurring Revenue from Prepaid Portfolio** - volume of Annual Revenue, resulting from withdrawal Transactions with Mastercard Pagseguro Cards, as pre-paid cards, captured by Mastercard Acceptance Network, in the period of twelve (12) months immediately prior to the Effective Date.

**Bonus** Financial resources to be provided by MASTERCARD BRASIL to the CLIENT, under the terms and conditions set forth herein.

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**Trademarks and logos of MasterCard International, Inc. – "MASTERCARD", "MASTERCARD MAESTRO", "REDESHOP", "MASTERCARD ELECTRONIC", "MAESTRO", "CIRRUS", "MASTERCARD PAYPASS", "MASTERCARD MOBILE", "MASTERCARD INCONTROL" and any other "Mastercard" brands.**

**Mastercard Portfolio** all portfolios including Mastercard PagSeguro Cards - Combo e Mastercard PagSeguro Cards - Pre-Paid, issued, sold and managed by the CLIENT, under "Mastercard" and/or "MAESTRO" brands, and which solely and exclusively include the products under this Agreement and the Bonus Program, namely:

- a) Mastercard PagSeguro Cards - Credit, with product code: MLC ("Mastercard Credit Micro-Business");
- b) Mastercard PagSeguro Cards - Pre-Paid (OLC), with product code OLC ("Mastercard Prepaid Business Card – debit terms"); and
- c) Mastercard PagSeguro Cards - Pre-Paid, accepted as credit card in dual message, whose product codes are: MRW ("Mastercard Prepaid Business Card – credit term") and MGR ("Mastercard Prepaid General Spend Consumer").

**Effective Term** has the meaning attributed to it in sections 5.1. and 5.1.1.

**Bonus Program** Special strategic development plan adopted by MASTERCARD BRASIL in a strategic alliance with a licensed financial or non-financial institution, issuer of payment cards under "Mastercard" brand, which provides for the availability of financial resources and other incentives, for a defined term, as long as all commitments assumed by the issuing entity are complied with, targeting at selling, activation and use of payment cards under Mastercard brands and logos, thus fostering revenues and increasing portfolios.

**Mastercard Acceptance Network** – Group of business establishments and service providers, from several industries and activities, located in different regions in Brazil and abroad, duly accredited by an Acquiring Firm to accept cards under "Mastercard" brand in payment Transactions for the purchase of goods and/or services.

**Quarterly Reports ("QMR – Quarterly Member Reporting")** - reports including information of the actual number of **Cards** and **Accounts** that have been issued or converted, the total number of issued Cards and Accounts (indicating the International Use Accounts and National Accounts, if any) and the Volume of Revenue related to the previous Performance Quarter, classified per Card modality.

**Banknet Systems and GCMS ("Mastercard Global Management System")** - global systems of Mastercard International, Inc./MASTERCARD BRASIL, to manage, process and settle Transactions made with payment cards under "Mastercard" brand, integrating transactions among establishments part of Mastercard Acceptance Network, issuing financial institutions and holders of cards under "Mastercard" brand.

**Transactions** - A message of origin and all of its answers and associated recognitions that, jointly, are used to execute a specific transaction of electronic transfer of funds (TEF) or management of network.

**REDACTED COPY**

Certain identified confidential information has been redacted from this exhibit because both (i) it is customarily and actually treated as private or confidential and (ii) it is not material.

Confidential portions of this Exhibit are designated by [\*\*\*\*\*].

ESPAIDER: ADT: \_\_\_/20

**1st AMENDMENT TO THE AWS CLOUD AGREEMENT**

By this private instrument, the Parties, on one side,

**PAGSEGURO INTERNET S.A.**, a corporation headquartered at Avenida Brigadeiro Faria Lima, No. 1384, 4º andar, Part A, City of São Paulo, State of São Paulo, enrolled with the National Register of Legal Entities of the Ministry of Finance (CNPJ/MF) under No. 08.561.701/0001-01, herein represented pursuant to its Bylaws, hereinafter simply referred to as "**CLIENT**";

**UOL DIVEO TECNOLOGIA LTDA.**, a company established at Alameda Barão de Limeira, 425, 1º andar, Campos Eliseos, in the City of São Paulo, State of São Paulo, enrolled with the CNPJ under No. 01.588.770/0001-60, and branches at Avenida Ceci, 1850, in the City of Barueri, State of São Paulo, duly enrolled with the CNPJ under No. 01.588.770/0008-36, at Alameda Glete, 700 – 2º andar, Campos Eliseos, in the City of São Paulo, State of São Paulo, enrolled with the CNPJ under No. 01.588.770/0011-31 and at Alameda Barão de Limeira, 425 – 2º andar, Campos Eliseos, in the City of São Paulo, State of São Paulo, enrolled with the CNPJ under No. 01.588.770/0010-50, herein represented pursuant to its articles of association, hereinafter simply referred to as **UOL DIVEO**;

**Whereas:**

- I. The Parties have entered into, on January 1st, 2017, a AWS CLOUD agreement, by means of which the CLIENT acquired from UOL DIVEO, AWS's resale partner, products and services provided to CLIENT directly by AWS, as per the terms of use adhered, available at: <https://s3-us-west-2.amazonaws.com/legal-reseller/AWS+Reseller+Customer+License+Terms.pdf> (periodically updated by AWS) ("Agreement"); and
- II. The Parties are interested in including some conditions in the Agreement, in compliance with Circular Letter 3,909/2018, as enacted by the Full Board of the Central Bank of Brazil (BACEN).

Now, therefore, the Parties have agreed, pursuant to law, to enter into this 1st Amendment to the Agreement ("Amendment"), which shall bind the Parties and their successors at any time and at any rate, under the following terms and conditions:

**1. PURPOSE**

- 1.1. This instrument seeks to comply with BACEN Circular Letter 3,909/2018 and Resolution No. 4,658/18 of the National Monetary Council (CMN).
  - 1.2. UOL DIVEO represents and warrants that it is and shall remain, during the entire contractual effectiveness, in compliance with BACEN Circular Letter 3,909/2018 and CMN Resolution 4,658/18, within the scope of its role as reseller and partner of AWS.
-



1.3. For the service to the governed CLIENTS, AWS has entered into, with UOL DIVEO, the "Addendum for the Brazilian Financial Services Industry", which includes:

- (i) The AWS Regions offered to the CLIENT by AWS are listed in Exhibit I to this instrument and on AWS's website, on the "AWS Global Infrastructure" page, available at <https://aws.amazon.com/about-aws/globalinfrastructure/>
- (ii) AWS shall implement and keep an information security program destined to offer, at least, the same protection level as evidenced, on this date, by the following:
  - (a) AWS's security controls verified by AWS's duly qualified and expert external auditors in the report of Organization and Systems Controls 1, Type 2, then in force ("SOC 1 Report") and in the Organization and Systems Controls 2, Type 2, then in force (for availability/security and confidentiality) ("SOC 2 Report" and, jointly with SOC 1 Report, the "Reports");
  - (b) AWS's current certification by ISO 27001; and
  - (c) AWS's current status as a Level 1 service provider pursuant to the PCI DSS (jointly with the ISO 27001, "Certifications") or, in each case, the respective industry-standard alternative certifications or reports which succeed them or are reasonable alternatives thereto (provided that with a protection level at least equal to the standards set forth above), as determined by AWS (jointly, the "AWS Information Security Program"). For the avoidance of doubt, any exceptions found in any SOC 1 or SOC 2 Report (or their successors or alternatives) pursuant to this Section shall not constitute violations of AWS's obligations, provided that AWS has taken proper measures, at its sole discretion, with the purpose of curing such exceptions. The Client may, with no additional cost, directly access and download copies of the SOC 1 Report, the SOC 2 Report and the ISO 27001 and PCI DSS certifications via AWS's website (on the Date of Effectiveness, at <https://aws.amazon.com/artifact/>) ("Artifact AWS"). In case AWS no longer keeps such website, UOL DIVEO or the CLIENT may request copies of AWS's security and compliance reports directly from AWS.
- (iii) Client Security and Redundancy. The CLIENT is provided with a range of options upon setting up accounts, and for each sensitive or otherwise valuable content, AWS advises the CLIENT to make use of robust security and redundancy resources, such as access controls, encrypting and backup. The CLIENT shall be responsible for properly setting up and using the Services Offers with the purpose of assuring the security and redundancy of its AWS accounts and its Content, such as, for instance, with the use of improved access controls to prevent unauthorized access to its AWS accounts and the CLIENT's Content, employing encrypting technology to prevent unauthorized access to its Content and assuring the proper backup level to avoid loss of Content.
- (iv) Client's Content Segregation; Network Security. AWS Services are destined to allow a logic segregation of the CLIENT's Content attributed to each AWS account. AWS shall keep access policies and controls with the purpose of managing which access is allowed to the AWS Network of each user and network connection, including the use of firewalls or equal technologies and authentication controls.
- (v) Support and Transfer for the CLIENT's Content after Termination of the Agreement: AWS shall comply with the obligations set forth in this clause, in order to aid the CLIENT in the ordered transfer of its activities after the Agreement is terminated. After the Termination Date, AWS shall provide the CLIENT with a period of at least thirty (30) days, during which AWS shall not take any measures with regard to removing the CLIENT's Content. During said period, AWS shall allow the CLIENT to transfer or delete any Content, except if (i) forbidden by law or by any order from competent authorities, or in case such transfer or exclusion may attribute liabilities to AWS or its affiliates; or (ii) in case the CLIENT has not paid all sums due under the Resale Agreement. AWS shall delete the CLIENT's Content upon request, by means of the Service controls, as described in the Documentation and provided by AWS for such purpose.

- (vi) Performance Information and Monitoring. AWS discloses updated information regarding service availability on its Service Health Dashboard, on the AWS website, available at <http://status.aws.amazon.com>, or in any successor address or related locations appointed by AWS. As of the Addendum's Date of Effectiveness, the Amazon CloudWatch is a Service that allows the CLIENT to monitor its resources in the AWS cloud and the applications they run in the AWS. The CLIENT may use the Service Health Dashboard and the Amazon CloudWatch (or any successor Service) to monitor any limitations to the Services that may affect the CLIENT's compliance with the applicable legislation or regulations.
- (vii) Relevant Sub-Contractors. At least thirty (30) days before authorizing a Relevant Sub-Contractor, AWS shall add such Relevant Sub-Contractor to the list of Relevant Sub-Contractors available on the AWS website. A "Relevant Sub-Contractor" is an unaffiliated sub-contractor that provides a relevant portion of the web services which AWS commonly provides to its clients, and which failure to provide such relevant portion of the web services would cause a relevant adverse effect to the continuous operation of such AWS web services pursuant to the Agreement.
- (viii) Regulatory Authority Requirements. In case the Regulatory Authority requires the CLIENT to verify its compliance with the Applicable Laws regulated by the Regulatory Authority in relation to the use of Services by the Regulated Entity ("Requirement"), AWS and the CLIENT shall deal with the Requirement as described in this Section:
- a. Information Request. In case the CLIENT is not able to respond to a Requirement after employing commercially reasonable efforts for such (including the supply of available documentation and information and access to AWS's relevant accounts) and notifying AWS of such condition, AWS shall employ commercially reasonable efforts to assist the CLIENT in the response to the Requirement by means of providing (i) relevant documentation and information related to the technical and organizational measures of AWS or its affiliates, and also to the Agreement; and (ii) for matters that may not be responded by said information and documentation, if any, a briefing on security and compliance to be drafted by the workers of AWS or its affiliates.
  - b. Regulatory Authority Supervision. AWS acknowledges that the CLIENT may be notified by the Regulatory Authority to take measures in relation to the Agreement. AWS and the CLIENT shall deal with a Requirement made by the Regulatory Authority as described in this Section. In case the parties are not able to respond to said Requirements, the CLIENT may terminate the Agreement with cause, in observance of the resale agreement entered into between the CLIENT and UOL DIVEO, which shall transfer to the CLIENT all tax exemptions or assessments agreed with AWS.
- (ix) Confidentiality: Any information, replies and documentation disclosed by AWS to the CLIENT shall be treated as confidential information of the owning party and be provided to the receiving party pursuant to the confidentiality obligations reasonably accepted by the party owning the Confidential Compliance Information (which, in case of the Regulatory Authority, means confidentiality obligations set forth pursuant to the applicable law) and shall not be disclosed by the receiving party, except to the extent the Confidential Compliance Information may be disclosed to (a) the Regulatory Authority, provided that the CLIENT obtains confidential treatment or similar protections; and (b) the CLIENT, provided that all of AWS Confidential Compliance Information be treated as AWS confidential information pursuant to the Term of Use, the NDA and this Addendum. Further, (i) the CLIENT may access and directly download Reports and Certifications via the Artifact AWS (or any alternative method accessible via the AWS Website); and (ii) other AWS Confidential Compliance Information (except Reports, Certifications and any other information of, pertaining to, or otherwise included in the AWS Information Security Program) may be disclosed by UOL DIVEO to the CLIENT, provided that AWS agrees with such disclosure.
- (x) The CLIENT shall bear with any costs incurred by AWS to comply with the REQUIREMENTS, which shall be collected by UOL DIVEO

**1.4. DEFINITIONS:**

- (i) **Applicable Law:** means the applicable laws and regulations regulated by the Regulatory Authority related to the use of the Services by the Regulated Entity.
- (ii) **AWS Network:** means the facilities, servers, network equipment, storage media and hosting software systems (for instance, virtual firewalls) of the AWS data center which are within AWS's control and are used to provide the Services.
- (iii) **AWS Region:** means a distinct set of AWS data centers located in a geographical area and used to provide the Services.
- (iv) **Circular Letter No. 3,909:** means the "Circular Letter No. 3,909, of August 16, 2018", issued by the Central Bank of Brazil.
- (v) **CMN Resolution No. 4,658:** means the "Resolution No. 4,658, of April 26, 2018", issued by the National Monetary Council and by the Central Bank of Brazil.
- (vi) **Regulated Entity:** means the CLIENT, as subject to the supervision of the Regulatory Authority, and to CMN Resolution No. 4,658 or Circular Letter No. 3,909, pursuant to the Applicable Law.
- (vii) **Regulatory Authority:** means the Central Bank of Brazil.

**2. RATIFICATION**

2.1. The Parties hereby ratify all other terms and conditions of the Agreement, making it clear that the terms and clauses that have not been expressly changed by this Addendum shall remain unchanged and fully effective.

In witness whereof, the Parties sing this instrument in two (2) counterparts of equal content, in the presence of two witnesses.

São Paulo, August 18, 2020.

DocuSigned by: /s/ Renato Bertozzo Duarte

DocuSigned by: /s/ Rogildo Torquato Landim

**PAGSEGURO INTERNET S.A.**

DocuSigned by: /s/ Renato Bertozzo Duarte

DocuSigned by: /s/ Rogildo Torquato Landim

**UOL DIVEO TECNOLOGIA LTDA**

**Witnesses:****1**

Name:  
CPF:

**2**

Name:  
CPF:

**Exhibit I****Eligible Regions**

Last Updated on 06/29/2020

**AWS Regions**

The following AWS Regions:

US East (N. Virginia)	EU (Ireland)	Africa (Cape Town)
US East (Ohio)	EU (Frankfurt)	Asia Pacific (Singapore)
US West (Oregon)	EU (London)	Asia Pacific (Tokyo)
US West (N. California)	EU (Milan)	Asia Pacific (Osaka) Local Region*
Canada (Central)	EU (Paris)	Asia Pacific (Sydney)
South America (São Paulo)	EU (Stockholm)	Asia Pacific (Seoul)
GovCloud (US-West)*	Middle East (Bahrain)	Asia Pacific (Mumbai)
GovCloud (US-East)*		Asia Pacific (Hong Kong)

\*if you have access to such region

**AWS Edge Network Locations**

AWS Edge Network Locations in the following geographic regions:

Australia  
Canada  
Europe & Israel  
Hong Kong  
India  
Japan  
Malaysia  
Middle East  
Philippines  
Singapore  
South Africa & Kenya  
South America  
South Korea  
Taiwan  
United States

**AWS Local Zones**

The following AWS Local Zones:

Los Angeles, CA

**Completion Certificate**

Envelope ID: 2EF10C49D4054067900E768D0890B1C1

Status:

Completed Subject: UOL DIVEO and PagSeguro - TA - Cybersecurity

Source Envelope:

Document Pages: 6

Signatures: 4

Envelope Sent by:

Certificate Pages: 5

Initials: 1

Aristides Tranquillini Neto

AutoNav: Enabled

Envelope ID Stamping: Enabled

Time Zone: (UTC-08:00) Pacific Time (US & Canada)

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<b>Intermediary Delivery Events</b>	<b>Status</b>	<b>Timestamp</b>
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<b>Certified Delivery Events</b>	<b>Status</b>	<b>Timestamp</b>
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<b>Carbon Copy Events</b>	<b>Status</b>	<b>Timestamp</b>
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<b>Witness Events</b>	<b>Signature</b>	<b>Timestamp</b>
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<b>Notary Events</b>	<b>Signature</b>	<b>Timestamp</b>
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<b>Envelope Summary Events</b>	<b>Status</b>	<b>Timestamp</b>
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Envelope sent	Hashed/Encrypted	08/18/2020 12:17:36
Certified delivery	Security checked	08/18/2020 12:23:20
Signing complete	Security checked	08/18/2020 12:23:25
Completed	Security checked	08/18/2020 12:23:25

<b>Payment Events</b>	<b>Status</b>	<b>Timestamp</b>
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<b>Electronic Record and Signature Disclosure</b>		
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## **CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND SIGNATURE DISCLOSURES**

### **Electronic Record and Signature Disclosure**

From time to time, UOL - UNIVERSO ONLINE S/A may be required by law to provide you with certain written notices or disclosures. Described below are the terms and conditions for us to provide you with such notices and disclosures electronically through the DocuSign, Inc. (DocuSign) electronic signature system. Read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, confirm your agreement by clicking the 'I agree' button at the bottom of this document.

### **Getting paper copies**

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print the documents we send to you through the DocuSign system during and immediately after the signature session, and, if you elect to create a DocuSign user account, you may access them for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish to get paper copies of any such documents to be sent from our office to you, you will not be charged a per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

### **Withdrawing your consent**

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us thereafter that you want to receive notices and disclosures only in paper format. The procedure to inform us of your decision to receive future notices and disclosures in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

### **Consequences of changing your mind**

If you elect to receive notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and provide services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of receipt of such paper notices or disclosures. To let us know that you are changing your mind, you must withdraw your consent using the DocuSign "Withdraw Consent" form on the signature page of a DocuSign envelope instead of signing it. This will indicate to us that you have withdrawn your consent to receive notices and disclosures electronically from us and you will no longer be able to use the DocuSign system to receive notices and consents electronically from us or to electronically sign documents sent by us.

### **All notices and disclosures will be sent to you electronically**

Unless you tell us otherwise in accordance with the procedures described herein, we will electronically send you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you using the same method and to the same address you have informed us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, let us know as described below. Also see the paragraph immediately above that describes the consequences if you elect not to receive notices and disclosures electronically from us.

### **How to contact UOL - UNIVERSO ONLINE S/A:**

You may contact us to let us know of your changes on how we should contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically, as provided below: To contact us by email send messages to: [\*\*\*\*\*]

[\*\*\*\*\*] Confidential information redacted

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To contact us by email send messages to: UOL - UNIVERSO ONLINE S/A

**To inform of your new e-mail address to UOL - UNIVERSO ONLINE S/A:**

To let us know of a change in your e-mail address to which we should send notices and disclosures electronically to you, you must send us an e-mail to [\*\*\*\*\*] providing: your previous e-mail address and your new e-mail address. We do not require any other information from you to change your e-mail address. We do not require any other information from you to change your email address.

In addition, you must notify DocuSign, Inc. in order to reflect your new e-mail address in your DocuSign account by following the process for changing e-mail in the DocuSign system.

**To request paper copies from UOL - UNIVERSO ONLINE S/A:**

To request us to send you paper copies of the notices and disclosures previously provided by us to you electronically, you must send an e-mail to [\*\*\*\*\*] and provide: your e-mail address, full name, Brazil Postal address, and telephone number. We will charge you for the amount of the copies, if applicable.

**To withdraw your consent to UOL - UNIVERSO ONLINE S/A:**

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- (i) refuse to sign a document in your DocuSign session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent; or you may
- (ii) send an e-mail to [\*\*\*\*\*] and provide your e-mail address, full name, Brazil Postal Address, and telephone number. We do not need any other information from you to withdraw consent. The consequences of your withdrawing consent for online documents will be that transactions may take longer to process. We do not require any other information from you to change your email address. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process.

**Required hardware and software\*\*:**

- (i) Operating Systems: Windows® 2000, Windows® XP, Windows Vista®; Mac OS®
- (ii) Browsers: Latest versions Internet Explorer® 6.0 or above (only Windows); Mozilla Firefox 2.0 or above (Windows and Mac); Safari™ 3.0 or above (only Mac)
- (iii) PDF readers: Acrobat® or similar software may be required to view and print PDF files.
- (iv) Screen Resolution: 800 x 600 minimum
- (v) Enabled Security Settings: Allow per session cookies

\*\* These minimum requirements are subject to change. If these requirements change, you will be asked to re-accept the disclosure. Pre-release (e.g. beta) versions of operating systems and browsers are not supported.

[\*\*\*\*\*] Confidential information redacted

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**Acknowledging your access and consent to receive materials electronically:**

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please make sure you read this electronic disclosure and are able to print on paper or electronically save this page for your future reference and access or are able to e-mail this disclosure and consent to an e-mail address in which you will be able to print on paper or save this page for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format under the terms and conditions described above, let us know by clicking the "I agree" button below.

By checking the "I agree" box, I confirm that:

- (i) I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND CONSUMER SIGNATURE DISCLOSURES; and
- (ii) I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and (iii) Until or unless I notify UOL - UNIVERSO ONLINE S/A as described above, I consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by UOL - UNIVERSO ONLINE S/A during the course of my relationship with you.

## REDACTED COPY

Certain identified confidential information has been redacted from this exhibit because both (i) it is customarily and actually treated as private or confidential and (ii) it is not material.

Confidential portions of this Exhibit are designated by [\*\*\*\*\*].



**INSTRUMENT FOR ASSIGNMENT OF THE AWS CLOUD AGREEMENT**

By this Instrument, the parties identified below, namely:

**UOL DIVEO TECNOLOGIA LTDA.**, a company established at Alameda Barão de Limeira, 425, 1º andar, Campos Elíseos, in the City of São Paulo, State of São Paulo, enrolled with the National Register of Legal Entities (CNPJ) under No. 01.588.770/0001-60, and branches at Avenida Ceci, 1850, in the City of Barueri, State of São Paulo, duly enrolled with the CNPJ under No. 01.588.770/0008-36, at Alameda Glete, 700 – 2º andar, Campos Elíseos, in the City of São Paulo, State of São Paulo, enrolled with the CNPJ under No. 01.588.770/0011-31 and at Alameda Barão de Limeira, 425 – 2º andar, Campos Elíseos, in the City of São Paulo, State of São Paulo, enrolled with the CNPJ under No. 01.588.770/0010-50, herein represented pursuant to its articles of association, hereinafter simply referred to as **ASSIGNOR**; and

**COMPASSO INFORMATICA S/A.**, a company headquartered at Alameda Barão de Limeira, 425, 7º andar, Campos Elíseos, in the City of São Paulo, State of São Paulo, enrolled with the CNPJ under No. 00.271.032/0001-21, herein represented pursuant to its articles of association, hereinafter simply referred to as **ASSIGNEE**;

**PAGSEGURO INTERNET S.A.**, a company headquartered at Avenida Brigadeiro Faria Lima, nº 1384, 4º andar, Part A, in the City of São Paulo, State of São Paulo, enrolled with the CNPJ/MF under No. 08.561.701/0001-01, herein represented pursuant to its articles of association, hereinafter referred to as **INTERVENING CONSENTING PARTY**.

Now, therefore, the Parties resolve to enter into this Instrument for Assignment of the Agreement ("Instrument") which shall be governed by the following clauses and conditions:

**SECTION ONE - PURPOSE**

**1.1** **ASSIGNOR**, as the lawful holder of the rights arising from the **AWS CLOUD** Agreement, entered into between the Parties on January 1st, 2017, hereby irrevocably and irreversibly assigns all rights and obligations arising from said Agreement to **ASSIGNEE**.

**1.2** In turn, **ASSIGNEE** represents to know all clauses and conditions of the Agreement signed hereby, undertaking to fully comply with them and assuming all rights and obligations arising therefrom.

**SECTION TWO – EFFECTIVENESS**

**2.1** The Agreement assignment object of this Instrument shall be effective for all legal purposes as of **January 1st, 2021**.

**SECTION THREE - SUCCESSION**

**3.1** This Instrument for Assignment of the Agreement binds the parties, their heirs and successors, including, without limitation, any companies resulting from the consolidation, merger, spin-off or any other manner of corporate organization.

**SECTION FOUR - CONSENT**

4.1 The **INTERVENING CONSENTING PARTY** hereby irrevocably and irreversibly represents its consent regarding the assignment object of this instrument, accepting that, as of the date stipulated in section 2.1, **ASSIGNEE** shall be the holder of the rights and obligations arising from the Agreement.

**SECTION FIVE - GENERAL PROVISIONS**

5.1 The Parties, including their Witnesses, acknowledge that electronic, digital, and computerized signatures are valid and fully effective, constituting an extrajudicial enforcement instrument for all legal purposes, even if such signatures or certifications are not under ICP-Brazil standards, pursuant to the provisions in paragraphs of Article 10 of the Provisional Measure No. 2,200/2001 in force in Brazil. Therefore, this Agreement, as well as the Proposals, their exhibits and amendments may be executed through such means.

**SECTION SIX - VENUE**

6.1 In order to settle any disputes related to this assignment, the Courts of the Judicial District of the City of São Paulo, State of São Paulo, are hereby elected, to the waiver of any others, however privileged they may be.

In witness whereof, the Parties enter into this agreement, in **three (03) counterparts** of equal content and form, for one single effect, subscribed by two witnesses.

São Paulo, February 04, 2021.

**UOL DIVEO TECNOLOGIA LTDA.**  
ASSIGNOR

DocuSigned by: /s/RogildoTorquatoLandim  
Name:  
ID No.:

DocuSigned by: /s/Cleyton de Almeida Ferreira  
Name:  
ID No.:

**COMPASSO INFORMATICA S/A**  
ASSIGNEE

DocuSigned by: /s/Rogildo Torquato Landim  
Name:  
ID No.:

DocuSigned by: /s/Cleyton de Almeida Ferreira  
Name:  
ID No.:

**PAGSEGURO INTERNET S.A.**  
INTERVENING CONSENTING PARTY

DocuSigned by: /s/Renato Bertozzo Duarte  
Name:  
ID No.:

DocuSigned by: /s/Artur Gaulke Schunck  
Name:  
ID No.:

**WITNESSES:**

DocuSigned by: /s/Fabiana Algaves  
Name:  
ID No.:

Name:  
ID No.:

### Completion Certificate

Envelope ID: 2B808756AB6640378CD4ED0F8B79F6D2	Status: Completed
Source Envelope:	Subject: DocuSign: Assignment Instrument - UOL DIVEO - COMPASSO - PAGS (PUBLIC CLOUD) - feb2021 - v1 (002).doc
Document Pages: 2	Signatures: 7
Certificate Pages: 8	Initials: 2
AutoNav: Enabled	Envelope Sent by: Saedio Dias de Souza Filho
Enveloped Stamping (ID Stamping): Enabled	Av. Brigadeiro Faria Lima, 1.384 SP, 01452-002
Time Zone: (UTC-08:00) Pacific Time (US & Canada)	[*****]Endereço IP: [*****]

### Record Tracking

Status: Original	Holder: Saedio Dias de Souza Filho	Location: DocuSign
02/05/2021 05:12:08	[*****]	

### Signer Events

Signature	Times tamp
Saedio Dias de Souza Filho [*****]LAWYER UNIVERSO ONLINE S.A. Security Level: E-mail, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> Not offered via DocuSign	DS Sent: 02/05/2021 05:21:17 Viewed: 02/05/2021 05:21:34 Signed: 02/05/2021 05:24:32
Signature adoption: Signature image loaded Using IP Address: [*****]	
Helena Diniz [*****] Agreements, Litigation and Labor Law Officer UNIVERSO ONLINE S.A. Security Level: E-mail, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> Not offered via DocuSign	DS Sent: 02/05/2021 05:27:15 Viewed: 02/05/2021 05:28:09 Signed: 02/05/2021 05:28:22
Signature adoption: Pre-selected Style IP Address: [*****]	
Cleyton de Almeida Ferreira [*****]Products Director UOL DIVEO Security Level: E-mail, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> <b>Accepted: 02/05/2021 06:57:25</b> ID: [*****]	DocuSigned by: Sent: 02/05/2021 05:28:25 Viewed: 02/05/2021 06:57:25 Signed: 02/05/2021 06:58:04
Signature adoption: Drawn on device Using IP Address: [*****]	

[\*\*\*\*\*] Confidential information redacted

Signer Events	Signature	Timestamp
Rogildo Torquato Landim [****]CEO UOLDIVEO CEO Security Level: E-mail, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> <b>Accepted: 02/05/2021 08:13:20</b> ID: [****]	DocuSigned by:  Signature adoption: Pre-selected Style IP Address: [****]	Sent: 02/05/2021 05:24:33 Resent: 02/05/2021 05:28:25 Viewed: 02/05/2021 08:13:20 Signed: 02/05/2021 08:13:26
Artur Gaulke Schunck [****]Chief Financial Officer Security Level: E-mail, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> <b>Accepted: 11/24/2020 12:09:02</b> ID: [****]	DocuSigned by:  Signature established by: Pre-set style Using IP Address: [****]	Sent: 02/05/2021 08:13:28 Viewed: 02/05/2021 08:51:36 Signed: 02/05/2021 08:51:41
Renato Bertozzo Duarte [****]HEAD OF UNIVERSO ONLINE LEGAL DEPARTMENT Security Level: E-mail, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> <b>Not offered via DocuSign</b>	Signature adoption: Pre-selected Style IP Address: [****]	Sent: 02/05/2021 08:13:28 Viewed: 02/05/2021 08:51:36 Signed: 02/05/2021 08:51:41
Fabiana Algaves [****]ANALISTA DE CONTRATOS UNIVERSO ONLINE SA Security Level: E-mail, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> <b>Not offered via DocuSign</b>	Signature adoption: Pre-selected Style IP Address: [****]	Sent: 02/05/2021 08:51:43 Viewed: 02/05/2021 08:59:17 Signed: 02/05/2021 08:59:22

[\*\*\*\*] Confidential information redacted

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<b>In Person Signer Events</b>	<b>Signature</b>	<b>Times tamp</b>
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<b>Editor Delivery Events</b>	<b>Status</b>	<b>Times tamp</b>
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<b>Agent Delivery Events</b>	<b>Status</b>	<b>Times tamp</b>
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<b>Intermediary Delivery Events</b>	<b>Status</b>	<b>Times tamp</b>
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<b>Certified Delivery Events</b>	<b>Status</b>	<b>Times tamp</b>
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<b>Carbon Copy Events</b>	<b>Status</b>	<b>Times tamp</b>
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<b>Witness Events</b>	<b>Signature</b>	<b>Times tamp</b>
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<b>Notary Events</b>	<b>Signature</b>	<b>Times tamp</b>
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<b>Envelope Summary Events</b>	<b>Status</b>	<b>Times tamp</b>
Envelope sent	Hashed/Encrypted	02/05/2021 05:21:17
Certified delivery	Security checked	02/05/2021 08:59:17
Signing complete	Security checked	02/05/2021 08:59:22
Completed	Security checked	02/05/2021 08:59:22
<b>Payment Events</b>	<b>Status</b>	<b>Times tamp</b>
<b>Electronic Record and Signature Disclosure</b>		

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## **CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND SIGNATURE DISCLOSURES**

### **Electronic Record and Signature Disclosure**

From time to time, UOL - UNIVERSO ONLINE S/A may be required by law to provide you with certain written notices or disclosures. Described below are the terms and conditions for us to provide you with such notices and disclosures electronically through the DocuSign, Inc. (DocuSign) electronic signature system. Read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, confirm your agreement by clicking the 'I agree' button at the bottom of this document.

### **Getting paper copies**

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print the documents we send to you through the DocuSign system during and immediately after the signature session, and, if you elect to create a DocuSign user account, you may access them for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish to get paper copies of any such documents to be sent from our office to you, you will not be charged a per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

### **Withdrawing your consent**

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us thereafter that you want to receive notices and disclosures only in paper format. The procedure to inform us of your decision to receive future notices and disclosures in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

### **Consequences of changing your mind**

If you elect to receive notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and provide services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of receipt of such paper notices or disclosures. To let us know that you are changing your mind, you must withdraw your consent using the DocuSign "Withdraw Consent" form on the signature page of a DocuSign envelope instead of signing it. This will indicate to us that you have withdrawn your consent to receive notices and disclosures electronically from us and you will no longer be able to use the DocuSign system to receive notices and consents electronically from us or to electronically sign documents sent by us.

### **All notices and disclosures will be sent to you electronically**

Unless you tell us otherwise in accordance with the procedures described herein, we will electronically send you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you using the same method and to the same address you have informed us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, let us know as described below. Also see the paragraph immediately above that describes the consequences if you elect not to receive notices and disclosures electronically from us.

### **How to contact UOL - UNIVERSO ONLINE S/A:**

You may contact us to let us know of your changes on how we should contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically, as provided below: To contact us by email send messages to: [\*\*\*\*\*]

To contact us by email send messages to: UOL - UNIVERSO ONLINE S/A

### **To inform of your new e-mail address to UOL - UNIVERSO ONLINE S/A:**

To let us know of a change in your e-mail address to which we should send notices and disclosures electronically to you, you must send us an e-mail to [\*\*\*\*\*] providing: your previous e-mail address and your new e-mail address. We do not require any other information from you to change your e-mail address. We do not require any other information from you to change your email address.

In addition, you must notify DocuSign, Inc. in order to reflect your new e-mail address in your DocuSign account by following the process for changing e-mail in the DocuSign system.

[\*\*\*\*\*] Confidential information redacted

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**To request paper copies from UOL - UNIVERSO ONLINE S/A:**

To request us to send you paper copies of the notices and disclosures previously provided by us to you electronically, you must send an e-mail to [\*\*\*\*\*] and provide: your e-mail address, full name, Brazil Postal address, and telephone number. We will charge you for the amount of the copies, if applicable.

**To withdraw your consent to UOL - UNIVERSO ONLINE S/A:**

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- (i) refuse to sign a document in your DocuSign session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent; or you may
- (ii) send an e-mail to [\*\*\*\*\*] and provide your e-mail address, full name, Brazil Postal Address, and telephone number. We do not need any other information from you to withdraw consent. The consequences of your withdrawing consent for online documents will be that transactions may take longer to process. We do not require any other information from you to change your email address. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process.

**Required hardware and software\*\*:**

- (i) Operating Systems: Windows® 2000, Windows® XP, Windows Vista®; Mac OS®
- (ii) Browsers: Latest versions Internet Explorer® 6.0 or above (only Windows); Mozilla Firefox 2.0 or above (Windows and Mac); Safari™ 3.0 or above (only Mac)
- (iii) PDF readers: Acrobat® or similar software may be required to view and print PDF files.
- (iv) Screen Resolution: 800 x 600 minimum
- (v) Enabled Security Settings: Allow per session cookies

\*\* These minimum requirements are subject to change. If these requirements change, you will be asked to re-accept the disclosure. Pre-release (e.g. beta) versions of operating systems and browsers are not supported.

**Acknowledging your access and consent to receive materials electronically:**

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please make sure you read this electronic disclosure and are able to print on paper or electronically save this page for your future reference and access or are able to e-mail this disclosure and consent to an e-mail address in which you will be able to print on paper or save this page for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format under the terms and conditions described above, let us know by clicking the "I agree" button below.

By checking the "I agree" box, I confirm that:

- (i) I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND CONSUMER SIGNATURE DISCLOSURES; and
- (ii) I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and (iii) Until or unless I notify UOL - UNIVERSO ONLINE S/A as described above, I consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by UOL - UNIVERSO ONLINE S/A during the course of my relationship with you.

[\*\*\*\*\*] Confidential information redacted

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## **CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND SIGNATURE DISCLOSURES**

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### **All notices and disclosures will be sent to you electronically**

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### **To inform of your new e-mail address:**

To let us know of a change in your e-mail address to which we should send notices and disclosures electronically to you, you must send us an e-mail and provide: your previous e-mail address and your new e-mail address. We do not require any other information from you to change your e-mail address.

In addition, you must notify DocuSign, Inc. in order to reflect your new e-mail address in your DocuSign account by following the process for changing e-mail in the DocuSign system.

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**To request paper copies from us:**

To request us to send you paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail and provide: your e-mail address, full name, Brazil Postal address, and telephone number. We will charge you for the amount of the copies, if applicable.

**To withdraw your consent to us:**

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- (i) refuse to sign a document in your DocuSign session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent; or you may
- (ii) send us an e-mail and provide your e-mail address, full name, Brazil Postal Address, and telephone number. We do not need any other information from you to withdraw consent. The consequences of your withdrawing consent for online documents will be that transactions may take longer to process.

**Required hardware and software\*\*:**

- (i) Operating Systems: Windows® 2000, Windows® XP, Windows Vista®; Mac OS®
- (ii) Browsers: Latest versions Internet Explorer® 6.0 or above (only Windows); Mozilla Firefox 2.0 or above (Windows and Mac); Safari™ 3.0 or above (only Mac)
- (iii) PDF readers: Acrobat® or similar software may be required to view and print PDF files.
- (iv) Screen Resolution: 800 x 600 minimum
- (v) Enabled Security Settings: Allow per session cookies

\*\* These minimum requirements are subject to change. If these requirements change, you will be asked to re-accept the disclosure. Pre-release (e.g. beta) versions of operating systems and browsers are not supported.

**Acknowledging your access and consent to receive materials electronically:**

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please make sure you read this electronic disclosure and are able to print on paper or electronically save this page for your future reference and access or are able to e-mail this disclosure and consent to an e-mail address in which you will be able to print on paper or save this page for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format under the terms and conditions described above, let us know by clicking the "I agree" button below.

By checking the "I agree" box, I confirm that:

- (i) I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC RECORDS AND CONSUMER SIGNATURE DISCLOSURES; and
- (ii) I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and (iii) Until or unless I notify as described above, I consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by during the course of my relationship with you.

REDACTED COPY

Certain identified confidential information has been redacted from this exhibit because both (i) it is customarily and actually treated as private or confidential and (ii) it is not material.

Confidential portions of this Exhibit are designated by [\*\*\*\*\*].

**GENERAL CONDITIONS OF GOOGLE CLOUD ACQUISITION No. 2021-01439**  
**(ES 04011/20)**

By this private instrument, on one side, **PAGSEGURO INTERNET S.A.**, company headquartered at Avenida Brigadeiro Faria Lima, nº 1384, 4º andar – Parte A, Jardim Paulistano, Brazil, postal code 01451-001, in the city of São Paulo, State of São Paulo, enrolled with the National Register of Legal Entities of the Ministry of Finance (CNPJ/MF) under No. 08.561.701/0001-01, hereinafter simply referred to as "CLIENT", and **UOL DIVEO TECNOLOGIA S.A.**, headquartered at Alameda Barão de Limeira, 425, 1º andar, in the city of São Paulo, State of São Paulo, enrolled with the CNPJ/MF under No. 01.588.770/0001-60, hereinafter simply referred to as "UOL DIVEO", both represented pursuant to their incorporations acts, decide to enter into this Agreement ("Agreement"), pursuant to the following clauses and conditions:

1. The CLIENT, through this private instrument, hires UOL DIVEO, resale partner of GOOGLE INC. ("GOOGLE") in Brazil, to acquire GOOGLE CLOUD services. The CLIENT hereby REPRESENTS TO KNOW AND AGREES that the services described in the scope and/or GOOGLE's Services will begin to be provided as from the execution of this Agreement.

1.1 Services will be hired upon acceptance of the Technical and/or Business Proposal signed by the legal representatives of the parties, which **will set forth the terms of the acquisition, effectiveness, PTAX and all other business conditions.**

1.2 The Bills/Invoices issued by UOL DIVEO must include CLIENT's information referred to in the preamble hereof.

2. The CLIENT represents to know that GOOGLE CLOUD services are provided by GOOGLE pursuant to GOOGLE's terms of service, the up-to-date version of which is available at <https://cloud.google.com/terms>, as well as all other documents issued by GOOGLE to govern the provision of services (jointly, "GOOGLE's Terms of Service"). By signing this instrument, the CLIENT REPRESENTS and ACKNOWLEDGES that: (i) GOOGLE CLOUD services are subject to GOOGLE's Terms of Service, the clauses and conditions of which are fully provided for herein; (ii) when accessing and using the services, the CLIENT expressly agrees with GOOGLE's Terms of Service, and accepts all of the clauses and conditions set forth therein; (iii) it has read and understood all clauses and conditions of GOOGLE's Terms of Service, and that it is fully aware of all restrictions and limitations established by GOOGLE for the provision of the services; (iv) especially and without prejudice to any other Terms of Service of GOOGLE, the CLIENT acknowledges that the GOOGLE CLOUD services are subject to the "Specific Terms of Service", the up-to-date version of which is available at <https://cloud.google.com/terms/service-terms>, and which the CLIENT represents to have read and accepted, with no reservations; (v) all of CLIENT's data and information are processed through GOOGLE CLOUD Services to the interest and on behalf of the CLIENT itself, which owns and controls such data and information, and the CLIENT shall exempt UOL DIVEO and GOOGLE from any liability related to its data and information; (vi) GOOGLE's Terms of Service may be amended by GOOGLE at any time, so the CLIENT is advised to check GOOGLE's website on a regular basis.

3. GOOGLE CLOUD's environment Status can be found at Google Cloud Status Dashboard: <https://status.cloud.google.com/>.

4. The services hired hereunder may only be used for CLIENT's internal business transaction, and the CLIENT is subject to GOOGLE's Terms of Service and all other conditions and policies of GOOGLE in addition to those set forth herein.

5. The CLIENT may not resell, supply, rent, distribute or allow third parties to use the solutions hired herein.
6. The CLIENT shall meet all conditions provided by applicable data protection laws.
7. Pursuant to the foregoing, the CLIENT represents to know that UOL DIVEO only resells GOOGLE's services. For this reason, the CLIENT accepts and agrees that UOL DIVEO, considering that it is only a reseller of the solution, will not be held liable for any delay in the delivery or unavailability of services.
8. UOL DIVEO does not offer any guarantee on the services hired hereunder. CLIENT acknowledges that UOL DIVEO is only a reseller of GOOGLE CLOUD services and that UOL DIVEO and GOOGLE are independent companies. Accordingly, UOL DIVEO and GOOGLE are not responsible for the quality/warranty/support/result/effectiveness of said services. UOL DIVEO is not responsible for the accuracy or completeness of information on the services, AS WELL AS IT IS NOT RESPONSIBLE FOR ANY REPRESENTATIONS, WARRANTIES AND LIABILITIES, OF ANY NATURE, IN CONNECTION WITH INFORMATION ON THE SERVICES. UOL DIVEO advises the CLIENT to confirm any information on the services before using them for any purpose. All information on the services is subject to change with no prior notice. UOL DIVEO is not responsible for any typographical or other mistakes or omissions in connection with information on the services.
  - 8.1. Without prejudice to the foregoing, UOL DIVEO will only be responsible for the losses and/or damages directly caused to the CLIENT at its proven and exclusive fault, limited to the total amount paid by the CLIENT to UOL DIVEO for the provision of services referred to in this Order in the period of six (6) months prior to the fact that has given rise to such indemnity obligation. UOL DIVEO will not, under any circumstance, be responsible for any indirect losses and/or damages caused to the CLIENT or third parties (for example, loss of profit or revenue, loss of data, loss of use, re-work, manufacturing expenses, damages to reputation or loss of clients).
9. With respect to the processing of personal data, UOL DIVEO agrees to comply with data protection laws, under the terms agreed with GOOGLE, including European Regulation 2016/679 (GDPR).
  - 9.1. UOL DIVEO shall meet all conditions set forth in letter No. 3.909/2018 issued by the Central Bank of Brazil (BACEN) and In Resolution No. 4.568/18 issued by the National Monetary Council (*Conselho Monetário Nacional*, or "CMN") with respect to cyber security and hiring of data processing and storage services, if applicable, within the limit of its attributions set forth herein.
10. GOOGLE and UOL DIVEO are not responsible for direct, indirect, incidental or consequential damages arising out of the Services, neither are they responsible for any potential warranties related to the Services, including, but not limited to, their adequacy to private use which does not violate third parties' rights.
11. In addition to GOOGLE CLOUD services, which will be provided by GOOGLE, UOL DIVEO may provide, if informed in the Order, complementary support services to the CLIENT. The CLIENT represents to know that, if UOL DIVEO's complementary support services are hired, they are only ancillary to the services provided by GOOGLE, limited to the management of CLIENT's account held with GOOGLE, and to the supply of information and instruction on the use and billing of GOOGLE's services. For this reason, the provision of any of UOL DIVEO's complementary support services will not change the nature of this Agreement, especially with respect to UOL DIVEO's limited liability as a simple reseller of GOOGLE's services, under the terms set forth in these General Conditions. The CLIENT acknowledges and represents to know that UOL DIVEO and GOOGLE may not be able to respond to or address all requests.
12. This Agreement will be effective for indefinite term, and may be terminated by any of the parties upon prior notice of thirty (30) days.
13. Except for the obligation to pay, none of the parties will be responsible for non-performed of their obligations set forth herein as a result of any events that are beyond their control (such as: acts of god or force majeure, operational interruptions, human or natural disasters, epidemics, shortage of materials, strikes, criminal acts, delays in the delivery or transportation of products at manufacturer's fault or inability to hire manpower or buy materials through their regular sources).
14. The CLIENT knows and agrees that it will follow the specifications provided by the manufacturer or suppliers or the products and/or services. The products and/or services may not be used in any critical security or similar applications, the potential failure of which may cause injuries, death or serious damages to the goods and facilities of the CLIENT or third parties. If the CLIENT uses or sells the products and/or services to be used in any such applications, or fails to follow manufacturer or supplier's specifications, it will be fully responsible for the consequences of its acts.

**15.** The CLIENT may not disclose nor reveal, directly or through third parties, the results of any comparative, benchmarking or assessment tests (each, a "Test") of the Services, unless their disclosure includes all information GOOGLE or a third party would need to replicate the Test.

**15.1** If the CLIENT runs, or instruct third parties to run, a Test of the Services and discloses the results, directly or through third parties, GOOGLE (or an authorized third party) may run tests for CLIENT's products or services. GOOGLE may disclose the results of CLIENT's Tests (including all information the CLIENT or a third party would need to replicate the Test).

**16.** The CLIENT represents and accepts that the entire scope of the solution is solely addressed for the exclusive use of the CLIENT within GOOGLE's environment, and that the solution must be used subject to the rights and rules established by GOOGLE at <https://cloud.google.com/terms/>, under penalty of holding the CLIENT liable for any damages caused and/or having its scope suspended/blocked.

**17.** The CLIENT hereby represents and knows that certain products, services, technologies and documentations sold by UOL DIVEO are subject to export or re-export control laws of the European Union and the United States of America. The CLIENT shall comply with such laws and shall obtain and bear the costs to obtain all and any required license, permit or authorization if it wishes to export or re-export these products and/or services.

**18.** The CLIENT represents and knows that it may not export or re-export products, services, technologies, and documents sold by UOL DIVEO to countries or entities in which these transactions are banned, including any countries or entities subject to sections or embargoes imposed by the United Nations (UN), the U.S. Treasury Department, the U.S. Department of Commerce, or the U.S. State Department. In addition, the CLIENT may not use the Products, technologies and documents sold by UOL DIVEO to develop or build nuclear, chemical or biological weapons, or a missile system capable of launching these weapons, nor to develop mass destruction weapons.

**19.** The products and services, including software or similar intellectual property, are subject to applicable third parties' rights, such as patents, copyrights, policies and/or users' licenses, provided that the CLIENT represents and accepts it will be subject to and respect them, under penalty of being held liable for losses and damages.

**20.** The CLIENT represents and accepts to be fully and exclusively responsible for the development, content, operation and use of the products and/or services hired hereunder.

**21.** The CLIENT represents and accepts to be responsible for the set up and use of the products and/or services provided hereunder and for taking all precautions to keep their content properly safe, protected and duly backed up, and exempts UOL DIVEO and GOOGLE from any demand in this regard, including with respect to the loss or removal of any data.

**22** The CLIENT knows and agrees that the products and services are provided "AS IS" and free of any warranties or conditions of any nature, including implied warranties of merchantability, non-violation and adequacy to a specific purpose. The CLIENT will not provide any representations or warranties on behalf of UOL DIVEO and/or the licensing company in connection with the products and/or services.

**23** The CLIENT hereby represents to know and agree that the scope provided by UOL DIVEO may have its characteristics, features and support changed or ended at any time and without prior notice by GOOGLE, which will not give rise to any liens to UOL DIVEO.

**24** GOOGLE may remove the Services, due to downtime by the CLIENT, upon prior notice of thirty (30) days, if the Project does not have, for a period in excess of one hundred and eighty (180) days: (a) active virtual machine or storage resources, (b) related applications meeting any requests; and (c) if the CLIENT has not incurred any Service Fees.

**25.** The CLIENT may not remove, change or omit any notice of copyrights, trademarks or any other notices related to ownership rights that are included in the products and/or services licensed by GOOGLE.

**26.** The CLIENT may not: (i) use reverse engineering, decompile, copy, translate, modify or extract the source code or disassemble licensed products and/or services, except and to the extent such activity is expressly authorized in GOOGLE's Terms of Service; (ii) create multiple Applications, Accounts, or Projects to simulate or act as a single Application, Account, or Project (respectively), or that otherwise access the Services as to avoid applicable fees; (iii) unless otherwise set forth in the Specific Terms of Service, use the Services to operate or allow the operation of any telecommunication services or in connection with any Application that allows the CLIENT to make or receive calls from the public telephone network; or (iv) access or use the Services:

(a) to create, transmit, process or store data subject to the International Regulation of Firearm Trafficking; (b) on behalf of, or to the benefit of, an entity or person legally prevented from using the Services, or (c) to transmit, store, or process protected health data (as defined in HIPAA) (unless the Parties execute a specific agreement for this purpose).

27. The services are provided for their use within the period set forth herein and exclusively by the CLIENT. All intellectual property rights related to the services and their elements them are owned by GOOGLE and its suppliers. The services licensed by GOOGLE are protected by copyright laws and copyright international treaties, as well as other international laws and treaties related to intellectual property. The ownership, access or use of the products by the CLIENT does not transfer the ownership of or any other intellectual property rights upon the services provided hereunder.

28. The CLIENT agrees to (i) comply with all local, domestic and international laws and regulations that govern Internet use; (ii) be aware of and comply with the "Use Policy" available at UOL DIVEO's website (<https://www.uoldiveo.com.br/politica-de-uso.html>), which prohibits some activities, such as (a) obtaining or trying to obtain unauthorized access to another account, host or network (hacking) and (b) distributing, placing and submitting messages to entities that do not expressly request such messages (also known in the industry as spamming).

29. The CLIENT hereby represents to accept the terms of this Order and these General Conditions, and ratifies to be fully aware that GOOGLE CLOUD services, which refer to the scope of the acquisition, will be directly provided by GOOGLE.

30. The CLIENT agrees that, by signing this Order, it accepts all of its terms and conditions, and that this Order constitutes a net and certain instrument, which may be executed by UOL DIVEO if not complied with.

31. The CLIENT hereby agrees with the business and technical conditions set forth in the Order.

32. The CLIENT may not transfer the liabilities and vested rights hereunder without the prior written consent from UOL DIVEO. This Agreement is binding upon successors and assigns, on any account.

33. UOL DIVEO and the CLIENT are independent from one another and agree that this transaction does not establish a joint venture, representation or partnership between them, or between any of them and GOOGLE.

34. If any term/condition is deemed null, the remaining terms and conditions shall remain in force.

35. For compliance inspection purposes, the CLIENT agrees to keep up to one (1) year after the expiration of this Agreement, complete, accurate and sufficient books and records so that either UOL DIVEO, GOOGLE or any other licensing company inspects whether or not the CLIENT is compliant. The audit request will be preceded by prior notice of up to three (3) business days, and the audit may be carried out in CLIENT's facilities. If the CLIENT is found to be in non-compliance with the terms of the Agreement, UOL DIVEO, GOOGLE, and/or any other licensing company will notify the CLIENT on such non-compliance and, up to three (3) days counted from notice receipt, the CLIENT must cure any non-compliance and reimburse UOL DIVEO, GOOGLE, and/or any other licensing company for the expenses incurred, including with the audit.

36. The CLIENT authorizes UOL DIVEO to provide its contact information to GOOGLE, so that GOOGLE can communicate directly with the CLIENT for the following purposes:

- (i) execute non-standard requests made by the CLIENT;
- (ii) provision the Products to CLIENT's accounts, including for Product updates or security incidents;
- (iii) make sure that CLIENTS be notified on the available options to continue to provision the Products;
- (iv) perform customer satisfaction and service surveys to the CLIENT; and
- (v) inform on new Products.

37. Except for the actions due to non-payment or violation of GOOGLE's intellectual property rights, no action, regardless of its form, arising out of or related to the Agreement, may be filed by any of the parties for two (2) years counted from the date in which the event that has given right to the action occurred.

38. This agreement is signed on this date, but its effects will be retroactive to September 1, 2020, for all legal purposes.

39. This Order will be governed by, construed and implemented in accordance with Brazilian laws. The parties elect the central courts of the city of São Paulo, State of São Paulo, to the express waiver of any other, however privileged it may be, to settle any disputes arising out of the interpretation of this instrument.

IN WITNESS WHEREOF, the parties execute this instrument in two (2) counterparts, same in content and form, in the presence of the two undersigned witnesses.

São Paulo, March 1, 2021.

**PAGSEGURO INTERNET S.A.**

-DocuSign by: /s/ Artur Gaulke Schunck

\_\_\_\_\_  
Name:  
ID

-DocuSign by: /s/ Wagner Chagas Feder

\_\_\_\_\_  
Name:  
ID

**UOL DIVEO TECNOLOGIA S.A.**

-DocuSign by: /s/ Rogildo Torquato Landim

\_\_\_\_\_  
Name:  
ID

DocuSign by: /s/ Cleyton de Almeida Ferreira

\_\_\_\_\_  
Name:  
ID

**WITNESSES:**

-DocuSign by: /s/ Marden Silveira Neubert

\_\_\_\_\_  
Name:  
ID

DocuSign by: /s/ Rodrigo de Stefano Megna

\_\_\_\_\_  
Name:  
ID





**PagSeguro Internet S.A.**

**Technical Proposal for Google Cloud Platform  
(Google Cloud Platform)**





## INTRODUCTION

### Reference to UOL Diveo Proposal **OPT-20/29351-A**

*Dear Mr./Mrs.,*



As an answer to your request, we hereby submit a proposal of integrated solution for technology and services to meet **PagSeguro Internet S.A.**'s expectations regarding the **Public Cloud**.

We would like to provide **PagSeguro Internet S.A.** The high-quality services we provide to the corporate market. We have designed this Proposal as a commitment to offer the best solution to the business needs of **PagSeguro Internet S.A.**

We appreciate the opportunity and remain at your full disposal to clarify any questions that may arise.

Best regards,

*/s/ Jhones Fraga*  
Solution Architect



## NON-DISCLOSURE AGREEMENT

All information included herein is strictly confidential and provided with the sole purpose of technically describing UOL DIVEO's solutions, as requested by **PagSeguro Internet S.A.**, and it shall not be used for any other purpose.

Regarding the services described herein, if **PagSeguro Internet S.A.** chooses a provider that is not UOL DIVEO, or if it does not select any supplier within 15 days after the date hereof, **PagSeguro Internet S.A.** agrees to return all of UOL DIVEO's exclusive and confidential information, including, but not limited to, this document, and it shall not use nor disclose such information in any way whatsoever in order to obtain an unfair business advantage for itself, its subsidiaries, associations or partners in any way, for subsequent business opportunities in which it may be directly or indirectly competing with UOL DIVEO.

**PagSeguro Internet S.A.**, shall not partially or fully publish or disclose the information included herein, without UOL DIVEO's prior written consent. Several names of services and companies referred herein are trademarks. All of such are recognized upon this statement.



## GCP CLOUD OFFER

*GCP Cloud* is a Cloud Computing platform that counts on a wide range of products and components for the construction of Public Clouds. By definition, Cloud Computing is a model to deliver IT resources and applications via Internet, which price is established based on use and demand.

When you use the *GCP Cloud*, you can design and deliver infrastructure, computational power, storage options, networks and databases, content services, among other things, as a service, that is, on demand, which solution is available within seconds and its price is defined based on use.

By using the *GCP Cloud* solution offered by UOL DIVEO, **PagSeguro Internet S.A.** may count on the following benefits:

- Speed in adopting a Cloud model;
- Design of a solution that better suits your needs;
- Specialized Cloud consulting;
- Local support;
- Billing;
- Local billing.

All to make sure that you get the best Public Cloud experience.



## GCP - Google Cloud Platform

GCP is Google's cloud computing service. It was created so that companies could perform different high-performance, safe and reliable cloud-based services.

For further information, please access <https://cloud.google.com/>



## SERVICES AND SLA (Service Level Agreement)

UOL DIVEO has a layer of Cloud Services to help companies overcome the technology and business challenges imposed by clouds. UOL DIVEO's services help both companies in the beginning of their journeys and companies that have already reached their maturity in the Cloud universe.

UOL DIVEO's support makes assure that businesses and applications get efficient and prompt support, and provides support in Portuguese and billing in Brazilian reais, within the scope described below.



## FEATURES

Bronze Offer	
Billing	Calculation of costs (taxes, UOL DIVEO factor, price list of providers)
Billing	Assessment period, Closing date and Due date
Use of resources in the cloud	Explanation on the payment method of each service provided by AWS, Google, Azure
Cloud unavailability incident	Open a ticket with AWS/Azure/Google requesting solution and notify the client whenever asked on the resolution status
Cloud platform maintenance	Notification of maintenance windows informed by the providers.
Bronze	
Relationship	Client Dashboard
Type of Technical Support Assistance	Billing, invoicing 8x5
Incident response time:	Up to 24 hours
Request SLA	72 business hours Note: Considering that the Client will provide information within 1 business day



## TECHNICAL SOLUTION

### a) Architecture

The proposal was prepared after the technical and business analysis of requisites informed by **PagSeguro Internet S.A.** **GCP CLOUD** projects contemplates the supply of an account to be used and managed by **PagSeguro Internet S.A.** Based on pay-as-you-go method, this proposal allows you to use **GCP CLOUD** services in a simple and fast way, and with real time viewing of your costs.

### b) Support

Chosen option
Bronze

---

Services' description is included in the chapter on Services of this proposal





## CUSTOMER SERVICE CHANNELS

UOL DIVEO provides customer support channels for clients to submit feedbacks, praises and complaints, by opening tickets through Service Desk, which may be recorded/formalized by phone 0800 16 0066 or by UOL DIVEO's Client Dashboard.

Definitions:

- Suggestions: any idea or proposal to improve the services
- Compliments: statement of satisfaction with the support and/or service provided
- Complaints: statement of discontent with the support and/or service provided

In order to continually improve procedures, we also provide support to customers through ombudsman, which may be enabled through the Client's Dashboard, when the response received from the customer service channels is deemed insufficient.

Our Service Desk is available 24x7, and our Ombudsman is available Monday-Friday, from 09:00 am to 06:00 pm, except holidays.



## GENERAL PROVISIONS

- The Client will be responsible for managing elements such as: operational system, database, virtual machine maintenance and modification (processing, hard disk, and RAM memory), backup, as well as for assessing security of assets exposed to the internet by selecting the most suitable form of protection;
- Business hours means the period from 9:00 a.m. to 6:00 p.m., from Monday through Friday, except holidays and holidays in the city of São Paulo;
- UOL DIVEO may, if additionally acquired, offer Software licensing for use in the cloud. If the client is responsible for managing the environment, the client must open technical support requests with the Software manufacturer through tickets created in Service Desk UOL DIVEO;
- If the scope of the project includes the use of software licenses provided by UOL DIVEO, but managed by the Client, at any time during the term of the agreement, the Client may be asked to provide administrative access to the Operational System, for audit purposes. Once any discrepancies are found, the Client will be formally informed on the irregularities and costs to rectify them.
- The use of cloud resources will begin to be charged immediately after the association of:
  - o GCP User Account ID



This condition is not attached to any other activities within the client's environment, such as setup conclusion, environment approvals, installation of applications, among other things.  
Any financial credits granted by UOL DIVEO or its partners may be used to activities of any nature, including, but not limited to, production, setup, approval, among other things.



São Paulo, 19 March 2021 | 11:44:14 PdDeT2020

-DocuSigned by: /s/ Artur Gaulke Schunck  
**PAGSEGURO INTERNET S.A.**

-DocuSigned by: /s/ Wagner Chagas Feder  
**PAGSEGURO INTERNET S.A.**

-DocuSigned by: /s/ Rogildo Torquato Landim  
**UOL DIVEO TECNOLOGIA LTDA**

-DocuSigned by: /s/ Cleyton de Almeida Ferreira  
**UOL DIVEO TECNOLOGIA LTDA**

**WITNESSES:**

-DocuSigned by: /s/ Marden Silveira Neubert



**Name:**

**ID:**

-DocuSigned by: /s/ Cleyton de Almeida Ferreira

**Name:**

**ID:**

*Google Cloud*  
**PagSeguro**  
**Business Proposal**

São Paulo, Tuesday, July 14, 2020.

To **PAGSEGURO**

Attn.: **Marcio Drumond**

Reference to UOLDIVEO Proposal **OPT-20/29351-A**

As an answer to your request, we hereby submit a proposal of integrated solution for technology to meet **PAGSEGURO**'s expectations regarding IT infrastructure services.

We would like to provide **PAGSEGURO** with our experience with high-quality services provided to the corporate market. We have designed this Proposal as a commitment to offer the best solution to the business needs of **PAGSEGURO**.

We appreciate the opportunity and remain at your full disposal to clarify any questions that may arise.

Best regards,

-DocuSigned by: /s/ Rodrigo de Stefano Megna  
Rodrigo Megna  
Customer Experience  
[\*\*\*\*\*]

[\*\*\*\*\*] Confidential information redacted



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<a href="#">On Multicloud</a>	22
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**Non-Disclosure Agreement**

All information included herein is strictly confidential and provided with the sole purpose of technically describing **UOLDIVEO**'s solutions, as requested by **PAGSEGURO**, and it shall not be used for any other purpose.

Regarding the services described herein, if **PAGSEGURO** chooses a provider that is not **UOLDIVEO**, or if it does not select any supplier within 15 days after the date hereof, **PAGSEGURO** agrees to return all of **UOLDIVEO**'s exclusive and confidential information, including, but not limited to, this document, and it shall not use nor disclose such information in any way whatsoever in order to obtain an unfair business advantage for itself, its subsidiaries, associations or partners in any way, for subsequent business opportunities in which it may be directly or indirectly competing with **UOLDIVEO**.

**PAGSEGURO** shall not partially or fully publish or disclose the information included herein, without **UOLDIVEO**'s prior written consent. Several names of services and companies referred herein are trademarks. All of such are recognized upon this statement.





## Introduction

### On Multicloud

Over the past years, typically digital companies have been modifying the traditional markets, providing clients with new experiences, whilst established companies need to live with traditional systems, processes and methodologies while they face pressure to adapt, be innovative and agile. Driven by the "Internet of Things" and Big Data, companies will go through a transformation that will render the greatest portion of their business digital, and the technology basis of this transformation is precisely Cloud Computing. But, before making the decision of uploading loads of work to the cloud, you must bear in mind that:

**"There is no such thing as a single cloud for all applications and not all applications use just any kind of cloud"**

This is why a Multicloud approach, in which companies use clouds with different technologies and features, is so important.

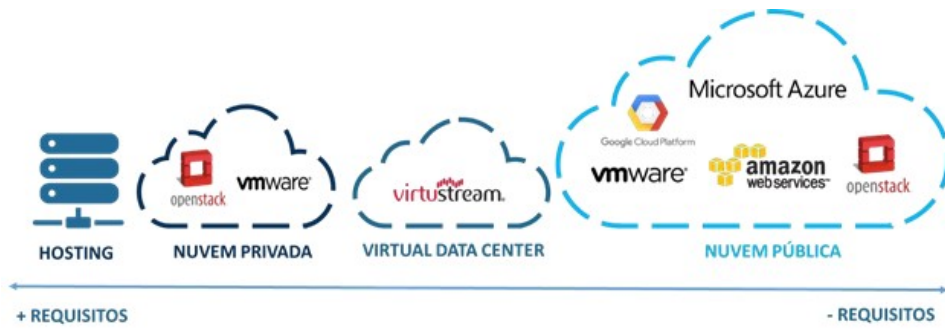


**UOLDIVEO is Multicloud**

With **UOLDIVEO**, companies may count on the services of the main public cloud market players, such as Amazon Web Services (AWS), Microsoft Azure, Google Cloud Platform (GCP), VMWare and OpenStack, as well as Private Cloud option in OpenStack and VMWare, and on a Virtual Data Center using Virtustream technology.

All these technologies and a wide range services, from the analysis of applications' features, recommendation of proper cloud service, to cloud use management and enhancement services, point to **UOLDIVEO** Multicloud as the right path for the digital transformation of companies.

For us, the Multicloud is more than just offering hardware, software, infrastructure alternatives or a dashboard to access different public clouds. It means to be close to our clients and understand the challenges they face, as well as properly create a solution that meets the needs of each application, and offer an exclusive customer service that allows our clients to grow their businesses.



**Business Conditions:**

[Public Cloud] - Google Cloud Platform		
Forms of Acquisition	Monthly fee for 36 months of service	
	Factor with no Taxes	Factor with Taxes
Reference to services described in Technical Proposal <b>OPT-20/29351-A</b>	[*****]	[*****]
Support Service Acquired	Bronze	

**Final Provisions:**

- This proposal is effective for: This proposal is valid for 15 business days. If the period lapses and the CLIENT has not returned this document duly signed, terms and conditions herein may be revised by UOLDIVEO;
- The Agreement will be valid for 36 months;
  - All and any amounts indicated in this proposal, surpluses, elements on demand and/or not specified in the scope of this proposal, denominated in U.S. dollars, will be converted into Brazilian reais via the application of PTAX of the last business day of the month of use.
- Discounts in the acquisition of Public Cloud products with **UOLDIVEO** result from the partnership the service providers have established between them. The client enjoys this discount when its associated account is maintained by **UOLDIVEO**;
- ISS, PIS and COFINS will be applied pursuant to legislation in force:
  - PIS, COFINS and ICMS are levied on telecommunication services (as effective in each location);
  - ISS, PIS and COFINS are levied on Data Center Solution Services, Managed Services, Software as Service, Application Service and/or Security Management Services, according to the nature of the service;
  - PIS and COFINS are levied on Internet provision services and Cloud services.
- Any changes to tax rates or calculation basis for taxes levied on the price of the provision of services subject matter hereof, as well as any other taxes that may be created as from the date hereof, even if due to revocation of exemption, shall result in price increase or reduction, according to the prevailing rate;

[\*\*\*\*\*] Confidential information redacted



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UOL DIVEO TECNOLOGIA LTDA

-DocuSigned by: /s/ Rogildo Torquato Landim

Name:

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-DocuSigned by: /s/ Cleyton de Almeida Ferreira

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PAGSEGURO INTERNET LTDA

-DocuSigned by: /s/ Artur Gaulke Schunck

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Name:

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WITNESSES

-DocuSigned by: /s/ Marden Silveira Neubert

Name:

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-DocuSigned by: /s/ Rodrigo Stefano Megna

Name:

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1st AMENDMENT TO THE GENERAL CONDITIONS OF GOOGLE  
CLOUD ACQUISITION No. 2021-01439 (ES 04011/20)

By this private instrument, the Parties, on one side:

**PAGSEGURO INTERNET S.A.**, a corporation headquartered at Avenida Brigadeiro Faria Lima, No. 1384, 4º andar, Part A, City of São Paulo, State of São Paulo, enrolled with the National Register of Legal Entities of the Ministry of Finance (CNPJ/MF) under No. 08.561.701/0001-01, herein represented pursuant to its Bylaws, hereinafter simply referred to as "**CLIENT**";

**UOL DIVEO TECNOLOGIA S.A.**, a company established at Alameda Barão de Limeira, 425, 1º andar, Campos Eliseos, in the City of São Paulo, State of São Paulo, enrolled with the CNPJ under No. 01.588.770/0001-60, and branches at Avenida Ceci, 1850, in the City of Barueri, State of São Paulo, duly enrolled with the CNPJ under No. 01.588.770/0008-36, at Alameda Glete, 700 – 2º andar, Campos Eliseos, in the City of São Paulo, State of São Paulo, enrolled with the CNPJ under No. 01.588.770/0011-31 and at Alameda Barão de Limeira, 425 – 2º andar, Campos Eliseos, in the City of São Paulo, State of São Paulo, enrolled with the CNPJ under No. 01.588.770/0010-50, herein represented pursuant to its articles of association, hereinafter simply referred to as **UOL DIVEO**;

**Whereas:**

- I. The Parties entered into, on March 1st, 2021, a CLOUD Google agreement, by means of which the CLIENT acquired from UOL DIVEO, Google's resale partner, products and services provided to CLIENT directly by Google, as per the terms of use adhered, available at: <https://cloud.google.com/terms>, and other documents issued by GOOGLE to govern the provision of services (as amended from time to time by Google) ("Agreement"); and
- II. The Parties are interested in including some conditions in the Agreement, in compliance with Circular Letter 3,909/2018, as enacted by the Full Board of the Central Bank of Brazil (BACEN) and Resolution No. 4,658/18 of the National Monetary Council (*Conselho Monetário Nacional*, or "CMN").

Now, therefore, the Parties lawfully agree to enter into this 1st Amendment to the Agreement ("Amendment"), which shall bind the Parties and their successors at any time and on any account, under the following terms and conditions:

1. This instrument seeks to comply with BACEN Circular Letter 3,909/2018 and Resolution No. 4,658/18 of the National Monetary Council (CMN).
2. UOL DIVEO represents and warrants that it is and shall remain, during the entire contractual effectiveness, in compliance with BACEN Circular Letter 3,909/2018 and CMN Resolution 4,658/18, within the scope of its role as reseller and partner of Google.

- 2.1 The Parties hereby agree to include in this Agreement provisions on data protection to which the Parties are bound, pursuant to Data Protection Procedures available at: <https://inguol.com/p/pp/colab/LGPD/contratos/Anexo-OPERADOR.pdf>, which is an integral and inseparable part hereof and may be reviewed in order to be in compliance with applicable laws at all times. Data Protection Procedure does not limit the **CONTROLLER's** right to establish additional instructions and procedures that are in line with applicable laws and the Agreement. The Parties hereby agree that, for purposes of Data Protection Procedures, **UOL DIVEO** is the **OPERATOR** and **PAGSEGURO** is the **CONTROLLER**.
3. In order to provide services to regulated CLIENTS, Google has entered into, with UOL DIVEO, the "Financial services amendment", which contemplates:
- 3.1 Google's regions offered to the CLIENT that are provided for in Google's website at page "Google's Global Infrastructure", available at <https://cloud.google.com/about/locations>. The CLIENT may ask UOL DIVEO to provide the addresses of data centers, event in which UOL DIVEO will contact Google through link <https://support.google.com/cloud/contact/dpo/> or other means made available by Google.
- 3.2 With respect to audit standards and reports, Google:
- (a) audits its systems and controls related to the Services following market standards. The audits are carried out by a duly qualified and independent third party auditor ("Third Party Auditor"). These audits validate compliance by Google with the controls and certifications established based on independent, globally accepted standards, described at <https://cloud.google.com/security/compliance/services-in-scope>;
  - (b) shall maintain the following certificates for the Audited Services during the Term: (a) ISO 27001, ISO 27017 and ISO 27018 and their Payment Card Industry Data Security Standard (PCI DSS) Compliance Certificates ("Compliance Certificates"); and (b) SOC 1, SOC 2 and SOC 3 reports prepared by Google's Third Party Auditor and annually updated based on audits carried out at least once every 12 months ("SOC Reports"). Google may add other standards at any time. Google may replace a Compliance Certificate or SOC Report with equivalent or enhanced document;
  - (c) provide UOL DIVEO with Term: (a) the Compliance Certificates; (b) the SOC Reports; (c) the Security Whitepaper; and (d) any other documents that are relevant to the security or adequacy of Services offered to clients who are provided with the Services ("Security Documentation"). UOL DIVEO may disclose the Security Documentation to the CLIENT as long as the CLIENT follows the Document Handling Instructions. The CLIENT shall comply with confidentiality rules related to the Security Documentation.
- 3.2.1 To make sure that the certificates are effective, if a critical system or control for an Audit Service is not covered by the Compliance Certificates and SOC Reports ("Audit Certificates and Reports"), the CLIENT may contact UOL DIVEO which, by its turn, will ask Google to include in the scope of the Audit Certificates and Reports the Audited Service related to such critical systems and/or controls. All requests must be legitimate in terms of risk management, and based on independent, globally accepted standards then in force, applicable to the Audited Service. Google will analyze the request submitted by UOL DIVEO at CLIENT's request, and may request new information be submitted through If scope expansion is already provided for in Google's compliance plan, Google will confirm the estimated date in which it will be given effect.

3.3 The CLIENT may ask Google, via UOL DIVEO, to run a penetration test in Google's system and in the Services associated to the projects of the CLIENT, who hereby represents to be aware of Google's Acceptable Use Policy.

3.3.1 If the penetration test conducted by the CLIENT compromises or affects the security, privacy or integrity of any data other than CLIENT's Data, or represents a threat that this might happen, Google will take all applicable measures to protect such data, and may ask UOL DIVEO to request the CLIENT to stop running the penetration test, which the CLIENT shall abide. All test results and any potential vulnerabilities detected by the CLIENT constitute Confidential Information of Google. The CLIENT may be entitled to a reward if it reports any vulnerability to Google through Google's Vulnerability Reward Program, available at <https://www.google.com/about/appsecurity/reward-program/>, or any other URL Google may inform from time to time.

3.4 With respect to assistance with Compliance, Google represents to be aware that the Clients or End Users of UOL DIVEO, as CLIENT, are subject to regulatory inspection by the Regulator (each, a "Regulated Entity"), and, for this reason, they need Google's assistance to monitor the Services to assure that they will comply with applicable laws and regulations. Google agrees to work side by side with UOL DIVEO, in good faith, during the entire Term, in order to address the impact of any changes to laws and regulations, and hereby acknowledges the gathering of information and investigation powers of the Regulator pursuant to applicable laws.

3.4.1 Information on the Regulator, Audit and Access. If the Regulator exercising its inspection powers makes a request related to the Services, the Partner may use the Services and the Security Documentation to answer to the request. The Partner shall, at all times, have access to Partner Data (including to virtual machines and Partner's Applications) by using the standard feature of the Service. At Partner's request, the Regulator may: (a) analyze information related to the Services, operations and controls, and discuss such information with Google's employees (including with experts); and (b) audit and inspect the Services used by the Regulated Entity, and access Google's facilities used for the provision of these Services to inspect and audit them. The Regulator may appoint one third party auditor to perform any of the activities described in this Clause 3.4 (Information on the Regulator, Audit and Access).

3.4.2 If the CLIENT makes an audit request related to the Services, UOL DIVEO may use the Services and the Security Documentation to answer to the request. UOL DIVEO shall, at all times, have access to Partner Data (including to virtual machines and Partner's Applications) by using the standard feature of the Services. To allow the CLIENT to easily perform its regulatory obligation, at Partner's request, the CLIENT may:

- (a) analyze information related to the Services, operations and controls, and discuss them with Google's employees (including with experts); and
- (b) Audit and inspect the Services used by the CLIENT, and access Google's facilities used for the provision of these Services to inspect and audit them. To make the activities described in this Clause easier, Google and the CLIENT will discuss, in advance, their scope and duration. The CLIENT may appoint any third party auditor duly qualified and independent to perform any activity described in this Clause, as long as the Auditor is not Google's competitor.

3.4.3 GOOGLE has assured to UOL DIVEO that the activities described in this Clause will be performed:

- (a) within business hours, and, unless not possible due to an emergency or crisis situation or event that could lead to a situation in which such activity would become ineffective, at the time indicated by Google or upon prior notice;
- (b) pursuant to the Security Measures; and
- (c) as to minimize interruptions in the business and operations of Google and in other environment of Google's Clients.

3.4.4 All information obtained under this Clause 3.4 will constitute Confidential Information of Google. The CLIENT may disclose these materials to the Regulator as long as it first informs the Regulator that these materials constitute Confidential Information of Google, and removes any part therefrom that are not relevant for purposes of inspection by the Regulator. Nothing set forth in the Agreement will require Google to provide any other data concerning its clients.

3.4.5 Fee. Google may charge a fee to the Partner for any activity performed under this Clause, which, by its turn, will charge pass it on to the CLIENT. Google shall provide the Partner with additional information, who, by its turn, will pass them on to the CLIENT, with respect to any applicable fee, as well as its calculation basis, before performing any activity.

3.5 With respect to Business Going Concern and Disaster Redressing, the parties agree that:

3.5.1 Google shall maintain policies, procedures and agreements to minimize interruption of the Services caused by disasters or other events that may lead to the interruption of the operations and of the inflow of resources necessary for the provision of Services (business going concern and disaster redressing plan, or "BGCDR Plan"). The Partner may analyze the summary of: (a) the BGCDR Plan then in force; and (b) the results of most recent tests performed under the BGCDR Plan.

3.5.2 Google will perform tests with and analyze the BGCDR Plan at least one a year. Google will correct any problems identified during the tests, and if necessary, will adjust the BGCDR Plan. Google may not reduce the conditions set forth in the BGCDR Plan, and assures that the BGCDR Plan meets market standards.

3.5.3 The Partner may continuously monitor Google's performance of Services (including the SLAs) by using this feature of the Services. Google will maintain and provide the Partner with a dashboard that contains information on the status of the Services at <https://status.cloud.google.com/> ("Status Dashboard"). The Status Dashboard is only made available for information purposes.

3.5.4 Google will provide the Partner with the following:

- (a) information on events that have material impact on its ability to provide the Services under the terms of the SLAs, leading to interruptions or the unavailability of the Services ("Material Events"); and
- (b) reports indicating the cause of the Material Event and a summary of the actions taken by Google to address it. Google may provide information through the Status Dashboard, Google Cloud's Support Central or if support is provided.

3.6 With respect to subcontracting, Google has certified that:



(a) If it subcontracts any of its obligations under the Product Annex, it shall: (a) oversee performance of all subcontracted obligations to make sure that Google's Subcontractors comply with the provisions in the Product Annex, (b) require Google's Subcontractors to comply with applicable laws and regulations related to subcontracted obligations, and (c) make sure that Google's Subcontractors comply with Clause 3.4 (Assistance with Client's Compliance).

(b) Google shall provide the Partner with information on its Subcontractors, including their role, the country in which they are incorporated, when they will perform their duties, and, if applicable, where Partner's Data will be stored.

(c) If Google hires a new Subcontractor or changes the role of a current Subcontractor ("Subcontractor Change"), Google will inform so to the Partner at least one hundred and eighty days (180) in advance, unless such Subcontractor Change is made to settle any current or threatened risk to the Services, event in which Google will notify the Partner as soon as possible.

### 3.7. Additional Definitions.

"Audited Services" means the current Services within the scope of the respective certificate or report available at <https://cloud.google.com/security/compliance/services-in-scope>. The Services may only be removed from said URL is discontinued pursuant to the Product Annex.

"Document Handling Instructions" means:

(a) That the SOC Reports may not have their forms changed, or be integrated or attached to any other document (for instance, a separate document or presentation);

(b) That the SOC Reports must be protected by password, provided that the report(s) and password(s) are informed in separate communications;

(c) That the SOC Reports must be destroyed after reasonable term for their analysis, which term may not exceed, under any circumstance, whichever occurs first between (i) 12 months counted from the date on which they were received, or (ii) termination of the respective services agreements entered into between the Partner and the CLIENT;

(d) The CLIENT (i) shall maintain accurate records of CLIENTS and End Users of the CLIENT with whom UOL DIVEO has shares the SOC Reports, and (ii) shall promptly provide these reports to Google, upon request; and

(e) Any other instructions provided in writing by Google.

"Google's Subcontractor" means the third party to whom Google attributes a task (that it, a process, service or activity) under the Services. "Google's Subcontractor" does not include "Sub-processors" since they are covered by the Data Processing and Security Terms.

"Partner's End User" means the company authorized by UOL DIVEO or the Client to use the Application.

"Regulator" means any financial, prudential or resolution authority, regulatory agency, or inspection body, incorporated under applicable laws or regulations and having the authority to inspect the CLIENT.

"Security Whitepaper" means the documentation on security and compliance then in force, available at <https://cloud.google.com/security/whitepaper>.

#### 4. RATIFICATION

4.1 The Parties hereby ratify all other terms and conditions of the Agreement, making it clear that the terms and clauses that have not been expressly changed by this Addendum shall remain unchanged and fully effective.

In witness whereof, the Parties sing this instrument in two (2) counterparts of equal content, in the presence of two witnesses.

São Paulo, March 1, 2021.

-DocuSigned by: /s/ Artur Gaulke Schunck

-DocuSigned by: /s/ Wagner Chagas Feder

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**PAGSEGURO INTERNET S.A.**

-DocuSigned by: /s/ Rogildo Torquato Landm

-DocuSigned by: /s/ Cleyton de Almeida Ferreira

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**UOL DIVEO TECNOLOGIA S.A.**

Witnesses:

-DocuSigned by: /s/ Marden Silveira Neubert

-DocuSigned by: /s/ Rodrigo Stefano Megna

1. \_\_\_\_\_  
Name: \_\_\_\_\_  
CPF: \_\_\_\_\_

2. \_\_\_\_\_  
Name: \_\_\_\_\_  
CPF: \_\_\_\_\_

**Completion Certificate**

Envelope ID: 046DC10E033644DC919FC87AB8EC882F Status:  
Completed Subject: PAGSEGURO X UOL DIVEO: CT 04011-20 - GOOGLE OnDemand - Opt 21-031798\_20-29351 -  
Jul20 v4 (final)  
Source Envelope:  
Document Pages: 32 Signatures: 39 Envelope Sent by:  
Certificate Pages: 8 Initials: 55 Vivian Freire Rodrigues do Vale  
AutoNav: Enabled Av. Brigadeiro Faria Lima, 1.384  
Enveloped Stamping (ID Stamping): Enabled SP, 01452-002  
Time Zone: (UTC-08:00) Pacific Time (US & Canada) [\*\*\*\*\*] IP Address: [\*\*\*\*\*]

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3/19/2021 10:52:42 AM	[*****]	

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Marden Silveira Neubert		Sent: 3/19/2021 11:44:19 AM
[*****] Engineering Officer		Viewed: 3/26/2021 10:38:17 AM
Security Level: E-mail, Account Authentication (None)	-DocuSigned by: Signature established by: Pre-set style Using IP Address: [*****]	Signed: 3/26/2021 10:39:09 AM

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ID: [*****]		
ARTUR GAULKE SCHUNCK		Sent: 3/26/2021 10:39:15 AM
[*****] CFO		Viewed: 3/26/2021 3:49:26 PM
Security Level: E-mail, Account Authentication (None)	-DocuSigned by: Signature established by: Pre-set style Using IP Address: [*****]	Signed: 3/26/2021 3:49:37 PM

[\*\*\*\*\*] Confidential information redacted

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**Electronic Record and Signature Disclosure:**

Accepted: 6/29/2018 3:03:30 PM

ID: [\*\*\*\*\*]

Wagner Chagas Feder

[\*\*\*\*\*] CFO

Security Level: E-mail, Account Authentication  
(None)

-DocuSigned by:

Signature established by: Pre-set style

Using IP Address: [\*\*\*\*\*]

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Signed: 3/26/2021 11:45:24 AM

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Vivian Freire Rodrigues do Vale [*****] Lawyer UNIVERSO ONLINE SA Security Level: E-mail, Account Authentication (None)	-DocuSigned by: Signature adoption: Signature image loaded  Using IP Address: [*****]	Sent: 3/26/2021 3:49:42 PM Viewed: 3/29/2021 6:32:27 AM Signed: 3/29/2021 6:32:46 AM

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Not offered via DocuSign Cleyton de Almeida Ferreira [*****] Products Director UOL DIVEO Security Level: E-mail, Account Authentication (None)	-DocuSigned by: Signature adoption: Drawn on device Using IP Address: [*****] Signed using cellphone	Sent: 3/29/2021 6:32:52 AM Resent 3/30/2021 7:04:50 AM Resent 3/30/2021 11:01:35 AM Viewed: 3/30/2021 12:22:13 PM Signed: 3/30/2021 12:22:36 PM
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**Electronic Record and Signature Disclosure:**

Accepted: 3/30/2021 12:22:13 PM ID: [*****] Rogildo Torquato Landim [*****] CEO UOLDIVEO CEO Security Level: E-mail, Account Authentication (None)	-DocuSigned by: Signature adoption: Pre-selected Style IP Address: [*****]	Sent: 3/29/2021 6:32:52 AM Viewed: 3/29/2021 6:33:52 AM Signed: 3/29/2021 6:34:13 AM
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**Electronic Record and Signature Disclosure:**

Accepted: 3/29/2021 6:33:52 AM  
ID: [\*\*\*\*\*]

In Person Signer Events	Signature	Timestamp
<b>Editor Delivery Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Agent Delivery Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Intermediary Delivery Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Certified Delivery Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Carbon Copy Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Witness Events</b>	<b>Signature</b>	<b>Timestamp</b>
<b>Notary Events</b>	<b>Signature</b>	<b>Timestamp</b>
<b>Envelope Summary Events</b>	<b>Status</b>	<b>Timestamp</b>
Envelope sent	Hashed/Encrypted	3/19/2021 11:41:42 AM
Certified delivery	Security checked	3/29/2021 6:33:52 AM
Signing complete	Security checked	3/29/2021 6:34:13 AM
Completed	Security checked	3/30/2021 12:22:36 PM
<b>Payment Events</b>	<b>Status</b>	<b>Timestamp</b>
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- (ii) send an e-mail to [\*\*\*\*\*] and provide your e-mail address, full name, Brazil Postal Address, and telephone number. We do not need any other information from you to withdraw consent. The consequences of your withdrawing consent for online documents will be that transactions may take longer to process. We do not require any other information from you to change your email address. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process.

**Required hardware and software\*\*:**

- (i) Operating Systems: Windows® 2000, Windows® XP, Windows Vista®; Mac OS®
- (ii) Browsers: Latest versions Internet Explorer® 6.0 or above (only Windows); Mozilla Firefox 2.0 or above (Windows and Mac); Safari™ 3.0 or above (only Mac)
- (iii) PDF readers: Acrobat® or similar software may be required to view and print PDF files.
- (iv) Screen Resolution: 800 x 600 minimum
- (v) Enabled Security Settings: Allow per session cookies

\*\* These minimum requirements are subject to change. If these requirements change, you will be asked to re-accept the disclosure. Pre-release (e.g. beta) versions of operating systems and browsers are not supported.

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(ii) send us an e-mail and provide your e-mail address

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**Required hardware and software\*\*:**

(i) Operating Systems: Windows® 2000, Windows® XP, Windows Vista®; Mac OS®

(ii) Browsers: Latest versions Internet Explorer® 6.0 or above (only Windows); Mozilla Firefox 2.0 or above (Windows and Mac); Safari™ 3.0 or above (only Mac)

(iii) PDF readers: Acrobat® or similar software may be required to view and print PDF files.

(iv) Screen Resolution: 800 x 600 minimum

(v) Enabled Security Settings: Allow per session cookies

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**Subsidiaries of PagSeguro Digital Ltd**

1	PagSeguro Internet S.A. (Brazil)
2	PagSeg Participações Ltda. (Brazil)
3	Boa Compra Tecnologia Ltda. (Subsidiary of PagSeguro Internet S.A.) (Brazil)
4	NET+Phone Telecomunicações Ltda. (Subsidiary of PagSeguro Internet S.A.) (Brazil)
5	BCPS Online Services, Lda (Subsidiary of PagSeguro Internet S.A.) (Portugal)
6	R2Tech Informática Ltda. (Subsidiary of PagSeguro Internet S.A.) (Brazil)
7	Netpos Serviços de Informática S.A. (Subsidiary of PagSeguro Internet S.A.) (Brazil)
8	Tilix Digital Ltda. (Subsidiary of PagSeguro Internet S.A.) (Brazil)
9	Bivaco Holdings Ltda. (Subsidiary of PagSeguro Internet S.A.) (Brazil)
10	PagSeguro Biva Serviços Financeiros Ltda. (Subsidiary of Bivaco Holdings Ltda.) (Brazil)
11	PagSeguro Biva Securitizadora de Créditos Financeiros S.A. (Subsidiary of Bivaco Holdings Ltda) (Brazil)
12	PagSeguro Biva Correspondente Bancário Ltda. (Subsidiary of Bivaco Holdings Ltda.) (Brazil)
13	BS Holding Financeira Ltda. (Brazil)
14	BancoSeguro S.A. (Subsidiary of BS Holding Financeira Ltda.) (Brazil)
15	Yami Software & Inovação Ltda. (Subsidiary of PagSeguro Internet S.A.) (Brazil)
16	RegistraSeguro S.A. (Subsidiary of PagSeguro Internet S.A.) (Brazil)
17	Wirecard Brazil S.A. (Subsidiary of PagSeguro Internet S.A.) (Brazil)
18	Zygo Serviços de Tecnologia S.A. (Subsidiary of PagSeguro Internet S.A.) (Brazil)
19	PagBank Participações Ltda. (Subsidiary of PagSeg Participações Ltda.) (Brazil)
20	Boletoflex Tecnologia e Serviços Ltda. (Subsidiary of PagBank Participações Ltda.) (Brazil)

## Code of Ethics and Conduct of Grupo UOL

Grupo UOL is the largest Brazilian group of content, technology, services and electronic payment means, and it is comprised by four large business units:

- **UOL Conteúdo e Serviços (Content and Services):** incorporated in 1996, UOL's website is a leading website in the Brazilian Internet, and it offers over 1,000 channels of journalism, information, entertainment and services. With coverage of 92% of the Brazilian Internet, UOL's homepage receives over 110 million unique visitors per month. UOL CS also offers solutions for electronic media, security products and convenience, Wifi connection, entertainment, among others.
- **PagSeguro PagBank:** offers all-in-one solutions for online and in-person payments (mobile and POS) for all payment means (credit and debit cards and meal vouchers), in addition to free electronic accounts which allow for the payment of bills, cellphone top-up, salary portability, and sending and receiving wire transfers (TEDs).
- **Compasso UOL:** offers all-in-one IT outsourcing solutions for large companies.
- **UOL EdTech:** platform with e-learning solutions.

The **Code of Ethics and Conduct of Grupo UOL** sets forth how the professional activities shall be performed, and it must be acknowledged and complied with by all employees with respect to their roles. It is comprised by the following items:

1. Mission, View, Values.
2. Personal conduct.
3. Company's property protection.
4. Behavior in business.
5. Behavior on social media.
6. Code of ethics for journalists.
7. Conduct in negotiations related to investment activities.
8. Situations where questions may arise.
9. Liability for compliance with the Code of Ethics and Conduct of Grupo UOL.
10. Questions and whistleblowing.

### 1. Mission, View and Values

#### GRUPO UOL

##### Mission

To offer the best electronic products and services to Internet users and clients to make people's and company's daily lives easier.

##### View

To become the largest Internet and electronic services company in Brazil, through a modern and profitable group of companies and business units.

##### Values

- Economic independence, in a way to generate value to the shareholders.
  - Publishing independence.
  - Ethics.
  - Simplicity, relevance and ease of use of our products and services.
  - Compliance with privacy, protection and security for users and clients.
-

- Commitment with innovation, in a way to improve user experience and anticipate their needs.
- Commitment with the client.
- Excellence in the provision of services.
- Result-oriented.
- Promptness.
- Appreciation of our team of professionals.

**In addition to the general Mission, View and Values of Grupo UOL, the companies and business units comprising the Group also follow specific instructions:**

**a) PagSeguro/PagBank (payment means and financial services):**

To develop disruptive products in order to make financial services more accessible in Brazil, offering a full electronic system to merchants and consumers that is simple, mobile-first, secure and accessible.

**b) UOL Conteúdo e Serviços (UOL CS):**

- **Content:** to produce content with credibility, transparency, innovation, quality, and speed, based on the publishing principles of Grupo UOL (independence, critical mind, pluralism and nonpartisanship);
- **Products and services:** to offer the best products and services online to the users and clients, individuals or legal entities (advertisement, online stores, content subscription, chat, e-mail, anti-virus, technical assistance, backup, etc.).

**c) Compasso UOL:**

- **Values:**
  - people appreciation;
  - knowledge in order to create value;
  - transparency in order to generate trust;
  - sustainable growth in order to generate success.
- **Mission:** to create electronic experiences enabling the growth of our clients.

**d) UOL EdTech:**

- **Mission:** To transform people's learning process throughout their lives by using educational technologies and promoting online learning experiences with quality.
- **View:** To become one of the lead Edtech (education technology) companies in the world.
- **Values:**
  - To care for people and work.
  - To seek excellence in details, procedures, products and services.
  - To be tech-driven at work and seek innovation.
  - To be a part of work, teams and solutions ecosystems.
  - To be in the leading position, going beyond what is conventional and inspiring the market.

**2. Personal conduct**

The image of Grupo UOL as for its ethical conduct must be preserved by its employees under any circumstances. In order to achieve that, all employees must act according to the highest ethical standards, practicing a continuous responsible judgment in negotiations and resolutions. All employees must treat clients, suppliers, competitors and employees of the Company in a balanced and ethical way.

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## 2.1. Work environment

- Grupo UOL offers a sound and safe environment that promotes professional development and production. Mobbing, sexual harassment, any kind of discrimination or prejudice, such as based on race, skin color, religion, gender, etc., is not permitted.

- Employees shall interact based on cooperation and respect towards coworkers, as well as clients, vendors, partners, etc.

- Employees shall not, under any circumstance, use their position, title or information from companies of Grupo UOL in a way to pressure or influence decisions to the benefit of their own private interests, or to the benefit of suppliers, clients, partners, etc.

- Employees shall not use data, information or intellectual property of the company or partners, except upon consent and within the strict performance of their duties, always respecting the authors of ideas, projects, etc.

- Managers shall watch over relationships in the work environment, making sure they are always based on professionalism and respect towards other employees. They shall also make all internal promotion and management criteria clear, based on individual/joint performance and meritocracy.

- Managers shall promote the Company's view and values, in a way to transmit them in a clear manner to the team and to align the performance of the team to the corporate goals.

2.2. [Click here](#) to see information on mobbing and sexual harassment.

## 3. Company's property protection.

3.1. All employees are responsible for the physical integrity of the facilities and assets of Grupo UOL's companies, as well as to ensure their proper and effective use, at all times for professional purposes and pursuant to the law. Such assets include, among others, real estate and securities, machinery and equipment, systems, financial resources, supplies, information, data bank, copyrights, patents, etc.

3.2 Information security: all employees must keep confidential all information provided by Grupo UOL, except when the disclosure is expressly authorized. Read our [Information Security Policy](#).

3.3. Participation in external events (in Brazil or abroad): all employees must be aware of the Policy for employee participation in external events (in Brazil or abroad), which establishes clear rules for the participation of employees in training sessions, lectures, conferences, courses, interviews, etc., either as lecturer or audience, in Brazil or abroad. Read our [Policy for participation in external events \(in Brazil or abroad\) and interviews](#).

## 4. Behavior in business

All employees must be ethical and follow the legal requirements in all of their negotiations on behalf of the companies of Grupo UOL. Regardless of the nature of the organization an employee is dealing with, such employee must make sure that the agreements and arrangements entered into are actually complied with, and provide for clear and objective rules, and meet the following general standards:

4.1. Vendors, partners, clients, etc.: the Company considers the concern with ethical criteria to be crucial when negotiating and closing deals with vendors, partners, clients, etc. Such concern is even more relevant with respect to professionals dealing directly with the agreements with vendors and clients. In Grupo UOL's opinion, an employee who accepts benefits from vendors is morally hindered from negotiating for Grupo UOL's best interest. Access our [Policy of Relationship with Vendors and Clients](#).

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4.2. Compliance with laws: Grupo UOL complies with all laws and regulations applicable to its business. When exercising their work/duty, an employee has questions about the applicability of any specific laws or regulations, they must seek help from Grupo UOL's legal department. Grupo UOL does not tolerate any type of behavior that in any way may constitute corruption, embezzlement or exchange of favors.

#### **5. Behavior on social media**

Due to employment bond, all content produced by employees for social media - even if published on a personal basis - may result in associations with the image of Grupo UOL, hindering it. Thus, social media shall be used thoroughly. The proper use of such electronic means and social media by the employees is deemed healthy by Grupo UOL, provided that they are able to distinct the personal and professional use thereof.

During work hours, all access to such websites must be related to the professional activity, in a way not to hinder the work routine.

Read our [Social Media Behavior Policy](#).

#### **6. Code of ethics for journalists**

- Journalists shall have their behavior guided by the concern to follow the highest ethical standards of their occupation, which include never to use their condition as journalists to obtain personal benefits and not to write about matters of direct personal interest.

- In order to avoid an actual or apparent conflict of interest, UOL CS' journalists must not own investments in shares of companies about which they write on a regular basis. The recommendation is applicable to all employees, not only to those who cover the financial market. E.g., journalists who cover health care matters must not own investments in health care insurance companies; journalists covering the real estate market must not own investments in construction companies, etc.

- Journalists must claim impediment and refuse task assignments on companies and other organizations with which they maintain any form of relationship.

- Any invitation received as a journalist of UOL CS shall be subject to inquiry to its immediate superior before acceptance. UOL CS is not required to publish texts on matters to the benefit of the person who made the invitation; content to be used will be decided exclusively based on journalism criteria.

- All invitations to trips, cooperation with other communication means, attendance in conferences, workshops, courses, scholarships, internships must be submitted to the Chief Content Officer for approval. All attendance to events in which there appears to be or there is a conflict of interest are prohibited.

- In many cases, the presence of a journalist may change the course of operation of a certain service or event. When testing the services of a restaurant, for instance, it is convenient for the reporter to remain anonymous and it is mandatory that they pay their bill. Otherwise, their assessment may be compromised by a special service to which the reader would not have access.

- In the event of trips, when the invitation is accepted and results in a published text, UOL's website clearly discloses that the journalist had their expenses paid by the sponsor.

- The journalist must not take part in advertising. However, the possibility of acting in public interest campaign ads is allowed, upon prior authorization from the Chief Content Officer.

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- The journalist must not accept gifts in a higher value than the value deemed significant by Grupo UOL (check with Grupo UOL's HR department on the limit permitted), including items or any special discounts in commercial establishments or industry. All gifts considered of significant value sent to UOL CS, or to the journalist's house, must be submitted to Grupo UOL's HR for return, with standard appreciation letter and explanation. All products to be used for disclosure and critical assessment, such as copies of disks, DVDs, books and software, are excluded from such provision.

- The UOL CS journalist must not ask for tickets for cultural events, such as concerts and theater plays. Whenever deemed necessary (at the discretion of the Chief Content Officer), UOL CS will pay for the tickets of the employees who are going to cover those events. If such concerts have exclusive areas for journalists, UOL CS may request accreditation.

- During work meetings with sources at restaurants or coffee places, UOL CS journalist must pay their share in the bill. UOL CS will reimburse the employee upon approval of his/her superior.

(source: Manual of Journalistic Writing of Folha de S.Paulo)

## **7. Conduct in negotiations related to investment activities**

7.1. Employees of PagSeguro PagBank and BancoSeguro performing tasks related to distribution of investment products shall comply with the following guidelines:

7.1.1. Avoid practices that may hinder the distribution of investment products, specially concerning rights and obligations related to the specific assignments of each participating institution established in agreements, regulations, in this code and in applicable regulation.

7.1.2. Work in an unbiased manner, know the code of ethics of the participating institution and the laws applicable to its activity.

7.1.3. Disclose clear and accurate information to investors about risks and consequences that may arise from the investment products.

7.2. PagSeguro PagBank and BancoSeguro work to identify, manage and mitigate any conflicts of interest that may affect the impartiality of the employees who work on tasks connected to the distribution of investment products.

## **8. Situations where questions may arise**

Grupo UOL trusts its critical sense and on the judgment of its employees in order to prevent situations where conflicts of interests may arise (personal x corporate interests).

Here are some recommendations in order to prevent situations of conflict of interest:

- The employee of Grupo UOL must not use their position/title to obtain advantages;

- The employee of Grupo UOL must not work for a competitor, including as employee, consultant, or board member;

- The employee of Grupo UOL, except upon prior approval by the CFO of Grupo UOL, may not be a vendor to Grupo UOL, represent a vendor of Grupo UOL, work for a vendor of Grupo UOL, nor be a board member of a vendor while working for Grupo UOL. In addition, the employee may not accept cash or benefits of any kind in exchange for services or advisory services in connection with the business of Grupo UOL.

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## **9. Responsibilities for the compliance with the code of ethics and conduct of Grupo UOL**

- Managers: all managers are responsible for knowing and transmitting the Code of Ethics and Conduct of Grupo UOL to their teams, in addition to leading by example, as role model.
- Employees: all employees are responsible for knowing the Code of Ethics and Conduct of Grupo UOL, and acting pursuant the guidelines herein established.
- Breach: in the event of breaches to this Code of Ethics and Conduct, Grupo UOL's HR department is responsible for conducting an investigation on the matter and listening to all involved parties, which may be submitted to the Board of Executive Officers or the CEO, as the case may be.

## **10. Questions and whistleblowing**

If an employee of Grupo UOL has any question on how to construe or apply the Code of Ethics and Conduct, or if they have identified any procedures and behaviors that are contrary to the Code of Ethics and Conduct of Grupo UOL, they shall send an e-mail to [canaldedenuncias@uolinc.com](mailto:canaldedenuncias@uolinc.com).

*The Code of Ethics and Conduct of Grupo UOL is under the responsibility of the Human Resources Department of Grupo UOL. If any questions may arise, please submit it to [canaldedenuncias@uolinc.com](mailto:canaldedenuncias@uolinc.com).*

## Mobbing and sexual harassment

Grupo UOL is known for its inclusive, meritocratic and discrimination-free environment. Our DNA is comprised by journalistic activities and technology, where young teams continuously help creating an easy-going and colorful universe, guided by tolerance and imperative respect towards differences.

Our culture has become a great differential. Many employees who come from traditional companies report to have noticed a difference between internal cultures, and point out the benefits of our environment.

Grupo UOL's Code of Ethics and Conduct endorses such behavior:

*"- The Company offers a sound and safe environment that promotes professional development and production. Mobbing, sexual harassment, any kind of discrimination or prejudice, such as based on race, skin color, religion, gender and sexual orientation is not permitted.*

*- Employees shall promote interaction based on cooperation and respect towards coworkers, as well as clients, vendors, partners, etc.*

*- Managers shall look after for relations in the work environment to be based on professionalism and respect towards other employees. They shall also make it clear that all criteria related to internal promotion and management is based on individual/group development and meritocracy.*

*- Managers shall promote the Company's values and vision in order to clearly disseminate them to the team and to align the team's development with corporate goals."*

When we talk about human relations, good judgment and respect towards others are crucial to all levels and occasions. Within the work environment, there are interactions between employees who have different opinions and character traits. What was not construed as an offense in the past, now it may be.

Regardless, it is important to clarify some concepts and procedures on mobbing and sexual harassment, in order to improve or practices and offer support for specific cases.

### 1. What is harassment?

Harassment means to persecute someone or a group of people with the purpose of dominance and intimidation.

It is always inconvenient, and it hassles and/or embarrasses the person involved and it affects their dignity, creating a hostile and degrading environment with the purpose of humiliating and disrupting the person.

Harassment may be carried out through words, gestures, acts and even through virtual means (WhatsApp, e-mails, social media posts, etc.)

While there are different types of harassment, the ones that are mostly known and experienced in the workplace are mobbing and sexual harassment.

### 2. What is mobbing?

Mobbing is the deliberate repetition of acts, words (weather they are said out loud or by writing) and/or other behaviors exposing another person to humiliating and embarrassing situations, making the work environment a stressful place.

Most of the times, mobbing comes from a person who is in a higher hierarchical level than the other employees in the team.

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When the mobbing is carried out by a person in an upper hierarchical level, the situation is more severe, as it diminishes, scares and despises the employee. However, it also may occur between persons who occupy similar positions.

Here is an example: mobbing may occur when two people, either a subordinate or a manager, disagree on the work results of the other coworker in a disrespectful, unproductive and negative way. Hostility, use of generic criticism or derogatory personal comments to the employee are unacceptable behaviors. Constructive feedback is always objective and clearly points out the specific issues, suggesting better choices than the one which was previously presented and reasons for that.

NOTE: the practice of administrative management in the Company's interest without discriminatory purpose does not constitute mobbing (e.g., allocation of tasks to employees, transfer of employee to another work position, change in working hours, etc.)

### **3. What is sexual harassment?**

As of 2001, sexual harassment has become a crime in Brazil. It is provided by the Brazilian Criminal Code, article 216-A: *"Embarrass someone with the intention of obtaining sexual advantage or favor, whichever is the agent of its superior condition or ascendancy inherent in the exercise of employment, position or function."*

Therefore, it is an unwanted sexual conduct, which creates a hostile and degrading environment. It also comprises a series of implicit and explicit behaviors, such as unwanted sexual advances and even requests for sexual favors, in addition to comments on body traits, whistles, touching and even obscene gestures.

The person who suffered the harassment must make their disagreement clear to the perpetrator for the behavior to be characterized as sexual harassment.

### **4. Report to HR:**

The Company encourages to promptly report the cases to HR, so that the department can take actions before the relation becomes irreparable. Fast intervention is strongly recommended.

The employee shall contact HR through: [canalddenuncias@uolinc.com](mailto:canalddenuncias@uolinc.com), reporting the situation or requesting a face-to-face hearing. The person who suffered the harassment is the only one who shall submit their case. No third-party whistleblowing will be accepted, although they may encourage the person under harassment to ask for help.

Communication shall only be received by Grupo UOL's Head of HR (Fabiana Verdichio) and kept confidential. If necessary, Grupo UOL's Head of HR may submit the matter to the Head of HR/Legal.

### **5. How are the investigation procedures?**

All claims will be immediately investigated by the Head of HR, who may allocate a qualified employee to help the investigation, if needed.

The claim shall be submitted through e-mail [canalddenuncias@uolinc.com](mailto:canalddenuncias@uolinc.com), and will be handled by the Head of HR/Legal, with legal advisory, if needed.

All investigation procedures will be explained and a written agreement of the claimant will be requested. Once the procedure is completed, the investigation procedure immediately begins.

The employee who is involved in the claim will also be heard by the Head of HR, in order to present their version of the facts.

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All employees who report harassment or mobbing claim will be ensured:

- with full protection against any type of retaliation;
- that the Company will perform an unbiased investigation and will take the proper measures;
- with confidentiality regarding allegations, as required; and
- that the Company will inform the claimant about all results and measures taken regarding the case.

If the misconduct is proven, the Company will take proper disciplinary measures and it may even proceed to terminate the employment contract.

***If you have any questions, send an e-mail to [canaldedenuncias@uolinc.com](mailto:canaldedenuncias@uolinc.com).***

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED**

I, Luis Frias, certify that:

1. I have reviewed this annual report on Form 20-F of PagSeguro Digital Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 26, 2021

By:           /s/ Luis Frias          

Name: Luis Frias  
Title: Principal Executive Officer

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED**

I, Eduardo Alcaro, certify that:

1. I have reviewed this annual report on Form 20-F of PagSeguro Digital Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 26, 2021

By: /s/ Eduardo Alcaro

Name: Eduardo Alcaro

Title: Co-Chief Financial and Investor Relations Officer and Chief Business Development Officer

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED**

I, Artur Schunck, certify that:

1. I have reviewed this annual report on Form 20-F of PagSeguro Digital Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 26, 2021

By: /s/ Artur Schunck

Name: Artur Schunck

Title: Co-Chief Financial and Investor Relations Officer and Chief Accounting Officer





**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of PagSeguro Digital Ltd. (the "**Company**") does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2020 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2021

By: /s/ Eduardo Alcaro

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Name: Eduardo Alcaro  
Title: Co-Chief Financial and Investor Relations Officer and Chief Business Development Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of PagSeguro Digital Ltd. (the "**Company**") does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2020 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2021

By: /s/ Artur Schunck

Name: Artur Schunck

Title: Co-Chief Financial and Investor Relations Officer and Chief Accounting Officer

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form F-3 No. 333-234188) of PagSeguro Digital Ltd.
- (2) Registration Statement (Form S-8, No. 333-223508) pertaining to the Long-Term Incentive Plan (LTIP) Restricted Shares Plan of PagSeguro Digital Ltd;  
of our report dated February 26, 2020, with respect to the consolidated financial statements of PagSeguro Digital Ltd., included in this Annual Report (Form 20-F) of PagSeguro Digital Ltd. for the year ended December 31, 2020.

/s/ Ernst & Young Auditores Independentes S.S.

São Paulo, Brazil

April 26, 2021

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (No. 333-234188) and Form S-8 (No. 333-223508) of PagSeguro Digital Ltd. of our report dated March 18, 2021 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F. We also consent to the reference to us under the heading "Selected Financial and Operating Data" in this Form 20-F.

/s/ PricewaterhouseCoopers Auditores Independentes

São Paulo, Brazil

April 26, 2021