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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, 2021

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)

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(Name, telephone, e-mail and/or facsimile  
number and address of company contact person)

Copies to:

David Flechner  
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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

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, 2021 there were 202,053,365 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 U.S. Securities and Exchange Commission, or 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, failure or cybersecurity related incident involving 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, or 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, including the upcoming presidential elections to occur in October 2022, 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;
- the impact of the ongoing war in Ukraine and the economic sanctions imposed on Russia, and the resulting volatility and consequences for the global economy, which remain highly uncertain and difficult to predict;
- 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

For a glossary of industry and other defined terms included in this annual report, see "*Glossary of Terms*" included elsewhere in this annual report.

#### 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., an exempted company with limited liability incorporated under the laws of the Cayman Islands.
- "PagSeguro Brazil" means PagSeguro Internet Instituição de Pagamento S.A., our primary operating company, a *sociedade anônima* incorporated in Brazil. PagSeguro Brazil is substantially wholly owned by PagSeguro Digital Ltd.
- "PagBank Holding" or "PagBank Participações" means PagBank Participações Ltda., a holding company incorporated in Brazil, which is wholly owned by PagSeguro Brazil.
- "We," "us" and "our" mean PagSeguro Digital, PagSeguro Brazil and their respective 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 (2022 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 (2021 Revision), 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 personal data, or DPA. 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) 3914-9524.

**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. In cases as these, after an internal analysis, the Company may include relevant the subscriber on a restricted list, and decline all future financial transactions involving that subscriber. According to Brazilian anti-money laundering laws, this information must be reported to the Brazilian Council for Financial Activities Control, or COAF.

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 money laundering, or is involved with terrorism or terrorist financing and 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 enacted the International Tax Co-operation (Economic Substance) Act (As Revised), or the Cayman Economic Substance Act, in January 2019. The Company is required to comply with the Cayman Economic Substance Act and related regulations and guidelines. 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 and the filing of an annual return with the Department of International Tax Co-Operation. The Company may need to allocate additional resources and 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 as of December 31, 2021 and 2020 and for the three years ended December 31, 2021. The financial data as of December 31, 2021, 2020 and 2019 and for each of the three years ended December 31, 2021 are derived from our audited consolidated financial statements, included elsewhere in this annual report, except for the December 31, 2019 balance sheet data which 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, 2021 and 2020 are derived from our year-end financial statements audited by PricewaterhouseCoopers Auditores Independentes Ltda., with offices at Avenida Brigadeiro Faria Lima, 3732, 16º andar, São Paulo, SP, Brazil 04538-132, 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, not included in this annual report, 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 the International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or 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,			
	2021	2021	2020	2019
	(US\$) <sup>(1)</sup>	(RS)	(RS)	(RS)
	(in millions, except amounts per share and %)			
Revenue from transaction activities and other services	1,215.8	6,784.8	4,508.7	3,376.1
Revenue from sales	—	—	—	174.2
Financial income	629.8	3,514.4	2,177.4	2,030.5
Other financial income	26.8	149.5	128.6	126.4
<b>Total revenue and income</b>	<b>1,872.4</b>	<b>10,448.7</b>	<b>6,814.7</b>	<b>5,707.2</b>
Cost of sales and services	(1,035.0)	(5,775.9)	(3,772.3)	(2,762.1)
Selling expenses	(273.1)	(1,523.9)	(617.5)	(565.2)
Administrative expenses	(157.3)	(877.6)	(563.9)	(427.4)
Financial expenses	(141.7)	(790.6)	(109.2)	(38.1)
Other income (expenses), net	1.3	7.3	22.9	(1.9)
<b>Operating profit before Income Taxes</b>	<b>266.6</b>	<b>1,488.0</b>	<b>1,774.7</b>	<b>1,912.5</b>
Current income tax and social contribution	(21.5)	(119.8)	(62.8)	(24.5)
Deferred income tax and social contribution	(36.2)	(201.9)	(419.6)	(521.0)
<b>Income Tax and Social Contribution</b>	<b>(57.6)</b>	<b>(321.7)</b>	<b>(482.4)</b>	<b>(545.5)</b>
<b>Net Income for the Year</b>	<b>209.0</b>	<b>1,166.3</b>	<b>1,292.3</b>	<b>1,367.0</b>
Attributable to:				
Equity holders of the parent	209.0	1,166.1	1,291.7	1,365.6
Non-controlling interests	—	0.2	0.6	1.4
<b>Basic earnings per share attributable to equity holders of the parent – RS</b>	<b>0.6326</b>	<b>3.5303</b>	<b>3.9225</b>	<b>4.1613</b>
<b>Diluted earnings per share attributable to equity holders of the parent – RS</b>	<b>0.6291</b>	<b>3.5105</b>	<b>3.9163</b>	<b>4.1475</b>

(1) For convenience purposes only, amounts in *reais* for the year ended December 31, 2021 have been translated to U.S. dollars using a rate of RS5.5805 to US\$1.00, the commercial selling rate for U.S. dollars at December 31, 2021 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, 2021 may not be indicative of current or future exchange rates.

**OPERATING DATA**

	At and For the Years Ended December 31,			
	2021 <sup>(1)</sup>	2021	2020	2019
<b>Operating Statistics:</b>				
Active merchants at year-end (in millions)	N/A	7.7	7.0	5.3
TPV (in billions)	RS\$81.7	RS\$456.2	RS\$161.5	RS\$114.8
PagBank active users (in millions)	N/A	13.1	7.9	2.7

(1) For convenience purposes only, amounts in *reais* for the year ended December 31, 2021 have been translated to U.S. dollars using a rate of RS5.5805 to US\$1.00, the commercial selling rate for U.S. dollars at December 31, 2021 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, 2021 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,			
	2021	2021	2020	2019
	(US\$) <sup>(1)</sup>	(R\$)	(R\$)	(R\$)
	(in millions)			
<b>Current Assets</b>				
Cash and cash equivalents	321.5	1,794.4	1,640.1	1,403.9
Financial investments	140.2	782.6	979.8	1,349.7
Accounts receivable	4,198.3	23,428.5	16,043.0	10,477.2
Inventories	8.9	49.5	30.4	61.9
Taxes recoverable	84.1	469.5	389.0	171.6
Other receivables	34.9	194.8	164.8	84.1
<b>Total Current Assets</b>	<b>4,788.0</b>	<b>26,719.3</b>	<b>19,247.1</b>	<b>13,548.4</b>
<b>Non-Current Assets</b>				
Judicial deposits	7.2	40.2	7.4	5.7
Accounts receivable	41.0	228.9	33.6	29.9
Other receivables	2.1	11.7	10.3	7.2
Investment	2.8	15.7	16.4	1.5
Deferred income tax and social contribution	21.6	120.8	83.3	—
Property and equipment	410.2	2,289.1	1,802.6	400.0
Intangible assets	295.7	1,650.2	1,123.6	589.6
<b>Total Non-Current Assets</b>	<b>780.7</b>	<b>4,356.5</b>	<b>3,077.2</b>	<b>1,033.9</b>
<b>TOTAL ASSETS</b>	<b>5,568.6</b>	<b>31,075.8</b>	<b>22,324.3</b>	<b>14,582.3</b>

	At December 31,			
	2021	2021	2020	2019
	(US\$) <sup>(1)</sup>	(RS)	(RS)	(RS)
	(in millions)			
<b>Current Liabilities</b>				
Payables to third parties	2,368.5	13,217.2	10,101.5	5,326.3
Trade payables	103.6	578.0	335.5	256.3
Payables to related parties	97.4	543.6	58.3	22.2
Derivative financial instruments	2.6	14.3	—	—
Deposits	547.7	3,056.4	572.0	—
Borrowings	180.2	1,005.8	—	—
Salaries and social security charges	46.5	259.7	175.2	106.8
Taxes and contributions	11.5	63.9	26.0	124.0
Provision for contingencies	5.0	27.7	17.1	11.9
Deferred revenue	29.1	162.6	186.2	—
Other liabilities	13.2	73.7	102.6	45.6
<b>Total Current Liabilities</b>	<b>3,405.2</b>	<b>19,002.9</b>	<b>11,574.5</b>	<b>5,893.1</b>
<b>Non-Current Liabilities</b>				
Deferred income tax and social contribution	249.4	1,391.8	1,132.6	630.9
Deposits	13.9	77.6	194.1	—
Provision for contingencies	2.5	13.9	11.7	—
Deferred revenue	3.1	17.3	27.3	—
Other liabilities	12.6	70.2	56.6	43.3
<b>Total Non-Current Liabilities</b>	<b>281.5</b>	<b>1,570.7</b>	<b>1,422.4</b>	<b>674.2</b>
<b>TOTAL LIABILITIES</b>	<b>3,686.7</b>	<b>20,573.6</b>	<b>12,996.9</b>	<b>6,567.3</b>
<b>TOTAL EQUITY</b>	<b>1,881.9</b>	<b>10,502.2</b>	<b>9,327.5</b>	<b>8,015.0</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,568.6</b>	<b>31,075.8</b>	<b>22,324.3</b>	<b>14,582.3</b>

(1) For convenience purposes only, amounts in *reais* for the year ended December 31, 2021 have been translated to U.S. dollars using a rate of R\$5.5805 to US\$1.00, the commercial selling rate for U.S. dollars at December 31, 2021 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, 2021 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, which 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, 2021 and 2020:

	For the Year Ended December 31,		
	2021	Percent Change	2020
	(in millions of reais, except for amounts per share)		
<b>Total revenue and income</b>	<b>10,448.7</b>	<b>53.3 %</b>	<b>6,814.7</b>
<b>Non-GAAP total revenue and income</b>	<b>10,448.7</b>	<b>53.3 %</b>	<b>6,814.7</b>
Total expenses	(8,960.7)	77.8 %	(5,040.0)
Less: Share-based long-term incentive plan (LTIP)	370.6	79.0 %	207.0
Less: M&A Expenses	21.9	167.1 %	8.2
<b>Non-GAAP total expenses<sup>(1)</sup></b>	<b>(8,568.2)</b>	<b>77.6 %</b>	<b>(4,824.8)</b>
Profit before income taxes	1,488.0	(16.2)%	1,774.7
Plus: Total non-GAAP Adjustments	392.5	82.3 %	215.2
<b>Non-GAAP profit before income taxes<sup>(2)</sup></b>	<b>1,880.5</b>	<b>(5.5)%</b>	<b>1,989.9</b>
Income tax and social contribution	(321.7)	(33.3)%	(482.4)
Less: Income tax and social contribution on non-GAAP adjustments	(133.5)	82.3 %	(73.2)
<b>Non-GAAP deferred income tax<sup>(3)</sup></b>	<b>(455.2)</b>	<b>(18.1)%</b>	<b>(555.6)</b>
<b>Net income</b>	<b>1,166.3</b>	<b>(9.8)%</b>	<b>1,292.3</b>
Plus: Total non-GAAP adjustments, net of income tax and social contribution	259.0	82.4 %	142.0
<b>Non-GAAP net income<sup>(4)</sup></b>	<b>1,425.3</b>	<b>(0.6)%</b>	<b>1,434.3</b>
Basic earnings per share attributable to equity holders of the parent — RS	3,5303	(10.0)%	3,9225
Diluted earnings per share attributable to equity holders of the parent — RS	3,5105	(10.4)%	3,8933
Non-GAAP basic earnings per share attributable to equity holders of the parent — RS <sup>(5)</sup>	4,6796	7.5 %	4,3539
Non-GAAP diluted earnings per share attributable to equity holders of the parent — RS <sup>(5)</sup>	4,6530	7.0 %	4,3470

(1) Non-GAAP total expenses excludes the "non-GAAP adjustments" comprised of:

(i) Share-based long-term incentive plan, or LTIP, expenses in the total amount of RS370.6 million (RS207.0 million in the year ended December 31, 2020), consisting of expenses for equity awards under our LTIP. We exclude LTIP 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 amount of LTIP expenses is allocated between Cost of services, Selling expenses and Administrative expenses; and

(ii) M&A expenses in the total amount of RS21.9 million (RS8.2 million in the year ended December 31, 2020). 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 LTIP 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 LTIP expenses and M&A expenses 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 and non-GAAP diluted earnings per common share 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 RS5.5805 to U.S.\$1.00 as of December 31, 2021, RS5.1967 to U.S.\$1.00 as of December 31, 2020 and, RS4.0307 to U.S.\$1.00 as of December 31, 2019, in each case, the commercial selling rate for U.S. dollars as reported by the Central Bank. Unless otherwise indicated, we have translated *real* amounts into U.S. dollars using a rate of RS5.5805 to US\$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, 2021 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, 2021, 80% of our customers accessed our platforms through mobile devices, compared with 77% in the year ended December 31, 2020. 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, Pix (a 24/7 instant payment platform sponsored by the Brazilian government), 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 entered into IT services agreements with UOL Diveo and Amazon Web Services, Inc. or AWS, which are both focused on IT infrastructure management services and cloud computing as well as the development of software and services to promote digital transformation. UOL Diveo is controlled by our parent company UOL and, therefore, our affiliate. Under these contracts, the two companies provide us with internet data centers to host our sites and keep them operational, and we rely on them and their operational, privacy and security procedures and controls and their 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 ours. Failure by IT services providers 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 external IT services providers to advise us of any security breaches. If any of those providers do not provide us with notice on a timely basis, our reputation and results of operations may be harmed. We may not be able to timely replace our external IT services providers, or find a replacement on a cost-efficient basis, in the event of disruptions, failures to provide services or other issues 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 operation.

***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 2021, we experienced a cyberattack that targeted one of our subsidiaries, Wirecard Brazil Instituição de Pagamento S.A. (formerly Wirecard Brazil S.A.), or MOIP, which we acquired in October 2020. The incident occurred between September 25, 2021 and September 29, 2021, during which the hackers demanded that specified payments be made to prevent the public disclosure or sale of the targeted data that was compromised, which included personal profile information of MOIP customers. At the time of the cyberattack, MOIP had a distinct and separate IT server and operating environment from the rest of our IT platform and systems, and therefore none of our databases, customer information or systems were subject or comprised during the incident, or formed part of the compromised data, beyond those independently within the MOIP IT environment. We promptly followed the requirements of applicable Brazilian law, including the filing of a formal report to the ANPD and Central Bank on October 7, 2021, followed by delivery of further requested information to the ANPD on January 5, 2022 and April 8, 2022. While our review of the incident has not identified evidence of unauthorized access to sensitive information, such as passwords or credit card details, and our IT systems (including the MOIP IT environment) are operating normally, we cannot be certain that we will not encounter adverse consequences of this incident or other weaknesses, vulnerabilities or deficiencies that could seriously harm our business, financial condition or results of operations. For more information, see "Item 4. Information on the Company—Protecting Our Clients—2021 MOIP Cybersecurity Incident."

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 significant insurance policies specifically for cyberattacks 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 was 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, when applicable, the obligations and requirements relating to security incidents and leaks and data transfers, as well as the authorization for the creation of the Brazilian Data Protection Authority or 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 became effective in November 2020, when ANPD's chief executive officer appointment was published in the Brazilian 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 to be 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, (vii) to be allowed to deny consent to personal data processing and to be advised of the consequences of that denial, and (viii) to request the review of decisions made solely based on automated processing. 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 the data controller, (iv) the contact information of the data controller, (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 processing of their personal data and other rights set forth in the LGPD.

If we are found to not have sufficiently provided information about the processing 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 hamper 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, MOIP, 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 MOIP, and as a financial institution, in the case of BancoSeguro. As payment institutions, PagSeguro Brazil and MOIP 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 paid accounts in order to act as an issuer of post-paid cards (such as credit cards) within third-party payment schemes. Currently, our digital payments activity as payment scheme settlors (in the case of PagSeguro Brazil and MOIP) 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 MOIP 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, MOIP'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 resolution regimes such as an intervention by the Central Bank and the out-of-court liquidation of PagSeguro Brazil, MOIP or BancoSeguro. We could also be subject to private lawsuits. Any of these consequences could seriously hamper 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, 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 consider 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 hamper 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 hamper 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 not 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 to 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. If 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 fail, our business could be harmed.

***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.

***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.

We rely on UOL, our largest shareholder, and its subsidiaries for several business services, particularly: telecommunications services; 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.

***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. In general, when Brazilian interest rates increase, consumers are more likely to 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.

Following significant decreases in Brazilian and global interest rates from the start of the COVID-19 pandemic, in March, 2021, the Central Bank began increasing the SELIC interest rate, which was 2% at the beginning of 2021 and eventually rose to 9.25% in December 2021. This increase resulted in a significant reduction in our margin, and in October 2021, we decided to raise the prices we charge our merchants, mainly affecting merchants who were benefiting from promotional prices. Implementing these price increases has been done over a period of time, and we intend to offset a portion of the resulting cost increases such that we maintain a rate of customer chum close to our historical levels. We adjusted our merchants' prices through the beginning of April 2022, and we intend to continue observing market activity to consider making any further pricing adjustments. Further increases in the Brazilian interest rate levels and other factors could lead us to implement further price increases, which could have an adverse effect on our business and financial results.

***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 to conduct commerce. Rapid growth in the use of the internet (particularly 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 several 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 products. Our ability to forecast demand for our products 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 enough 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 more than 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, although we are expanding our range of POS devices derived from different providers, 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. In particular, we entered into an Agreement for the Supply of Equipment on June 26, 2014, as amended from time to time, with PAX BR Comércio de Equipamentos de Informática Ltda., or PAX Brazil, Transire Fabricação de Componentes Eletrônicos Ltda., or Transire Brazil, and Net+Phone Telecomunicações Ltda, or Net+Phone, which sets forth the types of POS devices to be sold by PAX Brazil, Transire Brazil and Tec Toy S.A., or Tectoy, to us and the standard terms and conditions governing this supply of POS devices. PAX Brazil, Transire Brazil and Tectoy together serve as our main supplier of POS devices. Consideration payable to PAX Brazil, Transire Brazil and Tectoy under this agreement is determined by the number of POS devices ordered by us.

In October 2021, media reports disclosed an investigation by U.S. authorities into the activities of PAX Technology. We do not have direct commercial arrangements with PAX Technology, but rather we purchase the POS device hardware – not software – from local assemblers in Brazil that buy the components from PAX Technology and certain other suppliers. Different from other companies in the sector, we (as an acquirer) develop and install the software on the POS devices that we source from third-party suppliers in order to provide us with greater control over related data and security features of our services using POS devices, and we do not exchange any information regarding our customers, merchants or transactions with other third-party suppliers. However, we understand that the PAX Technology investigation is ongoing, and it ultimately could have an adverse impact on the global market for POS devices and related components, which in turn could have a negative effect on our business, reputation or financial results.

In addition, due to reliance of our POS manufacturers on components from limited sources, 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, workplace 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 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 in Brazil and other countries around the world. 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 because 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."

Furthermore, geopolitical instability arising from conflicts, such as the ongoing war in Ukraine, and the resulting imposition of sanctions, taxes or tariffs against Russia and Russia's response to such sanctions (including retaliatory acts, such as cyberattacks and sanctions against other countries) could adversely affect the global economy or specific international, regional and domestic markets, including the Brazilian market. Such events could have an adverse effect on our business and financial performance through increased worldwide inflation, greater compliance costs, higher volatility in foreign currency exchange rates, destabilized supply chains and further market disruptions, including from cyberattacks targeting technologies that we rely on or the markets in which we or our customers operate.

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, including 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.

***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 affect 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, cyberattacks, 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 because 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. For example, in 2021, we experienced a cyberattack that targeted our subsidiary MOIP. For more information about that incident, see "Our business is subject to cyberattacks and security and privacy breaches." We continue to monitor and review, on an ongoing basis, our IT systems, policies and security in an effort to avoid or remedy weaknesses, vulnerabilities or deficiencies. For more information, see "Item 4. Information on the Company—Protecting Our Clients—2021 MOIP Cybersecurity Incident."

Any future 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 and remedial actions to address past cyberattacks may fail to prevent future security breaches, which could harm our business and financial results.

***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 are 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 and mobile app results in higher costs. Failure to upgrade our technology, features, transaction processing systems, security infrastructure, or network infrastructure and customer channels or interfaces 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 hamper our business, results of operations and financial condition.

***BancoSeguro, PagSeguro Brazil and MOIP 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 generally follow 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.

Moreover, on March 11, 2022, the Central Bank enacted a set of new rules providing for regulatory capital requirements applicable to payment institutions. This new framework, which will be gradually implemented beginning on January 1, 2023 and come fully into force by January 2025, will extend the proportionality of regulatory requirements that are currently applicable to conglomerates led by financial institutions to include conglomerates led by payment institutions.

Under this new regulation, certain of the Brazilian operating entities in our Group structure composed of BancoSeguro, PagSeguro Brazil and MOIP, will be classified as a Type 3 conglomerate, which is defined as a prudential conglomerate led by a payment institution and integrated by a financial institution or other institution authorized to operate by the Central Bank subject to Law No. 4,595/64. For additional information, see "Item 4.—Regulation—Regulation of the Payment Industry in Brazil—Recent Developments on Regulatory Capital Requirements for Payment Institutions".

If BancoSeguro, PagSeguro Brazil and MOIP are not able to comply with the new regulatory capital requirements, the Central Bank may impose sanctions on these entities, which could have a significant adverse effect on our operations and financial conditions.

***BancoSeguro's, PagSeguro Brazil's and MOIP's businesses are highly dependent on the current Brazilian regulatory environment, and changes in regulation may affect our results and the development of our 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 MOIP'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 there is an increase in the proportion of our business funded using less profitable methods.***

In connection with our acquiring business, 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, debit and prepaid 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 transfers 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.

In connection with our issuing business, we earn interchange revenues that vary according to the type of card that we issue to our customers (a credit, debit or prepaid card). These interchange fees are subject to the terms defined by the card schemes, and in certain cases, these fees may also be subject to terms defined by regulators. Thus, our business and financial condition may be negatively affected by the terms of interchange fees established by card schemes and regulators.

As our payments ecosystem, merchant services and banking solutions include both acquiring and issuing business activities, changes in interchange rates that may negatively affect one side of our business may also positively affect the other side of our business. However, we cannot ensure that this correlation will offset a negative overall impact on our business and financial condition because of such variations in interchange rates and payment methods utilization mix.

***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, 2021, we had approximately 11,098 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 have a negative impact on 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, 2021, we have recorded R\$38.2 million in provisions for current civil, labor and tax 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 successfully integrate 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 Brazil, 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, 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 on 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. In addition, remote working may amplify certain risks to our businesses due to increased demand for information technology resources combined with increased risk of "phishing" frauds and other cybersecurity attacks, increased risk of unauthorized dissemination of sensitive personal or confidential information and increased risk of business interruptions. 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.

It is unclear how the COVID-19 pandemic will evolve throughout 2022 and the following years. In the first quarter of 2021, we experienced a new round of lockdown measures across Brazil due to "Delta" strain infections, which resulted in closures of public and private establishments and an increase in the number of COVID-19 cases and hospitalizations, leading the government to implement additional restrictions. During this period, our business volumes decreased, negatively affecting our financial performance and condition. Since the second quarter of 2021, the number of cases in Brazil began to decrease again, and restrictions were slowly eased throughout the year, leading to improvements in our financial results from an increase in credit transactions instead of debit, in addition to an increase in the number of new customers using our instant prepayment products. The increase in demand for our instant prepayment products greatly increased our working capital needs, which were covered by CD issuances, CCB hiring and additional deposits made by merchants and consumers, and the securitization of receivables through bank issuers. It is difficult to predict how the COVID-19 pandemic will evolve and whether any future restrictions may be imposed that may result in difficulties related to employee absences, supply chain disruptions, deterioration of our customers' financial health, higher costs and expenses associated with customers cutting costs and not engaging with our services and products, among other operational difficulties. We may need to adopt further contingency measures, which may adversely affect our results of operations and financial condition.

In addition, the COVID-19 pandemic has caused substantial changes in consumer behavior, restrictions on business and individual activities and higher unemployment rates, which have led to reduced economic activity. Extraordinary actions taken by international, federal, state and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19 in regions throughout the world, such as travel bans, quarantines, "stay-at-home" orders, suspension of interest accrual and similar mandates for many individuals and businesses to substantially restrict daily activities, have caused and may continue to cause a decrease in consumer activity generally.

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 2022, 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 2022 continues to face significant uncertainties. Since 2020, the Brazilian economy was expected to continue recovering 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 gross domestic product, or GDP. However, in 2021, the Brazilian economy grew 4.6% in GDP, reflecting the increased activity experienced in various Brazilian industries, such as transportation, services and logistics. As of January 2022, according to the International Monetary Fund, or the IMF, Brazil's GDP growth rate for 2022 is expected to be stagnant, estimated at 0.3%, mainly due to persistently high inflation, the consequent sharp rise in interest rates, and the worsening of family and business confidence indicators, in addition to the uncertainty in global markets caused by the ongoing war in Ukraine.

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 continued to negatively impact 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. In addition, the former president, Mr. Luiz Inácio Lula da Silva, began serving a 12-year prison sentence on corruption and money laundering charges in April 2018, but he was released from prison in November 2019 following a Brazilian Federal Supreme Court ruling. The Brazilian Supreme Court (Supremo Tribunal Federal) subsequently annulled the criminal convictions against Mr. Lula da Silva and reinstated his political rights, which may further deepen political tensions in Brazil and have enabled him to run for president in the elections expected to take place in October 2022. Historically, in election years, especially presidential elections, levels of foreign investment in Brazil are reduced, and political uncertainty creates greater instability and volatility in the domestic economy. The outcome of the 2022 presidential election and its impact on the Brazilian economy are uncertain and may adversely affect our operations and financial results. The president of Brazil has the power to determine policies and issue governmental acts related to the conduct of the Brazilian economy and, consequently, affect the operations and financial performance of companies like ours. We cannot predict which policies the president elected in 2022 will adopt, or whether such policies or changes in current policies could adversely affect us or 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 his tenure, such as multiple replacements of 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 April 2022, Mr. Bolsonaro clashed with the Brazilian Supreme Court following his pardon of a congressman sentenced to a lengthy prison term, further evidencing the current climate of political instability and conflict across Brazilian branches of government.

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. Mr. Bolsonaro's COVID-19 responses have also been criticized in Brazil and abroad. COVID-19 disruptive effects have enhanced political uncertainty and instability in Brazil, particularly considering political discussions that culminated in the dismissal or after the resignation of highly ranked federal ministers as well as the emergence of additional corruption allegations against Mr. Bolsonaro. On April 27, 2021, the Brazilian Senate established a parliamentary commission of inquiry (Comissão Parlamentar de Inquérito), or CPI, to investigate the alleged mishandling of public funds assigned to combat COVID-19 effects in Brazil. The CPI's purpose was to investigate actions and omissions by the Federal Government while fighting the pandemic, as well as the healthcare system collapse in the State of Amazonas in early 2021. The CPI's final report, which was approved by a majority of CPI members, was presented to the Brazilian Public Prosecutor's Office (Procuradoria-Geral da República) and the Brazilian Supreme Court in October 2021. The report recommended the indictment of 78 individuals and two companies, including that of Mr. Bolsonaro for allegedly committing at least nine crimes while handling the COVID-19 pandemic. If Mr. Bolsonaro is indicted by the Brazilian Attorney General's Office (Advocacia-Geral da União), there may be an impeachment proceeding or trial by the Brazilian Supreme Court, which may have material adverse effects on Brazil's political and economic environment.

Brazil is expected to continue to run a budget deficit for 2022 and the years going forward. The 2021 budget bill, which was introduced in July 2020, was approved with a deficit of R\$247.1 billion. In January 2022, the Brazilian federal government approved the 2022 budget bill, also with a deficit of R\$79.3 billion. We cannot predict the impact of this budget deficit on the Brazilian economy. The political and economic instability in 2020 and 2021 has negatively affected consumer confidence in Brazil. The Fundação Getúlio Vargas Consumer index presented a decrease of 3.0 points from 78.5 points in 2020 to 75.5 points in 2021.

We cannot predict which policies the Brazilian federal government may adopt or change or the effect that any such policies might have on our business or on the Brazilian economy. Any such new policies or changes to current policies may have a material adverse impact on our business, results of operations, financial condition and prospects. Worsening political and economic conditions in Brazil may increase production and supply chain costs and adversely affect our results of operations and financial condition. Uncertainty as to whether the Brazilian government will implement changes in policies or regulations affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in our business.

***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 11.30%, as of March 2022 considering the accumulated inflation for the last 12 months, and were 10.06%, 4.52% and 4.31% in 2021, 2020 and 2019, 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 9.25%, 2.0% and 4.5% in 2021, 2020 and 2019, respectively. As of March 31, 2022, the SELIC rate was 11.75%. Conversely, with the Brazilian government that has been focused on COVID-19 related stimulus, Central Bank policies and severe interest rate fluctuations have triggered and may continue to trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant additional 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\$5.5805 per U.S. dollar on December 31, 2021, corresponding to a devaluation of 7.3% in nominal terms, after reaching record levels close to R\$5.7500 per U.S. dollar during different times throughout the year. In early 2022, the exchange rate environment changed as a result of a new boom in commodity prices and a simultaneous increase in international capital flows into Brazil due to the economical effects of the ongoing war in Ukraine and the negative global supply scenario. In addition, the increase in the SELIC interest rate during 2021 also contributed to the strong appreciation of the *real* against the U.S. dollar. As of March 2022, the exchange rate was R\$4.7378 per U.S. dollar, reflecting an appreciation of 15% as compared to the 2021 year-end exchange rate. However, there is no guarantee that the Brazilian *real* will not appreciate further or depreciate again against the U.S. dollar, or against any other currency in the future, as a result of the expected market trends, such as the extreme uncertainty in the international economic environment, the volatility in the capital markets, as well as political, fiscal and electoral uncertainties in Brazil, especially in view of the presidential elections expected to take place in October 2022.

A devaluation of the *real* relative to the U.S. dollar could further exacerbate already intense inflationary pressures in Brazil and cause the Brazilian government to, among other measures, continue to 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 1.2% in 2019. Due to the global economic downturn triggered by the COVID-19 pandemic, the Brazilian economy in 2020 underwent a contraction of 3.9% in GDP. At the end of 2020 and especially during the beginning of 2021, government stimulus packages, credit growth, and the gradual reopening of the retail and services industries allowed the economy to recover, which intensified at the end of 2021, after the successful vaccination campaign against COVID-19, leading to GDP growth of 4.6% in 2021. At the beginning of 2022, the available economic data indicates a stagnation of this recovery, caused by persistent and high inflation rates, the consequent sharp rise in interest rates, and the worsening of family and business confidence indicators. As of January 2022, according to the IMF, Brazil's GDP growth rate is expected to be 0.3% in 2022. 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 workplace 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, the ongoing war in Ukraine that escalated following the Russian invasion in early 2022, 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. On November 2021, S&P reaffirmed Brazil's BB- rating, with a stable outlook, based on the assumption that Brazil will be able to stabilize its recent increase in public debt. However, the agency of the possibility of a future downgrade if Brazil fails to control its public spending.

In August 2015, Moody has 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 has 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 has 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. Since then, Moody has maintained this sub-investment grade rating on Brazil's sovereign credit, with a stable outlook. Brazil's government debt is almost 90% of its GDP, well above the average for its emerging market peers.

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. On December 2021, Fitch reaffirmed Brazil's BB- ratings with a negative outlook. According to the agency, this outlook reflects downside risks to the economy and public finances, and the debt trajectory in the context of tightened financing conditions and increased doubts about the credibility of the established spending ceiling, which is Brazil's main fiscal anchor, following changes to its calculation to make room for additional social spending. Fiscal uncertainties, high inflation and currency volatility is expected to weigh on the Brazilian economy in 2022 and have increased the risk of a recession, while higher sovereign borrowing costs coupled with a higher primary deficit will lead to a renewed deterioration of public finances in 2022. Downside risks could be exacerbated by a potentially polarizing election, which is expected to occur in October 2022.

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 became fully effective 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 processed, as well as fines and penalties applicable for non-compliant entities. 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 86.38% 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 38.96% of our issued share capital. As of March 31, 2022, UOL also held 864,862 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 86.38% 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 because 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, 2021, we have outstanding 202,053,365 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 enacted the International Tax Co-operation (Economic Substance) Act (As Revised), or the Cayman Economic Substance Act, in January 2019. We are required to comply with the Cayman Economic Substance Act and related regulations and guidelines. 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 and the filing of an annual return with the Department of International Tax Co-Operation. We may need to allocate additional resources and 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. In its October 2021 plenary, the FATF recognized the progress made by the Cayman Islands to improve its anti-money laundering and counter-terrorist financing regime. Despite this recognition, it is still unclear how long this designation will remain in place and what ramifications, if any, the designation will have for the Company.

***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, 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 and all other countries in the world, 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 and medium-sized enterprises (SME), in Brazil, aiming to provide a safe, seamless, digital, mobile first and affordable ecosystem, combining payments and financial services, including, supporting, and empowering millions of Brazilians.

We are the only financial technology provider in Brazil whose business model covers all of the following pillars:

- full acquirer company, with a complete set of payment solutions through POS devices and e-commerce;
- digital platform with proprietary solutions for business management such as check-out, conciliation, split payments, product and inventory management, business reports, anti-fraud system and CRM;
- cross-border PSP in Latin America and Europe;
- multiple digital banking services, including checking account, savings account, card issuance, credit offerings, investments and insurance; and
- free digital accounts with several features such as bill payments, top ups for mobile prepaid phones and partners (Shell, Uber, Sky, iFood, Playstation, Xbox, Steam and Minecraft), pix and wire transfers, marketplace, QR code payments, payroll portability and financial education.

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. According to our proprietary research, in January 2022, 69% of merchants who own our entry-level mobile POS, mPOS, device, the Minizinha, did not accept card payments prior to signing up with PagSeguro.

Our digital banking ecosystem features our free PagBank digital account, under the brand PagBank, and offers 40 cash-in methods and 13 cash-out options.

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 40 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.

Our cross-border payments business unit is branded under the name of Boa Compra and is a wholly owned subsidiary of PagSeguro. Boa Compra operates as a cross-border PSP, providing online payment services for international merchants throughout Latin America, Portugal, Spain and Turkey, through more than 140 payment options.

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

- At December 31, 2021, our active merchants totaled 7.7 million, representing an increase of 9.4% compared with 7.0 million at year-end 2020. Our active merchants at year-end 2020 represented an increase of 34.6% compared with 5.3 million at year-end 2019.
- In 2021, our TPV totaled R\$456.1 billion, representing an increase of 97.0% compared with R\$161.5 billion in 2020. Our TPV in 2020 represented an increase of 101.6% compared with R\$114.8 billion in 2019.
- In 2021, our Total revenue and income totaled R\$10,448.7 million, representing an increase of 53.3% compared with R\$6,814.7 million in 2020. Our Total revenue and income in 2020 represented an increase of 19.4% compared with R\$5,707.2 million in 2019. 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\$6,784.8 million in 2021, an increase of 50.5% compared with R\$4,508.7 million in 2020. The total of these revenue items in 2020 represented an increase of 27.0% compared with R\$3,550.3 million in 2019.
  - \* Our Financial income totaled R\$3,514.4 million in 2021, an increase of 61.4% compared with R\$2,177.4 million in 2020. Financial income in 2020 represented an increase of 7.2% compared with R\$2,030.5 million in 2019.
- In 2021, our Net income for the year totaled R\$1,166.3 million, representing a decrease of 9.8% compared with R\$1,292.3 million in 2020. Net income for the year in 2020 represented a decrease of 5.5% compared with R\$1,367.0 million in 2019.
- At December 31, 2021, our PagBank active users totaled 13.1 million, representing an increase of 66.2% compared with 7.9 million at December 31, 2020. Our PagBank active users in 2020 represented an increase of 187.0% compared with 2.7 million in 2019.

With respect to the labor market, in December 2021, according to information from IBGE's PNAD, Brazil had 44.8 million formal economy employees and 21.1 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 21.1 million individuals employed in the informal economy remain unbanked and seek digital payments and credit solutions.

According to SEBRAE (Portal do Empreendedor) and Brazil's Internal Revenue Services (Receita Federal), there were 13.3 million micro-merchants in Brazil on December 31, 2021. Also, according to the most recent Annual Social Information Report (Relação Anual de Informações Sociais - RAIS), published by the Ministry of the Economy, on December 31, 2020, there were 3.7 million SMEs. Additionally, according to IBGE's PNAD, on December 31, 2021, there were 19.5 million individuals self-employed in the informal economy, usually individual customers of card acquirers. Taken together, this totals an addressable market of 36.6 million formal and informal businesses. In addition, according to SEBRAE, the number of Individual Micro Entrepreneurs in Brazil increased significantly from 2010 to March 2022, from 780 thousand to 13.8 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, we have introduced a number of products and services during the prior years, which include the following:

- 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 POS 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 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 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;
- 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 September 2019, we launched our prepaid mobile recharge service in our Modeminha payment terminals that allows customers to purchase top-up credits for prepaid mobiles from the main telephone operators in Brazil;
- In October 2019, we launched Modeminha X, which is a modern payment terminal designed to work without needing a smartphones or tablet. Modema X is uses the Android 10 platform to process financial and non-financial transactions and even payments in cash or credit, through the PagVendas application. It also accepts payments via credit and debit cards, Pix transactions, QR codes and approximation (NFC) cards;
- In February 2020, we launched a program that allows merchants to offer customers the option to pay for their products in up to 18 installments;
- In September 2020, we launched the Modeminha Pro (V240m) payment terminal aiming to expand our hardware suppliers, as we source the V240M model from the manufacturer Verifone. This payment terminal has the same features as Modeminha Pro and accepts payments by credit and debit card, Pix transactions, QR codes and approximation (NFC) cards;
- In December 2020, we launched the service of accepting Pix transactions in our Modeminhas payment terminals. PagBank has free and unlimited Pix transactions offered at any time of the day, including weekends and holidays;
- In January 2021, we launched a pre-authorization card which allows a pre-authorized transaction to occur as credit and can be confirmed for a lower amount later if needed (never a higher amount). This service is aimed at the airline, car rental and hotel segments. This transaction requires a physical card to be completed;
- In May 2021, we launched Modeminha Profit, a payment terminal that was developed to meet the demand of a niche of sellers who do not need a touch screen device but instead insist on having a device with a printer;
- In April 2021, we launched PagPhone, a smartphone and card machine device. This device aims to ensure that the seller does not to lose sales, it accepts payments by credit and debit cards, Pix transactions, QR codes and approximation (NFC) cards. PagPhone is a complete cell phone that guarantees greater practicality and mobility for merchants. This device allows the merchant to receive messages and respond to customers on social media and WhatsApp, in addition to taking and posting product photos, all on a single device and uses Android 10 technology;
- In April 2021, we launched ClubePag, which is a customer loyalty tool, provided free of charge by PagSeguro to retain its customers. At ClubePag, you build your club, create your own offers, and make cashback available to customers to accumulate credit;
- In September 2021, we launched Modeminha Wi-fi Plus, which has 3G and Wifi connection but does not include a printer or a touchscreen, but allows messages to be sent via SMS, accepts payments by credit and debit cards, Pix transactions, QR codes and approximation (NFC) cards;
- In October 2021, we launched the anticipation function in our Modeminhas payment terminals, which allows the anticipation of receivables by scheduling payments for transactions carried out within the 30 and 14-day period whenever you need it;

- In January 2022, we launched the Minizinha Chip 3 payment terminal, with a larger display and color screen, the new Minizinha Chip 3 payment terminal aims to facilitate the merchant's day to day activities. A mobile phone isn't needed as the payment terminal has a Wi-Fi connection and a SIM card with a free data plan. This payment terminal accepts payments by credit and debit cards, Pix transactions and approximation (NFC) cards;
- In January 2022, we launched PagTotem, ideal for use in stores, markets, and fast-food restaurants, PagTotem possesses a touch screen, printer, and integrated card reader. PagTotem is a comprehensive solution that guarantees practicality and connectivity during the checkout process and allows the merchant to manage their equipment through the PagSeguro Store. This self-service equipment has a 23 inch touchscreen display, with ethernet connection, 2.4/5 Ghz Wi-Fi bandwidths, and Bluetooth;
- In February 2022, we launched the typed pre-authorization. In this modality, the pre-authorization sale can be used by providing the card data, security code and validity information;
- In March 2022, we launched the prepaid mobile top-up service in the Minizinha Chip payment terminal, a mobile top-up and service top-up functionality that has been expanded and now possesses the modality to be accepted in the Minizinha Chip payment terminals; and
- In March 2022, we launched the Modeminha Plus 2 payment terminal, which allows sales to be carried out quickly with 3G and Wifi connections, and is a particularly well-suited device for professionals that work in establishments such as beauty salons, tattoo studios and wellness clinics, as it can be shared with up to six professionals. With a modern design, it accepts payments by Pix transactions and card approximation and comes with a chip and data plan.

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 December 2021, 90% of Brazilian investors are classified as traditional retail consumers and, as of February 2022, 65% of this group invested in savings accounts.

#### **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, 106 million unique visitors (approximately 70% of Brazilian internet users) accessed a UOL website in February 2022 representing an increase of 2.5% from 103.4 million in February 2021, an increase of 17% from 90.4 million in April 2018 and an increase of 30% from 81.2 million in May 2017. In addition, according to Google Ad Manager (the ad server system that we utilize) as of March 2022, UOL achieved approximately 6.9 billion page views, provided approximately 15 billion display ads and had a potential video inventory of 872 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*, or 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 permitted us to continue carrying out our activities until the authorization was 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 Moderninha, 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 Moderninha Wi-Fi and Moderninha 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.ae 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 UOL and we 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 UOL and we offered and sold a total of 35,950,000 of our Class A common shares. In October 2018, we launched our Modeminha Smart, a modem, 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 for 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. In addition, 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 functionality. 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 manner. 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 MOIP, and the final regulatory approvals for the acquisition were obtained in December 2020. MOIP has an innovative and experienced team that has built as online payment solutions with more than 200 thousand customers, including e-commerce platforms, marketplaces and virtual store platforms. For PagBank, the acquisition of MOIP 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 to the Central Bank a request for the approval of a corporate reorganization that involved certain of our subsidiaries and we received the corresponding approval in August 2021. As a result of this reorganization, the entities Net+Phone, Boa Compra, BCPS, R2TECH, BIVA and CDS were spun off from PagSeguro Brazil and since then they have been controlled by PagSeguro Digital's direct subsidiary, PagSeg Participações Ltda., or PagSeg. In addition, TILIX, Yami and Zygo subsidiaries were spun off from PagSeguro Brazil with control passing to PagBank Holding, a holding company that we incorporated in Brazil to receive the Group's unregulated assets.

In addition, the list below describes changes to our organizational structure in the year ended December 31, 2021:

- In March 2021, we incorporated PagSeguro Holding Ltd., or PagSeguro Holding, to serve as a holding company directly under PagSeguro Digital;
- In the third quarter of 2021, we incorporated four new subsidiaries under PagSeguro Holding consisting of the following entities
  - Pagseguro Chile SPA, or Pagseguro Chile;
  - Pagseguro Colombia S.A.S, or Pagseguro Colombia;
  - PSGP México S.A de C.V., or PSGP Mexico; and
  - Pagseguro Peru S.A.C., or Pagseguro Peru.
- In August 2021, we acquired Concil Inteligência em Conciliação S.A., or Concil, which now operates as a subsidiary of PagSeguro Brazil;
- In December 2021, Boa Compra incorporated R2Tech; and
- In December 2021 Biva Serv incorporated BIVA.

As a result of the above, our current organizational structure reflects the following:

- **PagSeguro Digital** subsidiaries include PagSeguro Brazil, PagSeg. BS Holding, and PagSeguro Holding Ltd;
- **PagSeguro Brazil** subsidiaries include Biva Sec, FIDC, RegistraSeguro, Concil and MOIP.
- **BS Holding's** subsidiary will include BancoSeguro.
- **PagSeg** subsidiaries will include Net+Phone, Boa Compra, BCPS, PagSeguro Biva Serviços Financeiros Ltda., CDS and PagBank Holding.
- **PagBank Holding**, subsidiaries will include TILIX, Yami and Zygo, and
- **PagSeguro Holding Ltd.** subsidiaries will include: Pagseguro Chile, Pagseguro Colombia, PSGP Mexico and Pagseguro Peru.

PagSeguro Brazil, MOIP and BancoSeguro are subject to the Central Bank regulation and supervision. This 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.

#### **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, 2021, 2020 and 2019 were R\$1,751.8 million, 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 through investments and related expenditures, see Notes 12 and 13 to our audited consolidated financial statements included elsewhere in this annual report.

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

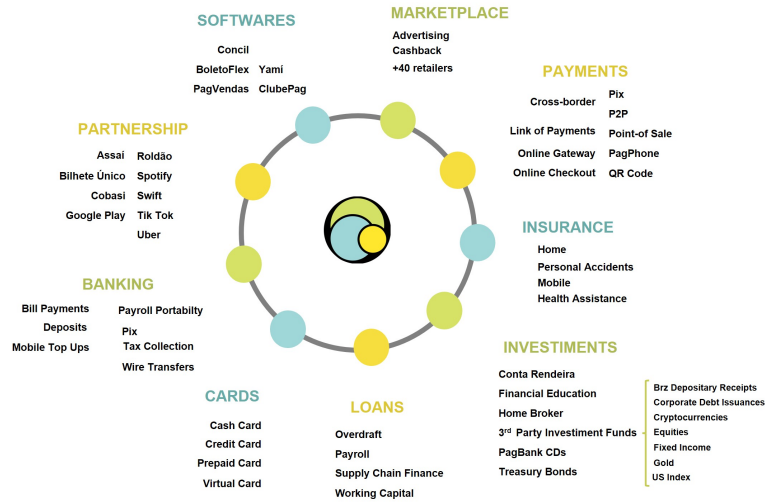
We provide a wide range of affordable solutions and tools for merchants and consumers. These include a variety of payments and banking products, cash-in and cash-out options with features designed to attract and retain clients, provide them with access to working capital and help them manage their cash 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 Pix *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, merchant services and our banking solutions 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\$715.4 million in expenditures on software and technology in the year ended December 31, 2021, equal to 6.8% 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. 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 and our banking products 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. In less than three years, we believe we have created the most complete digital bank & payments experience in Brazil, which includes services and products such as payments solutions, day-to-day banking, cards, credit offerings, investments and insurance. As of December 31, 2021, we had a total of 21.9 million customers and 13.1 million PagBank active users (including active merchants using one additional digital account feature/service beyond acquiring and consumers with a balance in their digital account on the last day of the relevant month), becoming the second largest Brazilian digital bank according to data from Brazilian Central Bank. Our deposits increased 66% while our credit portfolio increased by 212% year-on-year at December 31, 2021. PagBank's cash and cash equivalents increased by nine times in 2021 and 9% of all Pix transactions that occurred in Brazil were carried out through PagBank.

**The PagBank PagSeguro Ecosystem**



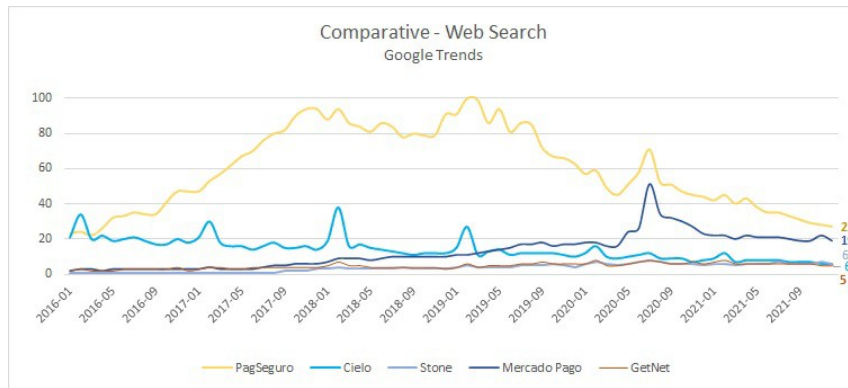
Our end-to-end digital ecosystem operates as a closed loop where our clients are able to address their main day to day financial needs, including receiving and spending funds and managing and growing their businesses. Our main products and services fall into the following categories, described in further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

- the free PagBank digital account, around which all our functionalities and services are designed;
- 40 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 2021, 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 30 times larger than the Brazilian payments market itself in terms of net income (profit pool). In 2020 we became an associated member of ANBIMA and joined the distribution code, which allows the offer of bonds and securities to customers in the Brazilian market.

Supported by our strong PagSeguro brand, which, according to Google Trends, filtering by the Financials Category, for the twelve months ended December 31, 2021, had an average of almost two times more searches than the second player in our market, Mercado Pago (followed by SumUp, Cielo and Rede), 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 two times in PagBank active users at December 31, 2021. In addition, PagSeguro remained one of the largest prepaid card issuers in Brazil in 2021, according to Abecs, and our PagBank app had 284 million logins in the month of December 2021 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 and manage their financings 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, Pix, wire transfers, peer-to-peer transfers, cash cards, prepaid cards, credit cards, loans, investments, payroll portability, QR code payments, shopping, Uber, Spotify, Games or Google Play credits, 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 a wide range of 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 do not need to transfer their revenues to another bank checking account, they can use those revenues directly on our platform with our day-to-day banking solutions, such as: (i) paying bills, (ii) making peer-to-peer, pix or wire transfers, (iii) making QR code payments, (iv) buying online, (v) topping up mobile phone, Uber, Spotify, Games or Google Play credits, (vi) investing their money, (vii) using their cashcard or transferring their balance to the PagSeguro prepaid 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. Other investment possibilities include mutual funds, Brazilian government bonds and stocks.

- The purpose of our platform is to bring quality investment options to all types of investors, with a minimum investment amount of 1 Brazilian *real*. By the end of 2020, we started to offer fixed income and mutual funds investment options, and in early 2022, there were over 100 different investment options available on our marketplace. We also implemented a cashback function on our platform, which offers up to 1% year-on-year additional return. In 2021, we established an educational area on our platform that aims to demystify investing and to teach more to our customers about investing their money. In 2021, we also added new features to this educational tool, that include investment portfolio recommendations, a research area that analyzes and recommends equities and government bonds. We have provided direct access to Brazilian government bond investments through the "Tesouro Direto" function and provided access to investing activities in the B3 through three different methods, (i) Home Broker, (ii) Internet Banking, and (iii) Trading Desk. To support our clients in their investment activities, we have a designated sales team knowledgeable in investment products and internal processes.
- Pix 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. PagSeguro offer three different levels of web checkout integration: "Redirect," "Lightbox" and "Transparent," all of which are easy to set up and customize. PagSeguro supplies its code and documentation to merchants free of charge, allowing merchants to select and implement the web checkout solution that best meets the needs of the merchant's on its business.

*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 merchants to create a fully customized payment experience. Payment is processed by under the merchant's domain while still benefiting from the features and functionalities from our ecosystem, such as anti fraud and consumer data protection.

*(ii) In-App Checkout:* Our in-app checkout is a payment tool developed to integrate 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:** 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 social payment tool, customers can request payments creating a payment link and send it to customers 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). Payment link 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**

PagSeguro's wide range of affordable POS devices enable merchants to accept credit, debit and meal voucher on an in-person, chip and pin or NFC basis. PagSeguro's POS devices can be set up in less than five minutes. It is 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 usage 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 Modeminha SMART. These POS devices are offered separately from our transaction services.

- Minizinha NFC mPOS connects, through Bluetooth, to *PagVendas a PagSeguro platform* to accept payment, and offers access to a wide range of features like inventory management, on line store and, issuing tax receipts and others. Minizinha provides receipts via SMS for the consumer. PagSeguro offers Minizinha for 12 installments of R\$4.90 (or US\$0.94), appealing to the micro-merchants and SMEs who plan their own business expenses on a monthly basis.
- Minizinha Chip 3 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. PagSeguro offers Minizinha Chip 3 for 12 installments of R\$8.90 (or US\$1.71).
- For businesses with greater needs, we offer three more sophisticated devices, (i) Modeminha Plus 2 (priced at 12 installments of R\$12.90 (or US\$2.47)), (ii) Modeminha Pro 2 (priced at 12 installments of R\$24.90 (or US\$4.77) and (iii) Modeminha Smart (priced at 12 installments of R\$39.90 (or US\$7.68)). Modeminha Plus, provides consumer receipts via SMS, is focus on merchants that generate lower transaction volumes; while the Modeminha Pro, which provides consumer receipts via SMS or in paper form, is focus on merchants that generate higher transaction volumes. Modeminha 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, PagSeguro launched a new functionality for the Modeminha Pro and Modeminha Wi-Fi (replacing Modeminha 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). Modeminha Smart offers the same features of the Modeminha 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 its clients.

- PagSeguro also offers a Smart POS device, the Modeminha X, which is an innovative and advanced POS device. Modeminha 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 Modeminha X, offers a robust managed payment experience. The integration of software and hardware helps merchants be more productive and better serve clients. PagSeguro offers Modeminha X for 12 installments of R\$19.90 (or US\$3.83). With no additional cost and new technologies in one single POS device, Modeminha X is the most attractive product for micro-merchants and small businesses. Additionally, Modeminha X integrates our free PagBank digital account and international cash card, free of charge.

We generate revenues from its provision of POS devices to merchants, and from MDR (a percentage of the commissions held by PagSeguro that is generated on the credit, debit and meal voucher card transactions). Beyond standard installment programs, PagSeguro's merchants can offer customers the options to pay in up to 18 installments on credit card payment transactions

We currently rely on one manufacturer to manufacture, test and assemble a significant amount of our POS devices, although we are expanding our range of POS devices, which would be derived from different equipment providers. 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 Brazil, Transire Fabricação de Componentes Eletrônicos Ltda., or Transire Brazil, and Net+Phone Telecomunicações Ltda, or Net+Phone, sets forth the types of POS devices to be sold by PAX Brazil, Transire Brazil and Tec Toy S.A., or Tectoy, to us and the standard terms and conditions governing this supply of POS devices. PAX Brazil, Transire Brazil and Tectoy together serve as our main supplier of POS devices. Consideration payable to PAX Brazil, Transire Brazil and Tectoy 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 40 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 major credit card schemes accepted on our platform together represent 99.7% of the total payment volume carried out using credit and debit cards in Brazil in 2020, according to card monitor. 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 SMÉs 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 as a registered employee 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, merchants and consumers can also use *boletos* to add cash to their PagBank account (cash-in) free of charge.

- **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 2021, 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) daily liquidity, (ii) 180 days, or (iii) one year. We believe that this 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 *Fundo de Investimento em Direitos Creditórios* (a Fund for Investment in Credit Rights, or FIDC), which we use to finance the early payment of receivables of our merchants. The FIDC is controlled by PagSeguro Brazil, which owns 100% of the subordinated quotas. 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 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 Yamí;
- 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, 2021, only 0.04% of our online transactions required claim mediation and for those that did, the average time for claim mediation settlement was 17 days. 84.18% of the disagreements related to non-receipt of a purchase, and 40.94% 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 April 10, 2022, *PagVendas* was rated an average of 4.3 stars by 846 thousand reviewers in Apple's Brazilian app store and 4.6 stars by 16,677 thousand reviewers in Google Play.



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

Our free digital account app, PagBank – PagSeguro, 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, account balances and day-to-day banking. Through PagBank – PagSeguro, our clients can pay bills, make peer-to-peer, Pix or wire transfers, make QR code payments, complete online purchases using their PagBank account balance, invest their money in different investments options such as CDBs, use their cashcard or prepaid card to buy goods and services or withdraw cash, contract financial service products such as insurances, loans and credit cards. PagBank – PagSeguro also provides real-time statements of a user's historical account and PagSeguro prepaid and cash card activity, as well as a merchant sales panel through which merchants can generate reports and statements as well as manage their sales. In March 2021, PagBank – PagSeguro was rated an average of 4.8 stars by 826,506 reviewers in Apple's Brazilian app store and 4.5 stars by 1,609,486 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, Games or Google Play credits. Through our partnership with the Shell brand, since March 2020, PagBank users are able to make payments at gas stations directly through our Super App via a P2P transaction, thus eliminating their need to use a physical card for these purchases. Through our PagBank – PagSeguro digital account, we also pay interest (totaling 110% over the amount generated by "poupança" account (a traditional Brazilian savings account) on account balances maintained for at least 30 days. In December 2021, according to the Consolidated Retail Product Distribution Statistics from ANBIMA this savings account feature had a total of over R\$ 985 billion under management and 188 million accounts 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 will 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 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 supported 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 of 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 Modeminha Wi-Fi and Modeminha Pro which enables multiple merchants to share a single POS device. Our Modeminha Plus (which we launched in May 2018) and our Modeminha 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 2020 was R\$11.1 billion. This represents a large potential revenue addressable market for us, especially since as of March 31, 2022, PagSeguro has a total of 799,000 active users subscribed to our software.

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. In 2021, we also issued more than six million cards, including the same modalities as in the previous year.

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 PAGES Capital offering is a lending product with a small number of clients selected according to characteristics such as registered account date, TPV and frequency. PAGES 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, 2021, we had a total portfolio of R\$1.9 billion (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 in-App 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 40 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 POS devices for the earlier of the first R\$1,500 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 solution, and payment link allows merchants to use their PagSeguro account and website to request payments via web links that are sent through e-mail, social networks or messaging services like WhatsApp. Beyond that, we provide a full stack of API and on line payment solution such as: checkouts, disbursement, refunds and others.

- 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 Moderninha Smart, which is an innovative and advanced POS device. This PagSeguro Android based terminal (Smart), launched in October 2019 based on simplicity and ease of use, offers a full integration between hardware and software. This environment allows more than 200 software developers to offer its solution through our smart Terminal combining different kind of apps to form 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, 2021, we had a total portfolio of R\$1.9 billion, 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 2021, department stores, our largest volume sector, and professional services, our second largest volume sector, accounted for 11% and 9%, respectively, of our overall transaction business. No other major business sector (fast food restaurants (9%), eating venues and restaurants (3%), wholesale clubs (3%) or barbers and beauty parlors (3%) accounted for more than 10% of our overall TPV. We are not dependent on any individual merchants. In 2021, our top 10 clients represented less than 5% of our TPV and our top 100 clients represented less than 13% 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 2022, 60% of our merchants used PagSeguro as their sole electronic payments service and 56% 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 collaborate 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 99.55% availability in 2021, 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 from 79 in June 2016 to 284 in December 2021, and our average monthly deployments increased by a multiple of 13.5 from 597 average monthly deployments in 2017 to 12,273 average monthly deployments in 2021. 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 44.31% of the total headcount of PagSeguro as at December 31, 2021. With our specialized team of 3,716 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\$697.5 million in the year ended December 31, 2021, R\$531.1 million in the year ended December 31, 2020, R\$326.8 million in the year ended December 31, 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 cybersecurity threats. For further information on the measures we take to protect against cybersecurity 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. As our scale has expanded, our expenses have increased when compared to our Total revenue and income: for example, in the year ended December 31, 2021, our Total expenses increased to 85.8% of our Total revenue and income from 74.0% in the year ended December 31, 2020, while Revenue from transaction activities and other services and Financial income, taken together, increased to 98.6% of our Total revenue and income from 98.1% in the year ended December 31, 2020. In the year ended December 31, 2021, our non-GAAP Total expenses totaled 82.0% of our non-GAAP Total revenue and income, compared to 70.8% in the year ended December 31, 2020. 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."

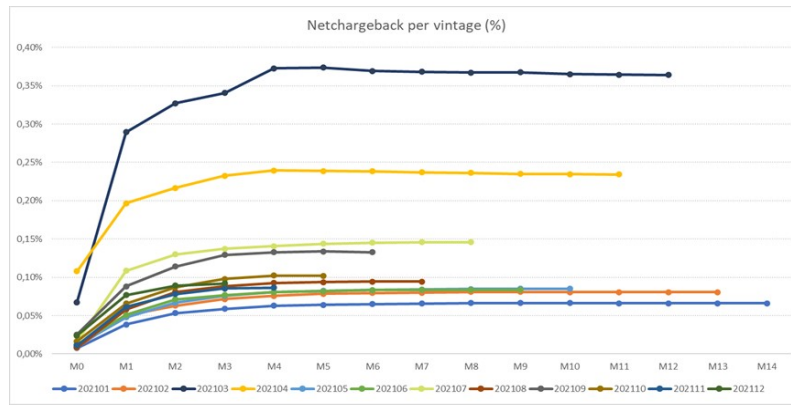
#### **Protecting Our Clients**

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 2021, 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 Modemo and in 2019 by Exame IBRC.

#### **Transaction Security**

We have focused and is part of our culture 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, supported by the reputation of the PagSeguro and UOL brands. Our transaction approval rate dropped slightly in 2021 compared to 2020, from 81% to 78%. 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 0.10% in 2021, a decrease of 16% from 0.12% in 2020. 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, combined by advanced fraud combat tools such as biometric engine with facial recognition with liveness detection features, as well as front-line third-party solutions such as Feedzai, Emailage, Serasa Experian 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 periodically conduct risk assessments on our business processes and critical assets, identifying the need for the adoption and improvement of our continuity and contingency plans, as well as following an extensive testing program on our business continuity and disaster recovery plans. In addition, we regularly adapt our environment monitoring activities to reduce the time to identify and respond to cyber-attacks and improving the resilience of the environment whenever necessary. 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). We maintain a private "Bug Bounty" program for identifying bugs and security vulnerabilities in our systems and applications exposed on the Internet. 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.

### **2021 MOIP Cybersecurity Incident**

Following our acquisition of our subsidiary MOIP in October 2020, which represented less than 3% of our consolidated assets as of December 31, 2021 and less than 2% and 1% of our consolidated revenue and net income for the year ended December 31, 2021, we discovered that MOIP was involved in a cyberattack between September 25 and September 29, 2021. The hackers demanded that specified payments be made to prevent the public disclosure or sale of the targeted data that was compromised in the incident, which included personal profile information of MOIP customers. At the time of the incident, MOIP had a distinct and separate IT server and operating environment from the rest of our IT platform and systems, and therefore none of our databases, customer information or systems were subject or comprised, or formed part of the compromised data, beyond those independently within the MOIP IT environment. We promptly followed the requirements of applicable Brazilian law, including the filing of a formal report to the ANPD and the Central Bank on October 7, 2021. After completion of the assessment, without financial impacts, we provided further information regarding the incident to the ANPD on January 5, 2022 through a complementary form. On March 11, 2022, the ANPD

requested that MOIP provide more information regarding the incident, specifically requesting a technical report detailing its scope and the measures taken by MOIP after the incident, as well as the communications MOIP sent or intended to send to its customers. MOIP provided a response to ANPD on April 8, 2022. During the review of the incident, we have not identified evidence of unauthorized access to sensitive information, such as passwords or credit card details. The cyberattack has not had a material adverse impact on our business, financial condition or customers, and our IT systems (including the MOIP IT environment) are operating normally, with heightened security measures undertaken in response to the incident. For more information about related risks, 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."

#### **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 3,778 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 40 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;
- Recognized as one of the most Valuable Brazilian Brands in 2020 by Interbrand.
- Recognized as one of the World's Best Banks in 2021 by Forbes;
- Recognized as the best in Acquisiton category and the 4th in the Fintech category in Brazil by iBest in 2021;
- Recognized as one of the most valuable brands of 2021 by Interbrand; and

- Recognized as the 3<sup>rd</sup> in the Bank category of companies that provided the best service to society throughout 2021 by Brazilian newspaper Estadão.

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, 2022, 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 2021.

In addition, our PagBank – PagSeguro app had 6.9 million downloads in the fourth quarter of 2021. Further evidencing the strength of our brand, according to an internal survey conducted by us, 91% of our users would hire products and services offered by PagBank. In addition, as of March 31, 2022, our PagBank – PagSeguro app was rated an average of 4.8 stars by 826,506 reviewers in Apple's Brazilian app store and 4.5 stars by 1,609,486 reviewers in Google Play.

These rankings compare favorably to those of our main competitors' apps, which as of the same date were rated between 3.5 to 4.8 stars in Apple's Brazilian app store and 3.6 and 4.7 stars in Google Play.

In addition, from January 2021 to December 2021, according to data provided by Google, complementary to their January 2022 Industry Report – Finance, the number of searches for PagBank, in keywords related to all financial services, increased from 7.1% to 9.5% of financial services searches among digital banks. Searches related to PagBank in the context of all financial services represented more than a third (34.4%) of all searches for digital banks in the same context.

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	0.2%	1
2 Nubank	0.76	13.8%	2
3 Banco Inter	0.32	(1.3)%	3
4 Banco Pan	0.35	(1.2)%	4
5 C6	0.18	(0.6)%	5
6 Neon	0.05	(2.0)%	6
7 Original	0.08	7.1%	7
8 Superdigital	0.02	(4.5)%	8
9 Next	0.06	1.9%	9
10 Iti/Itaú	0.08	43.4%	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. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants, such as us, that file electronically with the SEC. Our internet address is [www.pagseguro.uol.com.br](http://www.pagseguro.uol.com.br). On occasion, we may use our website as a channel of distribution of material company information. Financial and other material information regarding us is routinely posted on and accessible at <https://investors.pagseguro.com/>. 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 Instituição de Pagamento S.A. (or PagSeguro Brazil), a Brazilian *sociedade por ações*.

PagSeguro Brazil carries out most operations directly, and also has four wholly-owned or substantially wholly-owned subsidiaries: (i) RegistraSeguro S.A., or RegistraSeguro, organized in Brazil, is expected to operate as trade repository (registradora) once it becomes operational and authorized by the Brazilian Central Bank; (ii) Wirecard Brazil Instituição de Pagamento S.A. (formerly Wirecard Brazil S.A.), or MOIP, organized in Brazil, which provides collection and registration information activities; (iii) 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 (iv) Concil Inteligência em Conciliação S.A., organized in Brazil, which when operational is expected to provide professional data processing services, application service providers, internet hosting services, technical support, maintenance and other services in information technology, licensing and assignment of the right to use computer programs. PagSeguro Brazil also holds a non-controlling interest in 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. In March 2019, October 2020 and August 2021, we acquired 10% of NetPOS, 100% of MOIP and 100% of Concil Inteligência em Conciliação S.A., respectively. We incorporated RegistraSeguro in October 2019.

PagSeg Participações Ltda., or PagSeg, a holding company organized in Brazil and incorporated in July 2020, has six wholly-owned or substantially wholly-owned subsidiaries: (i) Boa Compra Tecnologia Ltda., organized in Brazil, which operates our online gaming and cross-border digital services in Latin America, Portugal, Spain and Turkey; (ii) 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; (iii) CDS Serviços Financeiros Ltda., organized in Brazil, which provides services as correspondent for financial institutions; (iv) NET+Phone Telecomunicações Ltda., organized in Brazil, which handles the exploration and provides services of telecommunications in general; (v) PagSeguro Biva Serviços Financeiros Ltda., organized in Brazil, which is a payment scheme owner which provides consulting and financial services; and (vi) PagBank Holding, a company organized in Brazil. PagBank Holding has three wholly-owned subsidiaries: (a) 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; (b) Tilix Digital Ltda., organized in Brazil, which provides software development for payment solutions; (c) Zygo Serviços de Tecnologia S.A., organized in Brazil, which develops computer programs on request; and PagBank Holding also holds a non-controlling interest in 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.

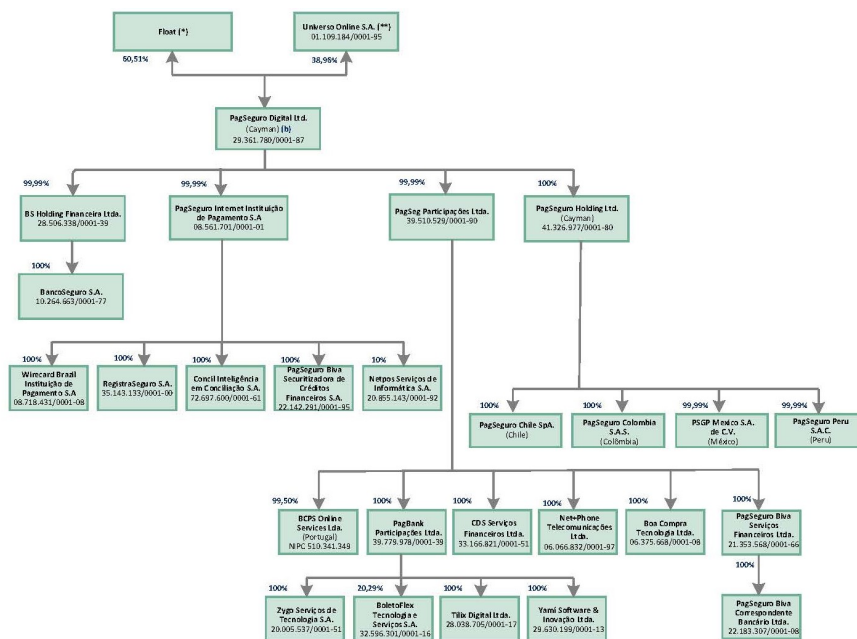
PagSeguro Biva Serviços Financeiros Ltda. holds 100% of PagSeguro Biva Correspondente Bancário Ltda., organized in Brazil, which provides banking correspondent services as wholly-owned or substantially wholly owned subsidiaries. We incorporated PagBank Holding in November 2020. In 2017, in December 2018, August 2019 and July 2020, we acquired BCPS, Tilix Digital Ltda., Yami Software & Inovação Ltda. and Zygo Serviços de Tecnologia S.A., respectively.

In addition to our operations carried out by PagSeguro Brazil, 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. This acquisition has allowed us to expand our product and services offering.

In November 2017 we set up a FIDC. The FIDC is controlled by PagSeguro Brazil, which owns 100% of the subordinated quotas. In accordance with Brazilian law, the FIDC may use between 50% and 100% of its capital to purchase merchant receivables. The FIDC is used to finance the early payment of receivables of our merchants. 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 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. 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."

In March 2021, we incorporated a holding company under PagSeguro Digital called PagSeguro Holding Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands. Additionally, during the third quarter of 2021, four new subsidiaries were set up under PagSeguro Holding Ltd., which include Pagseguro Chile SPA, Pagseguro Colombia S.A.S, PSGP México S.A de C.V. and Pagseguro Peru S.A.C.

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



(\*) Including 0.0053% of treasury shares and 1.98% of shares issued under the LTIP and LTIP-Goals.  
 (\*\*) Refers to total capital; UOL directly holds 86.38% of our voting capital.

**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 six 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;
- operate as a full acquirer; and
- operate as a cross-border PSP.

We seek to differentiate ourselves from our competitors primarily because 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, 2022 and has a coverage limit of R\$294.3 million;
- cyber insurance, which expires on May 21, 2022 and has a coverage limit of R\$30 million;
- D&O insurance, which expires on March 1, 2023 and has a coverage limit of R\$134.4 million;
- warehouse and storage facility insurance policy, which expires on November 17, 2022 and has a coverage limit of R\$122 million; and
- general liability insurance, which covers damage awards paid by us in connection with tort claims. This policy expires on December 31, 2022 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.

Insurance terms are influenced by economic and market conditions. The increase and recurrence of cyberattacks in recent years may impact negatively in cybersecurity insurance premiums or even in the interest of insurance companies to offer us a cybersecurity insurance. Thus, we may not be able to renew such insurance upon expiration of our current policy and we can be subject to losses that would otherwise be contemplated in such insurance policy. For information about cybersecurity related risks, 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."

## 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 CMN Resolution No. 4,282/13, Central Bank Resolutions No. 80/21, 81/21, 96/21, 150/21 and Circulars No. 3,681/13, 3,704/14 and 3,721/14, among others.

Circular Nos. 3,885/18, 3,886/18 and 3,887/18, 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. Circulars No. 3,885/18 and 3,886/18 have been replaced by Central Bank Resolutions No.80/21 and 150/21, respectively, as further detailed in this section.

On April 8, 2021, the Central Bank published Resolution No. 85/21, 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 Resolution No. 85/21 are in line with the requirements applicable to financial institutions and other entities authorized to operate by the Central Bank under CMN Resolution No. 4,893, published on February 26, 2021. In accordance with Resolution No. 85/21, payment institutions had until December 31, 2021 to be fully compliant with cybersecurity rules (to which we have successfully adhered within the regulatory deadline).

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. Such changes remain applicable under Resolution 150/21, which repealed Circular 3,925/18 and consolidated several rules regarding payment schemes. For more information, see "*Payment Schemes*" below.

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.

*Security Mechanisms for Pix and other electronic means of payment*

On September 23, 2021, the Central Bank issued Resolution No. 142, introducing security measures to be adopted by institutions under its regulation and supervision to prevent frauds in the provision of payment services, applicable to all electronic payment methods.

Among the obligations established by Resolution No. 142/21, financial and payment institutions are required to limit the provision of payment services during the nightly period to a maximum amount per deposit or prepaid payment account, as applicable. This limit may be increased at the client's request, upon formalization in the relevant electronic service channels, but the institution must establish a minimum period of 24 hours for the increase to take effect. Resolution No. 142/21 required payment service providers to implement the new transaction limit by October 4, 2021.

Pursuant to Resolution No. 142/21, financial and payment institutions must also implement:

- (i) procedures aimed at evaluating the customer prior to offering same-day early payment of receivables ; and
- (ii) daily registration of fraud or attempted fraud occurrences, including the corrective measures adopted by the institution. Based on these records, the institutions must prepare a monthly report consolidating the occurrences and the preventive and corrective measures adopted. This report must be forwarded to the institution's audit and risk committees, internal audit unit, executive board and board of directors, as applicable.

Furthermore, on September 28, 2021, the Central Bank issued Resolution No. 147, which, in addition to detailing, within the scope of Pix, the measures established by Resolution No. 142/21, also set forth security mechanisms specific to Pix transactions, including the obligation of the receiving institution to perform fraud assessment of Pix transactions and precautionary blocking of funds. If necessary, in case of sufficient indications of fraud or because of operational failure in the systems of one of the participant institutions, the relevant funds may be reversed to the payer by means of the "Special Return Mechanism". The Special Return Mechanism was implemented by the Central Bank by means of Resolution No. 3/21, which entered into effect on November 16, 2021.

The security measures announced by the Central Bank entered into effect on November 16, 2021, with the exception of the new transaction limits, which entered into effect on October 4, 2021

*Open Banking*

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 operates through application programming interfaces (API) and customers' consent is always required before any data sharing.

Open banking has a four-stage implementation plan, as follows:

- Stage 1 (completed in February 2021): public access to participating institutions' data on their access channels and product/service channels related to checking, savings, prepaid payment accounts and to lending transactions.
- Stage 2 (completed in August 2021): sharing of customer record data and customer transactional data in connection with accounts, credit cards and credit transactions, among the participating institutions.
- Stage 3 (started in October 2021): beginning of Pix transactions by payment initiation service providers, as well as the gradual entry of other payment arrangements, and the forwarding of loan proposals (expected to be completed by the end of 2022).
- Stage 4 (started in December 2021): sharing of customer transactional data related to additional products, including the following: (i) insurance, open-end private pension and capitalization products; (ii) merchant acquiring services; (iii) foreign exchange transactions; and (iv) time deposit accounts and other investment products. Stage 4 implementation deadlines are still under discussion among the regulator and market participants.

Stages 1 and 2 were mandatory only for financial institutions belonging to segments S1 and S2 of the Brazilian financial system (which comprises major large banks), according to prudential segmentation rules set forth in Brazil (CMN Resolution 4,553/17). Institutions offering deposit accounts or payment accounts (such as PagSeguro), as well as payment initiation service providers, are mandatory participants in Stage 3, with respect to the sharing of payment initiation services. Banks that hire banking correspondents must also take part in Stage 3, with respect to the forwarding of loan proposals (which is the case of BancoSeguro). The main rules governing open banking are Joint Resolution No. 1/20 and Central Bank Circular No. 4,015/20 and further regulations may still be issued.

#### *Foreign Exchange*

In December 2021, Law No. 14,286 or the New Foreign Exchange Law was published and will become effective one year counted from the date of its publication. It includes provisions relating to Brazilian capital abroad and foreign capital in the country. The main goals of the New Foreign Exchange Law are to liberalize the Brazilian foreign exchange market, which faces a lot of regulatory complexity as well as certain inconsistencies, modernize the system as well as increase innovation and competition.

According to the Central Bank, this new legislation may cause a positive impact on attracting foreign capital, for investments in the financial and capital markets and other forms of direct investment, which include long-term investments in infrastructure and concession projects. In addition to greater international insertion, the New Foreign Exchange Law contributes to the greater international use of the *real*, facilitating the use of domestic currency in international financial transactions, such as allowing the entry and remittance of payment orders in Brazilian *reais* from accounts in Brazilian *reais* held by institutions abroad with banks in the country.

This new legislation also consolidates over 40 legal provisions that began to be edited about 100 years ago, with dispersed commands that total more than 400 articles. This new legislation is concise, with 29 articles and current language, which will bring a greater level of legal certainty to the subjects it concerns. Additionally, the New Foreign Exchange Law encourages the reduction of operational and legal structures of foreign exchange market participants, with greater efficiency in the operations procedures and in the forwarding of information determined by the Central Bank.

#### *Recent Developments on Foreign Exchange Regulation*

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 3,918/20 became effective, amending Circular 3,691/2020 in order to improve the provisions related to international credit cards. From the effectiveness of Circular 3,918/20, 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 CMN and the Central Bank issued new rules in order to enhance foreign exchange and international capital regulation, considering technological innovations and new business models relating to international payments and transfers. The new rules seek to promote a more competitive, inclusive and innovative environment for providing services to citizens and companies that send or receive funds from abroad.

The recently enacted rules will allow: (i) authorized payment institutions to operate in the foreign exchange market, operating exclusively through electronic means; (ii) non-banking institutions authorized to operate in the foreign exchange market (such as securities brokerage companies, foreign exchange brokerage companies and payment institutions) to directly use their foreign currency accounts held abroad to settle transactions carried out in the foreign exchange market; (iii) Brazilian exporters to also receive export revenues in a payment account held in their name with a financial institution abroad or in an account abroad of a non-banking institution authorized to operate in the foreign exchange market; (iv) the receipt or delivery of *reais* in foreign exchange transactions, without amount limitation, to also occur from the customers' payment accounts held with financial institutions and other institutions authorized to operate by the Central Bank of Brazil or in payment institutions participating in the Pix; and (v) prepaid payment accounts in *reais* to be held by residents, domiciled or headquartered abroad.

The regulation of international payment or transfer services in the foreign exchange market have also been consolidated and modernized, providing an equal treatment for purchases of goods and services carried out with the participation of issuers of international cards, international payment facilitators and intermediaries/representatives in cross-border deliverables acquisition. Since October 2021, such services became classified in the foreign exchange regulations by the term "eFX". Moreover, it has also been allowed, through the eFX system, to carry out current unilateral transfers and funds transfers between accounts held by the customer in Brazil and abroad, up to US\$10,000.00.

The aforementioned measures were introduced under CMN Resolution No. 4,942 and Central Bank Resolution No. 137, both issued on September 9, 2021, and which came into force on October 1, 2021 (with the exception of the permission for payment institutions to operate in the foreign exchange market, which will come into force on September 1, 2022).

#### *Segregate Net Equity*

Moreover, Law No. 14,031/2020 provides 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.

#### *Recent Developments on Regulatory Capital Requirements for Payment Institutions*

In November 2020, the Central Bank launched Public Consultation Notice No. 78, which provided a set of regulations that sought to harmonize the prudential treatment applicable to payment transactions, whether carried out by a payment institution or by financial institution. It also aimed to harmonize the regulatory treatment of exposures arising from related activities conducted by payment institutions with that applicable to the same exposures of financial institutions. The proposal suggested the gradual implementation of the new rules, with full adoption in January 2025.

In this context, the Central Bank has recently published a set of new rules defining the prudential regulation applicable to payment institutions. This set includes BCB Resolutions No. 197, 198, 199, 200, 201 and 202, all of March 11, 2022.

Pursuant to these rules, in order to facilitate the application of the respective prudential frameworks, prudential conglomerates will be classified into one of the following types:

- **Type 1:** prudential conglomerate led by a financial institution;
- **Type 2:** prudential conglomerate led by a payment institution and not integrated by a financial institution or by another institution authorized to operate by the Central Bank; or
- **Type 3:** prudential conglomerate led by a payment institution and integrated by a financial institution or other institution authorized to operate by the Central Bank.

According to the Central Bank, the concept of regulatory capital applicable to payment institutions was modified in order to ensure greater capacity to absorb unexpected losses. This treatment will consist of deducting certain institution's assets from the calculation of regulatory capital that, in situations of financial stress, have little or no value for maintaining the institution's operation.

Furthermore, the new rules sought to adapt the minimum capital requirement according to the intrinsic risks of each type of activity (payment or financial activity) for a Type 3 conglomerate, recognizing the peculiarities of the payment services and their differentiated legal status, and give specific prudential treatment to the risks arising from them. In this context, a portion of the Risk Weighted Assets of payment services (RWAsp) was created, encompassing the activities of acquiring, issuance of electronic currency and initiation of payment transactions.

With regard to prudential segmentation, it is worth mentioning that this will also be applied to Type 3 conglomerates. Based on their size and complexity, Type 3 conglomerates will be classified between S2 and S5 and will comply with the prudential rules of the respective segment. With regard to Type 2 conglomerates, as they have less complexity and risk, they will be subject to payments, simplified credit and simplified market portions. Type 1 conglomerates will also have the RWAs portion, with the exception of institutions classified under S1 – in any case, these conglomerates will be subject to specific rules, to be edited by the CMN.

Under the new regulation, the prudential conglomerate made up by BancoSeguro, PagSeguro Brazil and MOIP will be classified as Type 3 conglomerate.

The new requirements will be enforceable according to an implementation schedule. The new rules will come into effect in January 2023, and full implementation will take place in January 2025. The Central Bank hopes that this will ensure sufficient time for institutions to adjust their internal controls and adjust their equity structure.

#### *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; (iii) related to employee benefits established by law (such as meal vouchers) or (iv) issued and accepted exclusively in the scope of a closed-loop payment scheme and intended for payment of specific services as set forth by Central Bank by means of Central Bank Resolution No. 150/21..
- 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.

In October 2021, Central Bank Resolution No. 150/21 revoked Circular No. 3,682 and Resolution 89/21 to promote changes and consolidate the rules applicable to payment schemes (many of them already introduced by the changes brought under Resolution 89/21). The objectives of the rule were, in addition to modernizing regulation on the matter, (i) reducing the regulatory cost on smaller schemes or that serve specific markets, (ii) improving the rules for settlement of prepayment of arrangements receivables and (iii) giving more equal treatment to agents who perform similar activities in open-loop payment arrangements.

#### *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 Central Bank Resolution No. 80/21:

- 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 accounts, and convert the deposits into physical or book-entry currency or vice versa.
- Issuers of post-paid payment instruments (mainly 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 reporting 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.



In addition, 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, market 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. Acquiring companies must as well integrate with an authorized registration entity in order to register all merchants' receivables and settle transactions in accordance with the information provided in such entities' systems.

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.

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.

#### *Changes in the Regulation of Credit Cards and Prepaid Payment Accounts*

On May 19, 2021, the Central Bank issued Resolution No. 96/21 which amended and restated the rules relating to the opening of postpaid payment accounts (i.e., those used in products such as credit cards) and prepaid payment accounts, in addition to making the criteria for opening these accounts compatible with the rules applicable to the opening of deposit accounts (checking accounts).

Among other measures, Resolution No. 96/21 eliminated the exhaustive list of minimum customer registration information for opening prepaid and postpaid payment accounts; each institution will have discretion to determine what information it will require from the customer, depending on its profile. It also provides for new procedures with the goal of facilitating requests for prepaid and postpaid payment accounts to be closed.

Resolution No. 96/21 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 addition, Resolution No. 96/21: (i) revised the items that must be included in the invoices for postpaid payment accounts (*i.e.*, credit cards), such as the need to include the total consolidated balance of contracted future obligations, such as installment purchases, credit operations and tariffs; (ii) defined minimum provisions that must be included in the account agreements; and (iii) mandated that the institution sends or makes available to the customer, by physical or electronic means, the credit card and the corresponding invoices, according to the form and channel chosen by the customer (among the options made available by the institution). Resolution No. 96/21 entered into force on March 1, 2022, revoking Circular 3,680/13

#### *PagSeguro Brazil's, MOIP's and BancoSeguro's Regulatory Status*

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 MOIP, which is authorized as an issuer of electronic money and as an acquirer. MOIP'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. On December 14, 2021, BancoSeguro was authorized by the Central Bank and receive a license to operate in the foreign exchange market.

#### *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 have been replaced by Resolution No. 4,734/19 and Circular No. 3,952/19, which created 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 brought 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 introduced the requirement of a market infrastructure convention, which created 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 to 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. On December 14, 2021, BancoSeguro was authorized by the Central Bank and received a license to operate in the foreign exchange market.

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 CMN Resolution No. 4,893/21;
- 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.

Furthermore, in September 2020, LGPD entered into force, and its administrative sanctions provisions became effective in August 2021 under the Brazilian Federal Law No. 14,010/20. The LGPD establishes detailed rules to be observed in the maintenance and processing of personal data and provides, among other measures, rights to the data subjects, cases in which the processing of personal data is allowed, obligations and requirements relating to security incidents involving personal data and the transfer and sharing of personal data.

The LGPD further establishes penalties for non-compliance with its provisions, ranging from a warning and exclusion of personal data processed in an irregular way to fines or the prohibition from processing personal data. The LGPD also authorizes the creation of the ANPD, an authority that oversees compliance with the rules on data protection.

Moreover, 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."

***Environmental, Social and Governance (ESG)***

Our mission is to promote and strive for financial inclusion and democratization in Brazil, a country that has been dominated by a small number of powerful banking institutions, to which a vast majority of the population do not have access. Currently, millions of micro and small entrepreneurs (previously unbanked) and consumers use and benefit from our services. We offer our services in a simple, digital, mobile-first and cost-effective manner.

Our Environmental, Social and Governance, or ESG, vocation first arose from our engagement with both merchants and customers. We have had a significant positive impact on society, affecting millions of people. We seek to create more sustainable businesses by combining creativity and technology, while also promoting diversity and reducing Brazil's massive social inequities.

Combining innovation and technology, we aim at increasingly sustainable businesses, while promoting diversity and reducing Brazil's enormous social inequalities. Our trajectory is based on constant evolution and the creation of shared value with society and our stakeholders.

In 2020, we made a number of significant advances on the ESG front. Our first sustainability report for 2020, published in December 2021, is the result of the initial effort to assess measure and propose goals for the process changes that are already underway in our company, thus ensuring the continuous improvement of the management model, potential impacts and transparency.

As a result, PagSeguro has already received a number of recognitions, awards and associations, which include:

- Ranked first in the ESG internal diagnosis and ESG report – GRI referenced in 2020;
- Ranked first in the ESG report that met GI criteria in the 2021 report;
- We are a signatory of the United Nations Global Compact, the largest voluntary corporate sustainability initiative in the world;
- We have been recognized and possess the Women on Board seal, an independent, non-profit initiative that recognizes companies that have at least two women on their board of directors. Currently, women comprise 43% of the composition of our board of directors; and
- We are also a signatory of the Women's Empowerment Principles, a set of principles that provide guidance to companies on how to promote gender equality and the empowerment of women in the labor market and in the community. Established by the UN Global Compact and UN Women, the Women's Empowerment Principles are formed by international labor and human rights standards and based on the recognition that companies have an interest and responsibility for gender equality and women's empowerment.

Furthermore, in terms of environmental and climate change management, we performed our first inventory of greenhouse gas emissions for the years 2019 and 2020, and we have been considering ways to decrease and mitigate these impacts in order to become a carbon neutral company in the near future. In addition, we have also established an ESG committee to improve our participation with ESG practices. Currently, our ESG Committee is comprised of Maria Judith de Brito (Chairwoman), Alexandre Magnani, Arthur Gaulke Schunck, Carol Elizabeth Conway, Eric Krahenbuhl de Oliveira, Ricardo Dutra da Silva and Victoria Rozsavolgyi Bortolin.

Finally, in order to further advance our ESG practices, we (i) created a ESG department and hired an ESG Manager to develop a sustainability and ESG framework and strategic plan, (ii) established an ESG committee, which meets on a monthly basis and is composed of our senior management, in order to advise the board of directors, (iii) created our ESG website as an open channel to keep our stakeholders informed of our work, (iv) published our first GHG Inventory for 2019 and 2020, (v) released our first ESG Report and (vi) became a signatory to both the United Nations Global Compact and Women's Empowerment Principles. We have also received the Women on Board seal, an independent, non-profit initiative that recognizes companies that have at least two women on their boards of directors. Our board of directors is composed of 43% female members.

#### **Property, Plant and Equipment**

##### ***Our Facilities***

We do not own any real estate. We lease our head office directly from a third party, and we directly rent a number of other smaller offices in Brazil directly from third parties. For our other office space and the operations center in São Paulo, we either lease the space on market terms on an arm's-length basis from UOL or its affiliates, or we use the space provided by UOL or its affiliates on a cost-sharing basis through an expense apportionment agreement entered into between us and UOL or the relevant affiliate. 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 other office for our subsidiaries.

##### ***Other Equipment***

The majority of our equipment consists of POS devices, which made up 91.4% of our equipment costs in 2021. 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 National Institute of Industrial Property (*Instituto Nacional da Propriedade Industrial*, or INPI) including, among others, the trademarks and logos of "PagSeguro," "PagBank," "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," "minizinhancf.com.br," "boacompra.com.br," "pagbank.com.br," "pagbank.com," "paginvest.com" and "paginvest.com.br". 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 13.3 million micro-merchants in Brazil at December 31, 2021. 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, 2020, there were 3.7 million SMEs. Additionally, according to IBGE's PNAD, at December 31, 2021, there were 19.5 million individuals self-employed in the informal economy, usually individual customers of card acquirers. Taken together, this totals an addressable market of 36.6 million formal and informal businesses. In addition, according to SEBRAE, the number of Individual Micro Entrepreneurs in Brazil increased significantly from 2010 to March 2022, from 780 thousand to 13.8 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\$ 26.2 billion in 2021 from US\$1.0 billion in 2014, while in the United States the volume was approximately US\$357 billion in 2021; 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.

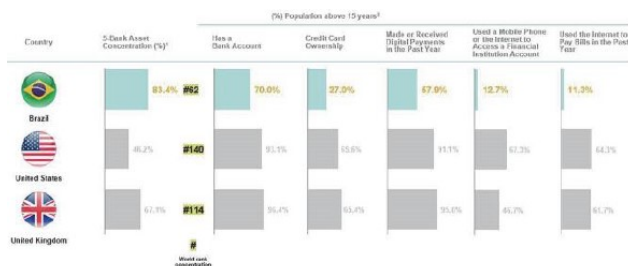
In e-commerce, transaction volumes in Brazil grew to R\$182.7 billion in 2021 from R\$143.6 billion in 2020 according to Ebit, representing a growth of 27% on the period. In addition, the growth of e-commerce on mobile devices, which, according to E-Bit's own data, in 2021 represents 53% of e-commerce transactions in Brazil, and 59% of the amount of online orders, that creates new options for buyers and sellers, providing business opportunities for buyers and providers of digital deliveries.

### ***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 2020, Brazil's five largest institutions held 87.4% 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 2020. 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 68.4% and 46.2%, respectively.

Payment card use also remains relatively low in Brazil compared to more developed markets. According to a report by ABECS, card payments accounted for 55% of Brazilian household consumption in 4Q2021. In 2019, the same indicator for Brazil was only 38%, compared with 50% in the United States and 59% 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. According to data provided by the IBGE (Pnad), the Central Bank (CCS - Cadastro de Clientes do Sistema Financeiro) and internal estimates, 8.3 million Brazilians of working age (5% of all Brazilian adults) still did not have a bank or relationship bank account (unbanked) in December 2021. In addition, another 47 million have incomplete or inadequate access to financial services (underbanked), totaling 32% of adults who are unbanked or underbanked in Brazil.

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 4.9 billion people, or 63% of the total global population, used the internet in 2021, compared with 2.2 billion people, or 32% of the total global population, in 2011.

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 Statista, Brazil is the fifth largest country in terms of number of internet users, with a 77% penetration of the Brazilian population, the third largest country in terms of time spent on the internet and the sixth largest country in terms of time spent on social media, according to the 2021 Global Digital Report from "We Are Social" and Hootsuite. According to Statista, Brazil's ratio of cell phone numbers to inhabitants has surpassed one, with smartphone penetration reaching 75.6% of the Brazilian population in 2021. The penetration rate of the smartphone market will increase to 84.2% by 2026, according to Statista Digital Market Outlook estimates.

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.

### ***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 43% from 2019 to 2020, with 43% of all online banking transactions in 2019 being made on cell phones or tablets. Febraban's 2020 Banking Technology Survey shows that mobile banking transactions account for 51% of all banking transactions. Moreover, almost seven out of ten transactions are already carried out through mobile and internet banking, with 52.9 billion mobile bank transfers taking place in 2020. 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 2021, there were 17,645 bank branches in Brazil, compared to 18,684 bank branches as of 2020.

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 in 2019. 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, financial institutions' annual revenues from services grew 25% from 2016 to 2021, while checking account fees charged to individuals and legal entities grew 16% 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 had a significant increase between July 2020 and June 2021. The most requested services, such as withdrawals, deposits and transfers, had increased between 9% and 25% above inflation of 8.35% 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 Global Digital Banking - Index 2021 Report published by Accenture and N26 in 2021, 44% of Brazilians have a digital-only bank account. Thus, Brazil not only has the second-highest number of digital-only bank customers; it is also the second-fastest-growing market (73% between 2018 and 2020), according to Global Digital Banking Report.

### ***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 benefit, 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 digital 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 six 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, debit and credit cards, loans, investments, QR code payments, and payroll portability, among other digital banking services;
- issuer of prepaid, cash, debit and credit cards;
- operate as a full acquirer; and
- operate as a cross-border PSP.

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, debit and prepaid cards transactions account for 55% of household consumption in 4Q2021 in Brazil. Credit, debit and prepaid card transaction volume in Brazil has increased at a compound annual growth rate of 17% from 2016 to 2021 according to ABECs, in which 61% of the transactions volume corresponds to credit card transactions and 35% corresponds to debit card transactions. According to ABECs estimates, 2022 is expected to have R\$3.2 trillion in card transactions, representing an increase of 21%.

***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 10.1% of retail sales in 2021, compared to 19.6% worldwide, according to eMarketer.

Furthermore, according to eMarketer's Latin America Mobile Payment Users 2019 report, proximity payment penetration in Brazil reached 20.7% in 2021. This is higher than the penetration rate in Mexico (14.2%). According to eMarketer, Brazil had 21.8 million proximity payment users in 2021, a total that has already surpassed the previous forecast made for 2023 (21 million), 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 35% of the total credit card transactions volume in Brazil in 2021, an increase of 6 percentage points from 29% in 2019.

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 57% of all online retail sales in Brazil in 2021, according to an analysis of online retail conducted by FIS, a global leader in financial technology.

In addition, according to data from the Worldpay's 2021 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 52.5% of e-commerce payment volumes by 2025 with slight declines in credit cards (to 18.8%) and debit cards (to 12.9%). By 2025, digital wallets, credit and debit cards will account for 84.2% of e-commerce spend. Buy now, pay later (BNPL) continues to earn market share, expecting to double from 2.9% in 2021 to 5.3% by 2025, 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's estimates shows that every country in Latin America will grow its e-commerce by at least double digits every year until 2025.

According to eMarketer, in 2021, "Total Retail Sales Worldwide" increased 9.7% and "Retail E-commerce Sales Worldwide" grew 16.3%, Retail M-commerce Sales Worldwide" grew 17.7%. In Latin America, M-Commerce represented 59.4% of total retail e-commerce Sales.

#### ***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. In addition to payments solutions, we are serving our micro merchants and SMEs with evolving day-to-day banking solutions, that should increase the revenue and profitability of our client base. 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. Our complete and free of charge digital banking solutions is an attractive alternative for consumers who do not have bank accounts or are underserved by traditional banking institutions, with such consumers already representing more than one-third of the PagBank active customer base. 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 and capital expenditure 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 National Consumer Price Index (Índice Nacional de Preços ao Consumidor Amplo), or IPCA, Brazilian inflation rates are 11.30%, as of March 2022 considering the accumulated inflation for the last 12 months, and were 10.06%, 4.52%, 4.31% and 3.75% in 2021, 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%. The Central Bank gradually raised the SELIC rate in 2021, accelerating the pace of interest rate spikes reaching 9.25% at the end of 2021. In early 2022, the COPOM raised interest rates again, reaching 11.75% in April 2022, with the prospect of further increases in the first half of the year. 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, issuing CD's or other financial options through BancoSeguro or PagSeguro 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.

In connection with our acquiring business operations, 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."

In connection with our issuing business operations, we earn interchange revenues that vary according to the type of card that we issue to our customers (a credit, debit or prepaid card). These interchange fees are subject to the terms defined by the card schemes, and in certain cases, these fees may also be subject to terms defined by the established card schemes and in certain cases, these fees may also be subject to terms defined by regulator. Thus, our business and financial condition may be negatively affected by the terms of interchange fees established by card schemes and regulator.

As our payments ecosystem, merchant services and banking solutions include both acquiring and issuing business operations, the variations to interchange rates that may negatively affect one side of the business, may also positively affect the other side of the business. However, this correlation does not guarantee that we won't experience a negative impact on our overall financial condition as a result of variations in the interchange rates and payment methods utilization mix.

***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 2021 SEBRAE report, 56% of entrepreneurs in Brazil have POS devices, of which PagSeguro holds the market leadership with 34% of these POS devices. According to the same report, PagSeguro is the leader among Individual Microentrepreneurs (MEIs), with 37%, surpassing the other four competitors combined. Furthermore, according to the same report, 60% of entrepreneurs are served by only one acquiring company. This illustrates the potential for us to provide additional financial services in this segment, which is underserved by the banking sector. We believe that a significant portion of this underpenetration is due to the number of unbanked people, who constitute one of the main target sectors for us.

According to data provided by the IBGE and the Central Bank (CCS - Cadastro de Clientes do Sistema Financeiro), 8.3 million Brazilians of working age (5% of all Brazilian adults) still did not have a bank or relationship bank account (unbanked) in December 2021. In addition, another 47 million have incomplete or inadequate access to financial services (underbanked), totaling 32% of adults who are unbanked or underbanked in Brazil.

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,			
	2021	2020	2019	2018
Real growth (contraction) in gross domestic product	4.6 %	(3.9)%	1.2 %	1.8 %
Inflation (IGP-M)(1)	17.8 %	23.1 %	7.3 %	7.6 %
Inflation (IPCA)(2)	10.1 %	4.5 %	4.3 %	3.8 %
Long-term interest rates – TJLP (average)(3)	5.3 %	4.5 %	6.2 %	6.7 %
CDI interest rate (average)(4)	4.8 %	2.8 %	5.9 %	6.5 %
LIBOR(5)	0.3 %	0.7 %	2.4 %	2.8 %
Period-end exchange rate— <i>reais</i> per US\$1.00	557.0 %	520.0 %	403.0 %	387.0 %
Average exchange rate— <i>reais</i> per US\$1.00(6)	540.0 %	516.0 %	395.0 %	366.0 %
Change in average exchange rate of the <i>real</i> vs. US\$	(4.6)%	(30.6)%	(7.9)%	(14.7)%
Average unemployment rate(7)	13.3 %	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) TJLP 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\$10,448.7 million in 2021 from R\$6,814.7 million in 2020. 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 7.7 million active merchants and 13.1 million PagBank active users. The change in consumer behavior described above combined with our recent investments, including the acquisition of MOIP, 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.

It is unclear how the COVID-19 pandemic will evolve throughout 2022 and the following years. In the first quarter of 2021, we experienced a new round of lockdown measures across Brazil due to Delta strain infections, which resulted in several stores being closed and an increase in the number of cases and hospitalizations, forcing the government to implement additional restrictions. During this period, our business volumes experienced a decrease resulting in a negative impact on our financial performance and condition. Since the second quarter of 2021, the number of contaminations began to decrease again and restrictions were slowly eased throughout the year. Our financial condition improved sequentially resulting from an increase in credit transactions instead of debit, in addition to an increase in the number of new customers using our instant prepayment products. The increase in demand for our instant prepayment products greatly increased our working capital needs, which were covered by CD issuances, CCB hiring and additional deposits made by merchants and consumers, and the securitization of receivables through bank issuers.

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 MOIP, 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* (RS200 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 RS89 per person. In addition to the assistance of RS200 (paid in four monthly installments of RS50) offered by Government of the State of Minas Gerais, *PagBank* deposited an extra RS20 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."

#### **ITEM 5C. RESEARCH AND DEVELOPMENT, PATENT AND LICENCES**

For more information on our research and development and intellectual property, see "Item 4. Information on the Company—Product Development and Technology", and "Item 4. Information on the Company—Intellectual Property."

#### **ITEM 5D. 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, after the global economic downturn triggered by the COVID-19 pandemic, the Brazilian economy in 2020 suffered a contraction of 3.9% in GDP. At the end of 2020 and especially during the beginning of 2021, government stimulus packages, credit growth, and the gradual reopening of the retail and services industries allowed the economy to recover, which intensified at the end of 2021, after the successful vaccination campaign against COVID-19, leading to GDP growth of 4.6% in 2021. At the beginning of 2022, the available economic data indicates a stagnation of this recovery, caused by persistent and high inflation rates, the consequent sharp rise in interest rates, and the worsening of family and business confidence indicators. As of January 2022, according to the IMF, Brazil's GDP growth rate is expected to be 0.3% in 2022.

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 shutdowns 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, 2021***

Certain IFRS accounting pronouncements became effective for periods beginning on or after January 1, 2021. The nature and effect of these changes did not have material impacts on our audited consolidated financial statements. For further information, see Note 2.21 and Note 2.22 to our audited consolidated financial statements.

#### ***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.

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, which became effective on January 1, 2023. IFRS 17 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 analyzed their contracts and concluded that is not exposed to insurance contracts.

Amendment to IAS 16 "Property, plant and equipment": In May 2020, the IASB issued an amendment prohibiting an entity from deducting from the cost of property, plant and equipment amounts received from the sale of items produced while the asset is being prepared for its intended use. Such revenues and related costs must be recognized in profit or loss for the year. The effective date of application of this change is January 1, 2022. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 37 "Provision, Contingent Liabilities and Contingent Assets": In May 2020, the IASB issued this amendment to clarify that, for purposes of assessing whether a contract is onerous, the cost of performing the contract includes the incremental costs of performing of this contract and an allocation of other costs that relate directly to the performance of this contract. The effective date of application of this change is January 1, 2022. The group does not expect the new amendment to materially impact its results of operations.

Annual Improvements - 2018-2020 Cycle: In May 2020, the IASB issued the following changes as part of the annual improvement process, effective January 1, 2022:

- (i) IFRS 9 - "Financial Instruments" - clarifies which rates must be included in the 10% test for the write-off of financial liabilities.
- (ii) IFRS 16 - "Leases" - amendment of example 13 in order to exclude the example of lessor payments related to improvements in the leased property.
- (iii) IFRS 1 "First-time Adoption of International Financial Reporting Standards" - simplifies the application of said standard by a subsidiary that adopts IFRS for the first time after its parent company, in relation to the measurement of the accumulated amount of exchange rate variations.
- (iv) IAS 41 - "Biological Assets" - removal of the requirement to exclude cash flows from taxation when measuring the fair value of biological assets and agricultural products, thus aligning the fair value measurement requirements in IAS 41 with those of other IFRS standards.

The group does not expect the new improvements to materially impact its results of operations.

Amendment to IAS 1 "Presentation of Financial Statements": issued in May 2020, with the objective of clarifying that liabilities are classified as current or non-current, depending on the rights that exist at the end of the period. The classification is not affected by the entity's expectations or events after the reporting date (e.g., receipt of a waiver or breach of covenant). The amendments also clarify what "settlement" of a liability refers to under IAS 1. The amendments to IAS 1 are effective as of January 1, 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies: in February 2021, the IASB issued a new amendment to IAS 1 on disclosure of "material" accounting policies rather than "significant" accounting policies. The amendments define what "material accounting policy information" is and explain how to identify it. It also clarifies that immaterial accounting policy information does not need to be disclosed, but if so, it should not obscure the relevant accounting information. To support this change, the IASB also amended the "IFRS Practice Statement 2 Making Materiality Judgments" to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective as of January 1, 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 8 - Accounting Policies, Change in Estimate and Error Rectification: the amendment issued in February 2021 clarifies how entities must distinguish changes in accounting policies from changes in accounting estimates, as changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as to the current period. This amendment is effective as of January 1, 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 12 - Income Taxes: the amendment issued in May 2021 requires entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This typically applies to lease transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, as an example, and will require the recognition of additional deferred tax assets and liabilities. This amendment is effective as of January 1, 2023.

#### ***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\$6.90, the Minizinha Chip for a price of 12 monthly installments of R\$0.96, the Minizinha Chip 2 (which we launched in July 2019) for a price of 12 monthly installments of only R\$6.90, 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\$24.90, 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\$12.90. 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 gain of foreign exchange variations, i.e., the gain 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 24 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.
- Our Cost of goods sold (presented in 2019) 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, (ii) interest on deposits in our accounts and (iii) losses in foreign exchange variations.
- Our Chargebacks consist of transactions that are susceptible to potentially fraudulent or improper sales and estimated credit losses.
- 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 24 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 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), which we use to finance the early payment of receivables of our merchants. 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 receivables from card issuers and acquirers. For further information regarding the FIDC, see "Item 4. Information on the Company—Organizational Structure."

### **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 20 to our audited consolidated financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences, except in certain situations explained in Note 2.16 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, 2019, see "Item 5. Operating and Financial Review and Prospects—Results of Operations—Results of Operations in 2020 and 2019" of our annual report on Form 20-F for the fiscal year ended December 31, 2020, filed with the SEC on April 27, 2020.

**Results of Operations in 2021 and 2020**

	For the Years Ended December 31,		
	2021	Percent Change	2020
	(in millions of reais, with the exception of percentages and per-share amounts)		
Revenue from transaction activities and other services	6,784.8	50.5%	4,508.7
Financial income	3,514.4	61.4%	2,177.4
Other financial income	149.5	16.3%	128.6
<b>Total revenue and income</b>	<b>10,448.7</b>	<b>53.3%</b>	<b>6,814.7</b>
Cost of sales and services	(5,775.9)	53.1%	(3,772.3)
Selling expenses	(1,523.9)	146.8%	(617.5)
Administrative expenses	(877.6)	55.6%	(563.9)
Financial expenses	(790.6)	624.0%	(109.2)
Other income (expenses), net	7.3	(68.1)%	22.9
<b>Operating profit before income taxes</b>	<b>1,488.0</b>	<b>(16.2)%</b>	<b>1,774.7</b>
Current income tax and social contribution	(119.8)	90.8%	(62.8)
Deferred income tax and social contribution	(201.9)	(51.9)%	(419.6)
<b>Income Tax and Social Contribution</b>	<b>(321.7)</b>	<b>(33.3)%</b>	<b>(482.4)</b>
<b>Net Income for the Year</b>	<b>1,166.3</b>	<b>(9.8)%</b>	<b>1,292.3</b>
Attributable to:			
Equity holders of the parent	1,166.1	(9.7)%	1,291.7
Non-controlling interests	0.2	(66.7)%	0.6
<b>Basic earnings per share attributable to equity holders of the parent – R\$</b>	<b>3.5303</b>	<b>(10.0)%</b>	<b>3.9225</b>
<b>Diluted earnings per share attributable to equity holders of the parent – R\$</b>	<b>3.5105</b>	<b>(10.4)%</b>	<b>3.9163</b>

**Total revenue and income**

Our Total revenue and income amounted to R\$10,448.7 million in 2021, an increase of 53.3% from R\$6,814.7 million in 2020. 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 2021 amounted to R\$6,784.8 million, an increase of R\$2,276.1 million, or 50.5%, from R\$4,508.7 million in 2020, as a result of the factors described below.

Our Gross revenue from transaction activities and other services in 2021 amounted to R\$7,574.7 million, an increase of R\$2,515.2 million, or 49.7%, from R\$5,059.5 million in 2020.

The increase in Gross revenue from transaction activities and other services during 2021 compared to 2020 was mainly due to an increase of 9.4% in our active merchant base and an increase of 97.0% in our TPV. In addition, in 2021, we recognized R\$268.9 million in membership fees, an increase of R\$128.1 million, from R\$140.8 million in 2020. Our Gross revenue from transaction activities and other services increased by a lesser percentage than our TPV, which increased to R\$456.1 billion from R\$161.5 billion in 2020. This difference in the growth rate was driven by the mix of debit and credit card payments, in which debit card payments represented a lower share of our processed payments versus credit card payments, combined with a higher percentage of credit card transactions made in installments in 2021 compared to 2020. These trends are mainly explained by consumer behavior during the period of the pandemic mainly in 2020, 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\$789.9 million in 2021, or 10.4% of our Gross revenue from transaction activities and other services for the year. In 2020, Deductions from gross revenue from transaction activities and other services, totaled R\$550.7 million, or 10.9% of our Gross revenue from transaction activities and other services for the year. The R\$239.2 million, or 43.4%, increase in these Deductions from gross revenue in 2021 when compared to 2020 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 2021, R\$24.9 million of these Deductions corresponded to membership fee taxes, an increase of R\$11.6 million, from R\$13.3 million in 2020.

#### *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\$3,514.4 million in 2021, an increase of R\$1,337.0 million, or 61.4%, from R\$2,177.4 million in 2020. The increase in this activity in 2021 compared to 2020 was driven by higher TPV and mix of processed debit and credit card payments containing a higher percentage of credit card transactions made in installments in 2021 compared to 2020.

#### *Other financial income*

Our Other financial income amounted to R\$149.5 million in 2021, an increase of R\$20.9 million, or 16.3%, from R\$128.6 million in 2020. The increase of R\$20.9 million in our Other financial income in 2021 when compared with 2020 was due to the increased income from exchange variation gains on our cash position outside of Brazil plus the increase in interest on cash and cash equivalents and financial investments as a result of the higher Brazilian basic interest rate (SELIC) compared to the prevailing SELIC rate in 2020.

#### *Expenses*

Our total expenses amounted to R\$8,960.7 million in 2021, an increase of R\$3,920.7 million, or 77.8%, from R\$5,040.0 million in 2020. As a percentage of our Total revenue and income, our total expenses in 2021 increased by 11.8 percentage points, to 85.8% in 2021 from 74.0% in 2020.

#### *Cost of sales and services*

Our Cost of sales and services amounted to R\$5,775.9 million in 2021, an increase of R\$2,003.6 million, or 53.1%, from R\$3,772.3 million in 2020. 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 1.4 percentage points, to 85.1% in 2021 from 83.7% in 2020

- i) Interchange fees paid to card issuers in 2021 reached R\$3,043.6 million, an increase of R\$1,363.2 million, from R\$1,680.4 million in 2020;
- ii) Card scheme fees in 2021 totaled R\$653.2 million, an increase of R\$220.8 million, from R\$432.4 million presented in 2020.

- iii) Depreciation of the POS devices in 2021 amounted to R\$448.4 million, an increase of R\$275.9 million, from R\$172.5 million in 2020;
- iv) PagPhone inventory provisions made in 2021 amounted to R\$117.5 million.

The increases in items (i) and (ii) are mainly related to a higher TPV and, consequently, to the increased revenues from transactions and other services. The increases in items (iii) refer to more POS devices and shipping to clients and item (iv) One shot provisions for PagPhone POS.

#### *Selling expenses*

Our Selling expenses amounted to R\$1,523.9 million in 2021 an increase of R\$906.4 million, or 146.8%, from R\$617.5 million in 2020. As a percentage of our Total revenue and income, our Selling expenses increased by 5.5 percentage points, to 14.6% in 2021 from 9.1% in 2020. This increase in our Selling expenses as a percentage of our Total revenue and income was driven by the increase in marketing expenses, chargebacks following the growth of TPV, provisions for expected credit losses and Hubs' workforce expansion.

#### *Administrative expenses*

Our Administrative expenses amounted to R\$877.6 million in 2021, an increase of R\$313.7 million, or 55.6%, from R\$563.9 million in 2020. This increase was mainly due to the growth in payroll and rise in consulting services. As a percentage of our Total revenue and income our Administrative expenses increased by 0.1 percentage points, to 8.4% in 2021 from 8.3% in 2020.

#### *Financial expenses*

Our Financial expenses amounted to R\$790.6 million in 2021, an increase of R\$681.4 million, or 624.0%, from R\$109.2 million in 2020. The increase in our Financial expenses is mainly driven by TPV increased rapidly from 2020, impacting our working capital needs related to advances of merchants' receivables. Our Certificates of Deposit and foreign exchange rate expenses also increased from 2020, due to the increase in the Brazilian interest rate (SELIC).

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

Our Other income (expenses), net, recorded revenues of R\$7.3 million in 2021 and revenues of R\$22.9 million in 2020. This decrease in our revenues was mainly driven by the accrual of contingencies and legal matters and disposals of fixed and intangible assets occurred in 2021.

#### *Profit before income taxes*

Our Profit before income taxes amounted to R\$1,488.0 million in 2021, a decrease of R\$286.7 million, or 16.2%, from R\$1,774.7 million in 2020.

#### *Income tax and social contribution*

Income tax and social contribution amounted to expenses of R\$321.7 million in 2021, a decrease of R\$160.7 million, or 33.3%, from expenses of R\$482.4 million in 2020. This total item consists of Current income tax and social contribution and deferred income tax and social contribution. Our total effective tax rate was 21.6% in 2021, compared to 27.2% in 2020. 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 2021 amounted R\$1,166.3 million in 2021, a decrease of R\$126.0 million, or 9.8%, from R\$1,292.3 million in 2020. As a percentage of our Total revenue and income, our Net income for the year decreased by 7.8 percentage points, to 11.2% in 2021 compared with 19.0% in 2020.

**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, 2019, see "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Cash Flows—Cash Flows in 2019" of our annual report on Form 20-F for the fiscal year ended December 31, 2020, filed with the SEC on April 27, 2021.

**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, (ii) by obtaining early payment of note receivables due to us from the card issuers and acquirers and (iii) by the deposits.

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:

	<b>At and for the Year Ended</b>		
	<b>December 31,</b>		
	<b>(in millions of reais)</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Liquidity and Capital Resources</b>			
Cash and cash equivalents	1,794.4	1,640.1	1,404.0
Net cash provided by operating activities	898.0	2,152.7	488.8
Net cash used in investing activities	(1,470.9)	(1,861.5)	(1,830.1)
Net cash provided by (used in) financing activities	727.2	(55.1)	(17.9)

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 borrowings, leases and 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 2021**

Our Cash and cash equivalents at the year ended December 31, 2021 amounted to R\$1,794.4 million.

Our Profit before income taxes for the year ended December 31, 2021 was R\$1,488.0 million.



The adjustments for revenue, income and expenses recorded in our statement of income in the year ended December 31, 2021 but which did not affect our cash flows totaled the positive amount of R\$2,193.4 million, mainly due to R\$370.6 million of Share-based long-term incentive plan (LTIP) expenses, R\$664.3 million in Chargebacks, R\$768.6 million of Depreciation and amortization recorded in our statement of income and R\$230.6 million of interest accrued of financial assets and liabilities. 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, 2021 amounted to a negative cash flow of R\$3,775.0 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\$23,657.4 million at December 31, 2021, compared to R\$16,076.5 million at December 31, 2020) 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\$9,303.1 million in the year ended December 31, 2021.
- 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\$13,217.2 million at December 31, 2021, compared to R\$10,101.5 million at December 31, 2020). Payables to third parties represented a positive cash flow of R\$2,940.7 million in the year ended December 31, 2021.
- 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 excluding interest paid, which are presented separately in the statement of cash flows (R\$543.6 million at December 31, 2021, compared to R\$58.3 million on December 31, 2020). Receivables from (payables to) related parties represented a positive cash flow of R\$471.6 million in the year ended December 31, 2021.
- 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 negative cash flow of R\$8.1 million in the year ended December 31, 2021.
- Our Trade payables item consists of the difference between the opening and closing balances of the trade payables (R\$578.0 million at December 31, 2021, compared to R\$335.5 million at December 31, 2020). Trade payables represented a positive cash flow of R\$243.6 million in the year ended December 31, 2021.
- Taxes and contributions item consists of sales taxes (ISS, ICMS, PIS and COFINS). This item represented negative cash flow of R\$11.5 million in the year ended December 31, 2021.
- Our financial investments (mandatory guarantee) item consists in the minimum amount that we need to maintain available as requested by the Central Bank. This item represented a negative cash flow of R\$84.5 million in the year ended December 31, 2021.
- 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\$36.6 million in the year ended December 31, 2021, mainly related to withholding taxes from FIDC quotas redeemed in 2021.
- Our deposits item consists of issued certificates of deposit, excluding paid interest income paid to, which are presented separately in the statement of cash flows. This item represented a positive cash flow of R\$2,276.0 million in the year ended December 31, 2021.

We paid income tax and social contribution in cash totaling R\$76.8 million and recorded a positive cash flow of R\$1,068.5 million related to interest income received in cash in 2021.

As a result of the above, our Net Cash provided by operating activities in the year ended December 31, 2021 totaled RS898.0 million.

Our Cash flows used in investing activities in the year ended December 31, 2021 totaled RS1,470.9 million. This amount consisted of RS779.6 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, RS972.3 million in purchases of property and equipment, mainly related to POS device purchases, positive cash flow of RS324.2 million related to the redemption of financial investments and RS43.4 million for the acquisition of companies.

Our Cash flows used in financing activities in the year ended December 31, 2021 totaled RS727.2 million, principally related to our borrowing in the amount of RS1,012.1 million along with RS258.0 million that we spent on the repurchase of shares to be held in treasury.

After considering the total decrease in Cash and cash equivalents of RS154.3 million in 2021, as discussed above, our Cash and cash equivalents at December 31, 2021 amounted to RS1,794.4 million.

*Cash Flows in 2020:*

- Our Cash and cash equivalents at the year ended December 31, 2020 amounted to RS1,640.1 million.
- Our Profit before income taxes for the year ended December 31, 2020 was RS1,774.7 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 RS728.1 million, mainly due to RS122.9 million of Share-based long-term incentive plan (LTIP) expenses, RS288.3 million in Chargebacks, RS376.3 million of Depreciation and amortization recorded in our statement of income and RS84.3 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 RS570.5 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 (RS16,076.5 million at December 31, 2020, compared to RS10,507.1 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 RS5,586.9 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 (RS10,101.5 million at December 31, 2020, compared to RS5,326.3 million at December 31, 2019). Payables to third parties represented a positive cash flow of RS4,173.3 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 (RS58.3 million at December 31, 2020, compared to RS22.2 million on December 31, 2019). Receivables from (payables to) related parties represented a positive cash flow of RS38.3 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 RS7.6 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 the 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, or LFTs, and R\$345.6 million related to acquisition of companies, which are mainly related to the acquisition of MOIP.

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.

#### ***Loans and Financings***

In November 2021, the Group entered in a US\$180 million borrowing agreement with maturity in one-year from the execution date and the payment will occur in a single installment at the due date. Interest on the borrowing is paid on the maturity of the operation, together with the total settlements of the financial instruments. On December 31, 2021, the borrowing amounted to R\$1,005,787.

In the same operation, the Company contracted derivative financial instruments, or Swaps, for the borrowing in foreign currency, with the specific objective of protecting said borrowing from fluctuations arising from foreign exchange variation, with the final remuneration, considering all the costs of the operation, equivalent to 109.4% of the CDI.

We had no third-party borrowings at December 31, 2020 and 2019. For further information on our financing activities, see Note 19 to our audited consolidated financial statements.

**Commitments and Contractual Obligations**

Our contractual obligations at December 31, 2021 consisted of obligations to purchase POS devices, borrowings and deposits obligations as follows:

	At December 31, 2021				Total
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
	(RS millions)				
POS device purchases	1,650.9	-	-	-	1,650.9
Borrowings	1,005.8	-	-	-	1,005.8
Deposits obligations	3,056.4	77.6	-	-	3,134.0
<b>Total</b>	<b>5,713.1</b>	<b>77.6</b>	<b>-</b>	<b>-</b>	<b>5,790.7</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, 2021 and 2020.

For a discussion of off-balance sheet arrangements for the year ended December 31, 2019, 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, 2020, filed with the SEC on April 27, 2021.

**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, tax and labor lawsuits. 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 5E. CRITICAL ACCOUNTING ESTIMATES**

Not applicable.

**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:

Name	Title	Date of Birth
Luis Frias	Chairman	April 6, 1963
Eduardo Alcaro	Vice Chairman	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 member of our board of directors and our Principal Executive Officer since December 18, 2017. He is currently the Chairman of our board of directors since January 8, 2018. Mr. Frias has also been a member of the newly formed executive committee of our board of directors since January 10, 2022. 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 has held a number of executive officer positions over the course of 2021, including Chief Business Development Officer (from which he resigned on October 8, 2021) and Chief Financial Officer, Investor Relations Officer and Chief Accounting Officer (from which he resigned on May 18, 2021). He is currently the Vice Chairman of our board of directors since June 2, 2021, and is also a member of the newly formed executive committee of our board of directors since January 10, 2022. He was also Chief Financial Officer of the UOL group and Officer of the Folha Group from 2011 until October 2021. 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 Getúlio Vargas Foundation (*Fundação Getúlio 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 Getúlio 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 since December 18, 2017. He was an Executive Officer from December 18, 2017 until October 8, 2021. He has been Chief Executive Officer since October 8, 2021. Mr. Dutra has also been a member of the newly formed executive committee of our board of directors since January 10, 2022, and on the same date, Mr. Dutra was appointed as Co-Chief Executive Officer alongside Mr. Alexandre Magnani. He has been Chief Executive Officer of PagSeguro Brazil and was also Chief Executive Officer of UOL Digital Content and Products from March 2016 until August 2019. 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 Getúlio Vargas Foundation (*Fundação Getúlio 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 has been a member of our board of directors since January 1, 2019. He holds a master's degree in Economics from Getúlio Vargas Foundation (*Fundação Getúlio 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 Getúlio Vargas Foundation (*Fundação Getúlio 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 Getúlio Vargas Foundation (*Fundação Getúlio 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 has been a member of our board of directors since March 16, 2020. She 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.

#### *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.

#### *Executive Committee*

On January 10, 2022, we formed a new executive committee of our board of directors that serves as an administrative committee to act upon and facilitate deliberations and analysis by senior management and our board of directors of certain high-level business and strategic matters. The executive committee is currently composed of Luiz Frias, Eduardo Alcaro and Ricardo Dutra. Our executive officers, including the chief financial and investor relations officer and chief accounting officer, will report to the executive committee.

#### *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.

#### *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
Ricardo Dutra da Silva	Co-Chief Executive Officer	December 1, 1975
Alexandre Magnani	Co-Chief Executive Officer	November 10, 1970
Artur Schunck	Chief Financial Officer, Chief Accounting Officer and Investor Relations Officer	June 11, 1979

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.

*Ricardo Dutra da Silva.* See "Board of Directors" for a brief biographical description of Mr. Dutra da Silva.

*Alexandre Magnani.* Mr. Magnani has been Co-Chief Executive Officer since January 10, 2022. He has been working at PagSeguro since January 2015, acting as the Director of the company's Sales and International Financial Services, including leadership in sales, acquiring business and e-commerce, among other areas. Before joining PagSeguro, Mr. Magnani worked for nearly 15 years at Mastercard International, leading their Latin American regional new business development and retailer issuer's initiatives. Prior to that, he spent over five years for Redecard and Credicard in Brazil. Mr. Magnani holds a bachelor's degree and an MBA in business management from the Getulio Vargas Foundation (*Fundação Getulio Vargas –FGV*) in São Paulo, Brazil.

*Artur Schunck.* Mr. Schunck has been Chief Financial Officer, Investor Relations Officer and Chief Accounting Officer since November 10, 2018. He 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.

## 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 2021 was R\$ 49.2 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, amended and ratified along with subsequent amendments on August 7, 2019, February 21, 2020, January 19, 2021, August 16, 2021 and December 22, 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.

Prior to the most recent amendment to LTIP-Goals on December 22, 2021, the terms applicable to the plan for performance in 2021 (payable in 2022) are consistent with the summary set out in Note 2.20 (Share-based payments (LTIP and LTIP Goals)) to our audited financial statements included elsewhere in this annual report. A summary of LTIP-Goals as amended on December 22, 2021 applicable to the plan for performance in 2022 (payable in 2023) is provided below.

Beneficiaries under the LTIP-Goals are granted awards annually, as payment from the PagSeguro Brazil corporate results-sharing plan, a Maximum Annual Amount, or MAA, in Brazilian *reais*, 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 achievement of performance goals established in our corporate results-sharing plan for any given year. In January of each year, the LTIP-Goals Committee shall establish the MAA for that particular year, which shall be converted into a maximum number of Class A common shares, or MNS, by dividing the MAA by the average price of the Company's Class A common shares in auctions in December of the prior year (or longer periods, at the LTIP-Goals Committee's discretion), converted into Brazilian reais using the average price of U.S. dollar for the same period.

Until March 31 of the year following the PagSeguro Brazil corporate results-sharing plan calculation, each beneficiary shall be entitled to receive, as payment from the LTIP-Goals, either the number of Class A common shares or the amount in Brazilian reais, which form of payment shall be determined in the LTIP-Goals Committee's sole discretion, provided that: (i) the goals established in the PagSeguro Brazil corporate results-sharing plan of the previous year have been totally or partially achieved; (ii) the total amount determined for the payment under the PagSeguro Brazil corporate results-sharing plan, including the corresponding amounts (either a number of Class A common shares or an amount in Brazilian reais), plus taxes shall not be higher than the amount equivalent to a percentage of the Company's net profit, or any other indicator, as established at the beginning of each year by the LTIP-Goals Committee (together with the performance goals set annually for the PagSeguro Brazil corporate results-sharing plan). If the total determined amount exceeds the limit established, payments shall be reduced on a pro-rata basis.

At March 31, 2022, a total of 1,042,887 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 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 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, 2022, a total of 5,476,068 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 2022 was 6,518,955 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, 2021, our total team consisted of 8,387 people, including 1,636 employees plus outsourced staff, and 12 employees under BCPS, the rest of our team is located in Brazil. At December 31, 2021, our employees had an average age of 34 years, 79.2% of whom held a bachelor's degree or higher and 38.2% of whom were women, with 30.8% 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,		
	2021	2020	2019
Products and Engineering	2,080	1,556	1,070
Commercial, Marketing and Operations	4,304	2,820	1,293
Administrative	367	235	215
<b>Total</b>	<b>6,751</b>	<b>4,611</b>	<b>2,578</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, due to the market shortage Products and Engineering might be eligible to higher multiples of salary for each level, and is based on annual targets for metrics such as free cash flow, net income, revenues, working capital, EBT, active merchants 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, 2021.

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 202,053,365 outstanding Class A common shares (including treasury shares) and 127,554,861 outstanding Class B common shares. As of December 31, 2021, approximately 74.3% of our Class A common shares (including treasury shares) were held of record by 198 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>	864,862	0.4%	127,554,861	100%	86.4%
Capital Research and Management Company <sup>(3)</sup>	55,901,078	27.7%	-	-	3.8%
Melvin Capital <sup>(4)</sup>	19,800,000	9.8%	-	-	1.3%
Invesco Ltd. <sup>(5)</sup>	14,692,252	7.3%	-	-	1.0%
Treasury	1,688,701	0.8%	-	-	0.11%
Management	5,907,894	2.9%	-	-	0.4%
Others	113,198,578	56.0%	-	-	7.7%
<b>Total</b>	<b>202,053,365</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 Capital Research and Management Company, or CRMC, through Capital Research and Global Investors, or CRGI, and Capital World Investors, or CWI, divisions, as well as its investment management subsidiaries and affiliates Capital Bank and Trust Company, Capital International, Inc., Capital International Limited, Capital International K.K. and Capital Group Private Client Services, Inc. (together with CRMC, the investment management entities). CRGI is deemed to be the beneficial owner of 38,275,886 shares or 18.9% of outstanding shares and CWI is deemed to be the beneficial owner of 17,625,192 shares or 8.7% of outstanding shares. The address for CRMC is 333 South Hope Street, 55th Fl, Los Angeles, CA 90071.
- (4) Consists of shares beneficially owned by Melvin Capital Management LP, the Firm's investment manager to Melvin Mister, Melvin Capital Onshore LP, a Delaware limited partnership, or Melvin Onshore, and one or more managed accounts (the "Managed Accounts" and together with Melvin Mister and Melvin Onshore, the "Melvin Funds and Accounts"). As of December 31, 2021, the Firm may be deemed to beneficially own an aggregate of 19,800,000 shares of Common Stock. The number of shares reported above consists of (i) 7,985,527 shares of Common Stock and call options to purchase up to 8,147,000 shares of Common Stock held by Melvin Mister; (ii) 435,790 shares of Common Stock and call options to purchase up to 445,000 shares of Common Stock held by Melvin Onshore; and (iii) 1,378,683 shares of Common Stock and call options to purchase up to 1,408,000 shares of Common Stock held by the Managed Accounts. The Firm as the investment manager to the Melvin Funds and Accounts, may be deemed to beneficially own these securities. Gabriel Plotkin is the managing member of the general partner of the Firm and exercises investment discretion with respect to these securities. Ownership percentages are based on 201,461,511 shares of Common Stock reported as issued and outstanding in the Issuer's Annual Report on Form 20-F filed with the Securities and Exchange Commission on April 27, 2021. Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.
- (5) 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.

On July 15, 2020, UOL reached agreements for the exit of certain of UOL's minority shareholders. On November 23, 2021, UOL purchased 50,000 Class A common shares. As a result of these transactions and as of March 31, 2022, and following the related share transfers involved, UOL continues to be our controlling shareholder with 38.96% of total outstanding share capital and 86.38% 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, 2021 was R\$370.4 million, representing 4.1% 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, 64.4% were provided by UOL, 27.8% were provided by Compasso, 3.4% were provided by Transfolha and 4.5% were provided by other related parties. PagSeguro also provided services to UOL and certain UOL affiliates during the year ended December 31, 2021 for an amount of R\$4.2 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 certain of our offices 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 course 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 Techonogia 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.

PagSeguro Brazil and Inwillia - Desenvolvimento de Produtos Digitais LTDA, or Inwillia, a subsidiary of Compasso Tecnologia Ltda. (a subsidiary of UOL that is not part of the PagSeguro Group), are party to a software development and implementation services agreement under which Inwillia 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/Compasso 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 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 and COSA, as resellers of the services, are 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.

#### **Scala Data center 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 2020, 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.

These agreements and all of their respective sublease agreements were terminated on October 1, 2021. Those terminations were recognized without any additional obligations for either party, and, as of November 1, 2021, the parties reciprocally gave each other a full release of any potential future liability.

## 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, 2021 for all types of legal proceedings for which we believe a loss is probable were R\$38.2 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, 2021, we had judicial deposits in an aggregate amount of R\$391.8 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, 2021, we were party to approximately 11,098 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, 2021, we had recorded R\$33.3 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, 2021, we were party to two civil lawsuits 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, 2021, we had judicial deposits for civil proceedings in an aggregate amount of R\$4.9 million.

#### **Labor Proceedings**

As of December 31, 2021, we were party to approximately 284 labor-related judicial and administrative proceedings for which we recorded a provision of R\$18.4 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, 2021, we had made judicial deposits of R\$25.8 million related to the Brazilian government's Social Integration Program (*Programa Integração Social*, or PIS), R\$158.7 million related to Brazilian social security (*Contribuição para o Financiamento da Seguridade Social*, or COFINS) relating to our financial income, R\$159.1 million related to ISS and R\$13.0 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 hamper 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 issued a ruling (topic 1093) favorable to taxpayers. The probability of loss in this matter has been changed to remote.

On October 15, 2021, PagSeguro Internet was assessed by the Brazilian Internal Revenue Service, or IRS for not collecting financial transaction tax, or IOF tax credit, which is applicable in case of credit transactions of any nature, including intercompany loans. The amount of this assessment totaled R\$239 million. The IRS claims that PagSeguro Internet entered into loan agreements with companies within the same corporate group and therefore the IOF tax credit should have been collected. PagSeguro Internet has presented its defense, clarifying that the transactions carried out among PagSeguro and its subsidiaries are not credit transactions, on which IOF tax credit would be levied. The group has a centralized cash pool and, according to the law, this kind of intercompany transaction is not taxable by IOF tax credit. The chances of loss in connection with this proceeding has been determined as possible.

On October 19, 2021, PagSeguro Internet was audited by the Brazilian Internal Revenue Service, or IRS, on the understanding that PagSeguro Internet did not deduct advertising expenses from the PIS and COFINS tax base. The amount involved in this assessment totaled R\$34 million. The IRS claims that advertising expenses are not essential or needed for the service PagSeguro Internet provides. A response to the claims presented by the IRS was provided clarifying that these expenses are necessary in connection with the services PagSeguro Internet provides because it does not possess physical headquarters and therefore depends on advertising to promote its products and services to stimulate sales and give credibility to the market. The chances of loss in connection with this proceeding have been determined as possible.

As of December 31, 2021, our judicial deposits related to other tax matters total R\$13.0 million. We do not consider any of these other tax matters material.

As of December 31, 2021, we were party to tax lawsuits classified by legal advisors as possible losses, which involved an aggregate amount of R\$503.7 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 19. THE OFFER AND LISTING**

### ***The Offer***

Not applicable.

### ***Plan of Distribution***

Not applicable.

### ***Trading Markets and Listing Details***

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 December 31, 2021, the Class A common shares represented 61.30% 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 depositary 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 December 31, 2021 was 32,965, representing approximately 0.016% 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 of 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 were 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 that 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. The board of directors may call a special meeting 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, net investment income tax consequences, 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.

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 2022, PagSeguro Digital had 202,053,365 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.

The Company's risk is mainly related to Boa Compra and BCPS that have revenues in other currencies and cash and cash equivalents maintained in other countries. Additionally, in November 2021, the Group entered into a US\$180 million loan agreement and in addition entered into a derivative financial instrument with the specific objective of hedging against fluctuations arising from exchange variation.

***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. For further details, see Note 26 of our financial statements, where a sensitivity analysis of the interest rate risks is presented as of December 31, 2021.

In addition, margins can be affected due to interest rate fluctuation mainly for our prepayment business when we advance receivables to our merchants. Cash is our raw material for this product and if the costs spike, we need to reprice the product to reflect the new cost base. However sometimes the repricing does not occur at the same time of the cost increase or does not achieve the same level, and consequently, the margin may decrease.

***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 2021, 2020 or 2019. 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 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, 2021. 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, 2021. 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. In addition, 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, 2021, 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, 2021.

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers Auditores Independentes Ltda., 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 Ltda., 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, 2021. 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, 2021 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, 2021 and 2020. Our independent accounting firm was PricewaterhouseCoopers Auditores Independentes Ltda. for the years ended December 31, 2021 and December 31, 2020.

	Year ended December 31,	
	2021	2020
	(in thousands of reais)	
Audit fees <sup>(1)</sup>	5,201.7	4,414.9
Audit related fees <sup>(2)</sup>	-	718.5
<b>Total</b>	<b>5,201.7</b>	<b>5,133.4</b>

(1) "Audit Fees" include fees for: (i) the audit of our annual consolidated financial statements for the years ended December 31, 2021 and 2020 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, 2021 and 2020, for the six-month periods ended June 30, 2021 and 2020 and for the nine-month periods ended September 30, 2021 and 2020.

(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 2021	-	-	-	-
February 2021	-	-	-	-
March 2021	-	-	-	-
April 2021	-	-	-	-
May 2021	-	-	-	-
June 2021	-	-	-	-
July 2021	-	-	-	-
August 2021	-	-	-	-
September 2021	-	-	-	-
October 2021	405,744	188.13	405,744	13.846
November 2021	550,000	175.74	550,000	17.382
December 2021	730,491	152.08	730,491	19.706

(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 weighted average rate of RS\$5.51 to US\$1.00 at October 2021, RS\$5.56 at November 2021 and RS\$5.64 at December 2021 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 16I. DISCLOSURE REGARDING FOREIGN JURISDICTION THAT PREVENTS INSPECTIONS**

Not applicable.

**ITEM 17. FINANCIAL STATEMENTS**

Not applicable.

**ITEM 18. FINANCIAL STATEMENTS**

See pages F-1 through F-54, filed as part of this annual report.

**ITEM 19. EXHIBITS**

No.	Description
1.1	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).
2.1	Description of Securities Registered under Section 12 of the Exchange Act.
4.1†	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).
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. (incorporated by reference to Exhibit 4.3 of Form 20-F filed on April 27, 2021).
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. (incorporated by reference to Exhibit 4.4 of Form 20-F filed on April 27, 2021).
4.5†	English translation of 10th Addendum to the Agreement for the Supply of Equipment, dated as of July 20, 2021, among Net+Phone Telecomunicações Ltda., PAX BR Comércio e Serviços de Equipamentos de Informática Ltda., Transire Fabricação de Componentes Eletrônicos Ltda., PagSeguro Internet Ltda., Transire Fabricação de Componentes Eletrônicos Ltda. and Tec Toy S.A.
4.6†	English translation of 11th Addendum to the Agreement for the Supply of Equipment, dated as of March 18, 2022, among Net+Phone Telecomunicações Ltda., PAX BR Comércio e Serviços de Equipamentos de Informática Ltda., Transire Fabricação de Componentes Eletrônicos Ltda., PagSeguro Internet Ltda., Transire Fabricação de Componentes Eletrônicos Ltda. and Tec Toy S.A.
4.7†*	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).
4.8†*	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).



- 4.9† 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).
- 4.10† 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. (incorporated by reference to Exhibit 4.8 of Form 20-F filed on April 27, 2021).
- 4.11†\* 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).
- 4.12†\* 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 – Gete 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 Gete - 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).
- 4.13†\* 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).
- 4.14†\* 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).

4.15	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).
4.16†*	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).
4.17†	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. (incorporated by reference to Exhibit 4.15 of Form 20-F filed on April 27, 2021).
4.18†	English Translation of Incentive Agreement for Optimization of the debit card base, dated December 1, 2021, between Mastercard and PagSeguro
4.19†*	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).
4.2†*	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 – PagSeguro – 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).
4.21*	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).
4.22*	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).
4.23*	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).
4.24	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).
4.25	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.11 of Form F-1 filed on December 26, 2017).
4.26	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., (incorporated by reference to Exhibit 4.23 of Form 20-F filed on April 27, 2021).

4.27	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).
4.28†	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., (incorporated by reference to Exhibit 4.25 of Form 20-F filed on April 27, 2021).
4.29†	English Translation of the First Amendment to the Trade and Incentive Agreement, dated as of December 2, 2021, between Elo Serviços S.A. and PagSeguro Internet
4.3†	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).
4.31†	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; 1st 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).
4.32†	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-202008026-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. (incorporated by reference to Exhibit 4.28 of Form 20-F filed on April 27, 2021).
4.33†	English Translation Software Implementation and Development Service Agreement, dated October 28, 2021, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda.
4.34†	English Translation Software Implementation and Development Service Agreement, dated November 27, 2021, between PagSeguro Internet S.A. and Compasso Tecnologia Ltda.
4.35†	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.; 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).
4.36†	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).
4.37†	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., (incorporated by reference to Exhibit 4.31 of Form 20-F filed on April 27, 2021).
4.38†	First Amendment to the AWS Cloud Agreement, dated as of August 18, 2020, between UOL Diveo Tecnologia Ltda. and PagSeguro Internet S.A. (incorporated by reference to Exhibit 4.32 of Form 20-F filed on April 27, 2021).
4.39†	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. (incorporated by reference to Exhibit 4.33 of Form 20-F filed on April 27, 2021).
4.4†	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. (incorporated by reference to Exhibit 4.34 of Form 20-F filed on April 27, 2021).
4.41†	English Translation of Correspondent Bank Agreement, dated as of December 13, 2021, between Banco Seguro and PagSeguro Internet S.A.

4.42†	English Translation of Visa do Brasil Participation Agreement, dated as of December 8, 2021, between Banco Seguro S.A and Visa
4.43†	English Translation of Service Agreement and Other Covenants, dated as of November 7, 2019, between Pagseguro Internet S.A. and Inwillia Desenvolvimento de Produtos Digitais Ltda.
4.44†	English Translation First Amendment to the Service Agreement and Other Covenants, dated as of August 18, 2020, between Pagseguro Internet S.A. and Inwillia Desenvolvimento de Produtos Digitais Ltda.
4.45†	English Translation of Second Amendment to the Service Agreement and Other Covenants, dated as of August 20, 2020, between Pagseguro Internet S.A. and Inwillia Desenvolvimento de Produtos Digitais Ltda.
4.46†	English Translation of Third Amendment to the Service Agreement and Other Covenants, dated as of April 22, 2021, between Pagseguro Internet S.A. and Inwillia Desenvolvimento de Produtos Digitais Ltda.
4.47†	English Translation of Fourth Amendment to the Service Agreement and Other Covenants, dated as of August 13, 2021, between Pagseguro Internet S.A. and Inwillia Desenvolvimento de Produtos Digitais Ltda.
4.48†	English Translation of Long-term Incentive Plan, dated as of December 20, 2021
8.1	Subsidiaries of PagSeguro Digital Ltd.
11.1	English translation of the UOL Code of Ethics and Conduct, dated as of April, 2022
11.2	English translation of the UOL Code of Ethics and Conduct – Mobbing and Sexual Harassment.
12.1	Certification of Luis Frias, Principal Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of Artur Schunck, Chief Financial and Investor Relations Officer and Chief Accounting Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification of Luis Frias, Principal Executive Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification of Artur Schunck, Chief Financial and Investor Relations Officer and Chief Accounting Officer, Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent of Ernst & Young Auditores Independentes.
15.2	Consent of PricewaterhouseCoopers Auditores Independentes.

## 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 Moderninha 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 29, 2022.

**PagSeguro Digital Ltd.**

By:	<u>/s/ Artur Schunck</u>
Name:	Artur Schunck
Title:	Chief Financial Officer, Chief Accounting Officer and Investor Relations Officer

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## **PagSeguro Digital Ltd.**

Consolidated financial statements

As of December 31, 2021 and 2020

**PagSeguro Digital Ltd.**

Consolidated financial statements  
As of December 31, 2021 and 2020

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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, 2021 and 2020, and the related consolidated statements of income, other comprehensive income, changes in equity and cash flows for each of the two years in the period ended December 31, 2021, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021 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, 2021, 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 the accompanying 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 U.S. 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.

### 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 2.15 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, 2021 as "revenue from transaction activities and other services", substantially related to electronic intermediation fees, and "financial income", mostly related to early payments to merchants, the amounts of R\$ 6,784,806 thousand and R\$ 3,514,425 thousand, respectively, as described in Note 23 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 testing if the percentages applied for these transactions 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.

### Measurement of expected credit losses for loans and receivables from credit card holders

As described in Notes 3.4 and 8 to the consolidated financial statements, as at December 31, 2021, the expected credit losses on (i) loans and (ii) receivables from credit card holders was R\$ 256,927 thousand and R\$ 174,046 thousand, respectively. The balance of (i) loans and (ii) receivables from credit card holders as at December 31, 2021, was R\$ 1,069,671 thousand and R\$ 726,095 thousand, respectively. Management assesses the adequacy of the expected credit losses (ECL) using projections of losses, based on the actual credit exposure and aging for the portfolios at the date and historical default rates measured under the collective models applied by the management that uses the following assumptions: (i) historical loss records; and (iii) estimated future cash flows.

The principal considerations for our determination that performing procedures relating to the measurement of expected credit losses is a critical audit matter are (i) there was significant judgment and assumptions used by management in determining the expected credit losses and the collective model applied, considering the increase in the size of the portfolio, changes in the volume and severity of past due loans and credit card receivables during the current year; (ii) the complexity involved in the process of determining historical default rates of the portfolios; and (iii) effort in performing procedures and in evaluating audit evidence obtained related to the calculations of the percentage of provision by aging of portfolios.

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 understanding and testing the effectiveness of controls relating to management's measurement of expected credit losses, which included controls over the historical default rates and projections of portfolio future cash flows used in the determination of the percentage of the provision by aging of portfolios. These procedures also included, among others: (i) the involvement of professionals with knowledge in testing management's process for determining the expected credit losses, including evaluating the appropriateness of the methodology and collective models, testing the accuracy and completeness of data used, and evaluating the reasonableness of significant assumptions; (ii) the analysis of management's accounting policies in comparison with IFRS 9; and (iii) evaluating the sufficiency of the Company's disclosures.

São Paulo,  
March 17, 2022

/s/ PricewaterhouseCoopers Auditores Independentes Ltda.  
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 statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements") of PagSeguro Digital Ltd. (the Company). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of its operations and its cash flows for the year ended December 31, 2019, 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 2.14 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 22 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> We have served as the Company's auditor on 2019.	
São Paulo, Brazil February 26, 2020	

**Management's Report on Internal Control over Financial Reporting**

The management of PagSeguro Digital Ltd. and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

The Company's internal control over financial reporting is a process under the supervision of the co-chief executive officer and chief financial officer and effected by the Company's Statutory Audit Committee, the Company's Board of Directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with and in compliance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with and in compliance with IFRS as issued by the IASB and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) 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 consolidated 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.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021, is based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, management has concluded that, as of December 31, 2021 the Company's internal control over financial reporting is effective.

Sao Paulo  
March 15, 2022.

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/s/ Alexandre Magnani  
Alexandre Magnani  
Co-Chief Executive Officer

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/s/ Artur Schunck  
Artur Gaulke Schunck  
Chief Financial Officer

**PagSeguro Digital Ltd.**

Consolidated balance sheets  
As of December 31, 2021 and 2020  
(All amounts in thousands of reais)

	Note	December 31,	
		2021	2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	1,794,362	1,640,065
Financial investments	7	782,647	979,837
Accounts receivable	8	23,428,522	16,042,970
Inventories		49,537	30,429
Tax receivable	9	469,490	388,975
Other receivables		194,776	164,805
<b>Total current assets</b>		<b>26,719,334</b>	<b>19,247,081</b>
<b>Non-current assets</b>			
Accounts receivable	8	228,880	33,570
Judicial deposits		40,224	7,449
Deferred income tax and social contribution	20	120,762	83,296
Other receivables		11,710	10,293
Investment		15,666	16,400
Property and equipment	12	2,289,052	1,802,613
Intangible assets	13	1,650,176	1,123,620
<b>Total non-current assets</b>		<b>4,356,470</b>	<b>3,077,241</b>
<b>Total assets</b>		<b>31,075,804</b>	<b>22,324,322</b>

The accompanying notes are an integral part of these consolidated financial statements.



**PagSeguro Digital Ltd.**

Consolidated balance sheets  
As of December 31, 2021 and 2020  
(All amounts in thousands of reais)

	Note	December 31,	
		2021	2020
<b>Liabilities and equity</b>			
Current liabilities			
Payables to third parties	14	13,217,150	10,101,510
Trade payables		578,004	335,539
Payables to related parties	10	543,621	58,336
Deposits	15	3,056,444	571,996
Salaries and social security charges	16	259,724	175,198
Taxes and contributions	17	63,934	26,042
Provision for contingencies	18	27,653	17,063
Borrowings	19	1,005,787	—
Derivative financial instruments	19	14,317	—
Deferred revenue	2.15	162,566	186,219
Other liabilities		73,719	102,572
Total current liabilities		19,002,919	11,574,475
Non-current liabilities			
Deferred income tax and social contribution	20	1,391,760	1,132,595
Deposits	15	77,552	194,090
Provision for contingencies	18	13,910	11,741
Deferred revenue	2.15	17,300	27,336
Other liabilities		70,165	56,626
Total non-current liabilities		1,570,687	1,422,388
Total liabilities		20,573,606	12,996,863
Equity			
Share capital	21	26	26
Treasury shares	21	(285,011)	(13,609)
Capital reserve	21	6,076,286	5,784,288
Retained earnings	21	4,732,624	3,566,522
Equity valuation adjustments	21	(22,372)	(22,372)
Other comprehensive income	21	645	491
		10,502,198	9,315,346
Non-controlling interests		—	12,113
Total equity		10,502,198	9,327,459
Total liabilities and equity		31,075,804	22,324,322

The accompanying notes are an integral part of these consolidated financial statements.

**PagSeguro Digital Ltd.**

Consolidated statements of income

Year ended December 31, 2021, 2020 and 2019

(All amounts in thousands of reais unless otherwise stated)

	Note	For the year ended December 31,		
		2021	2020	2019
Revenue from transaction activities and other services	23	6,784,806	4,508,719	3,376,068
Revenue from sales	23	—	—	174,226
Financial income	23	3,514,425	2,177,360	2,030,511
Other financial income	23	149,491	128,594	126,404
Total revenue and income		10,448,722	6,814,673	5,707,209
Cost of sales and services	24	(5,775,895)	(3,772,298)	(2,762,087)
Selling expenses	24	(1,523,908)	(617,463)	(565,170)
Administrative expenses	24	(877,559)	(563,893)	(427,366)
Financial expenses	24	(790,635)	(109,232)	(38,138)
Other income (expenses), net	24	7,302	22,904	(1,909)
Profit before income taxes		1,488,027	1,774,691	1,912,539
Current income tax and social contribution	20	(119,801)	(62,840)	(24,471)
Deferred income tax and social contribution	20	(201,942)	(419,551)	(521,043)
Income tax and social contribution		(321,743)	(482,391)	(545,514)
Net income for the year		1,166,284	1,292,300	1,367,025
Attributable to:				
Equity holders of the parent		1,166,102	1,291,658	1,365,597
Non-controlling interests		182	642	1,428
Basic earnings per common share - R\$	22	3.5303	3.9225	4.1613
Diluted earnings per common share - R\$	22	3.5105	3.9163	4.1475

The accompanying notes are an integral part of these consolidated financial statements.

**PagSeguro Digital Ltd.**

Consolidated statements of comprehensive income  
Years ended December 31, 2021, 2020 and 2019  
(All amounts in thousands of reais)

	For the year ended December 31,		
	2021	2020	2019
Net income for the year	<b>1,166,284</b>	1,292,300	1,367,025
Other comprehensive income that may be reclassified to the statement of income in subsequent periods			
Currency translation adjustment	(117)	959	(425)
Loss on investments designated at fair value through OCI	411	(421)	(42)
Income tax and social contribution	(140)	143	14
Other comprehensive income for the year	<b>1,166,438</b>	1,292,981	1,366,572
Attributable to			
Equity holders of the parent	<b>1,166,256</b>	1,292,339	1,365,144
Non-controlling interests	182	642	1,428
Net income for the year	<b>1,166,438</b>	1,292,981	1,366,572

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, 2021, 2020 and 2019  
 (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>On December 31, 2018</b>		26	(39,532)	5,647,263	40,871	909,267	(7,588)	263	6,550,570	23,806	6,574,376	
Net income for the year		—	—	—	—	1,365,597	—	—	1,365,597	1,428	1,367,025	
Currency translation adjustment		—	—	—	—	—	—	(425)	(425)	—	(425)	
Loss on financial assets through OCI		—	—	—	—	—	—	(28)	(28)	—	(28)	
Non-controlling acquisition		—	—	—	—	—	(14,784)	—	(14,784)	(2,850)	(17,634)	
Shares issued		—	—	38,992	(38,992)	—	—	—	—	—	—	
Share based long term incentive plan (LTIP)		—	—	—	93,369	—	—	—	93,369	—	93,369	
Acquisition of treasury shares		—	(1,735)	—	—	—	—	—	(1,735)	—	(1,735)	
<b>On December 31, 2019</b>		26	(41,267)	5,686,255	95,248	2,274,864	(22,372)	(190)	7,992,564	22,384	8,014,948	
Net income for the year		—	—	—	—	1,291,658	—	—	1,291,658	642	1,292,300	
Currency translation adjustment		—	—	—	—	—	—	959	959	—	959	
Loss on financial assets through OCI		—	—	—	—	—	—	(278)	(278)	—	(278)	
Non-controlling acquisition		—	—	—	—	—	—	—	—	(10,913)	(10,913)	
Shares issued		—	—	3,834	(3,834)	—	—	—	—	—	—	
Share based long term incentive plan (LTIP)		—	—	—	75,218	—	—	—	75,218	—	75,218	
Acquisition of treasury shares		—	(44,775)	—	—	—	—	—	(44,775)	—	(44,775)	
(LTIP) of treasury shares		—	72,433	—	(72,433)	—	—	—	—	—	—	
<b>On December 31, 2020</b>		26	(13,609)	5,690,089	94,199	3,566,522	(22,372)	491	9,315,346	12,113	9,327,459	
Net income for the year	21	—	—	—	—	1,166,102	—	—	1,166,102	182	1,166,284	
Currency translation adjustment	21	—	—	—	—	—	—	(117)	(117)	—	(117)	
Loss on financial assets through OCI	21	—	—	—	—	—	—	271	271	—	271	
Non-controlling acquisition	21	—	—	—	—	—	—	—	—	(12,295)	(12,295)	
Shares issued	21	—	—	138,665	(138,665)	—	—	—	—	—	—	
Share based long term incentive plan (LTIP)	21	—	—	—	305,408	—	—	—	305,408	—	305,408	
Acquisition of treasury shares	21	—	(284,812)	—	—	—	—	—	(284,812)	—	(284,812)	
(LTIP) of treasury shares	21	—	13,410	—	(13,410)	—	—	—	—	—	—	
<b>On December 31, 2021</b>		26	(285,011)	5,828,754	247,532	4,732,624	(22,372)	645	10,502,198	—	10,502,198	

The accompanying notes are an integral part of these consolidated financial statements.

**PagSeguro Digital Ltd.**

Consolidated statements of cash flows  
Years ended December 31, 2021, 2020 and 2019  
(All amounts in thousands of reais)

	For the year ended December 31,		
	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income taxes	1,488,027	1,774,691	1,912,539
<b>Expenses (revenues) not affecting cash:</b>			
Depreciation and amortization	768,593	376,335	128,348
Chargebacks and ECL	664,268	288,309	200,633
Accrual of provision for contingencies	25,938	6,409	8,227
Share based long term incentive plan (LTIP)	370,629	122,870	93,369
Reversal of taxes and contributions	(4,638)	(84,294)	—
Loss on disposal of property, equipment and intangible assets	28,393	19,465	9,393
Derivative Financial Instruments, net	5,952	—	—
Interest accrued	230,555	17,222	(78,649)
Other (income) cost, net	103,667	(18,185)	(26,936)
<b>Changes in operating assets and liabilities</b>			
Accounts receivable	(9,303,060)	(5,586,919)	(3,125,537)
Financial investments (mandatory guarantee)	(84,534)	43,229	(161,426)
Inventories	(132,398)	31,602	14,216
Taxes recoverable	(36,565)	(206,221)	(22,386)
Other receivables	(62,084)	(78,744)	(68,008)
Deferred revenue	(33,689)	145,005	68,550
Other liabilities	(17,312)	67,669	(7,923)
Payables to third parties	2,940,739	4,173,264	1,002,092
Trade payables	243,585	72,328	89,962
Receivables from (payables to) related parties	471,585	38,250	(8,610)
Deposits	2,276,041	758,003	—
Salaries and social charges	(8,091)	7,605	32,866
Taxes and contributions	(11,499)	(34,438)	(1,475)
Provision for contingencies	(17,763)	(1,127)	(4,822)
	(93,661)	1,932,328	54,423
Income tax and social contribution paid	(76,782)	(46,384)	(88,184)
Interest income received	1,068,450	266,719	522,542
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>898,007</b>	<b>2,152,663</b>	<b>488,781</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Amount paid on acquisitions, net of cash acquired	(43,367)	(345,602)	(17,739)
Purchases of property and equipment	(972,274)	(1,522,769)	(333,376)
Purchases and development of intangible assets	(779,555)	(523,785)	(369,415)
Redemption (Acquisition) of financial investments	324,247	530,667	(1,109,619)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,470,949)</b>	<b>(1,861,489)</b>	<b>(1,830,149)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowings	1,012,086	—	—
Acquisition of treasury shares	(257,992)	(44,775)	(1,735)
Transaction with non-controlling interest	—	—	(15,992)
Payment of leases	(15,148)	—	—
Capital increase by non-controlling shareholders	(11,707)	(10,289)	(223)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>727,238</b>	<b>(55,064)</b>	<b>(17,950)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>154,297</b>	<b>236,110</b>	<b>(1,359,095)</b>
Cash and cash equivalents at the beginning of the year	1,640,065	1,403,955	2,763,050
Cash and cash equivalents at the end of the year	1,794,362	1,640,065	1,403,955

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, 2021

(All amounts in thousands of reais unless otherwise stated)

**1. General information**

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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 Instituição de Pagamento S.A., (formerly 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").

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 Holding").

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.

On March 18, 2021, PagSeguro Group constituted a holding company incorporated under PagSeguro Digital called PagSeguro Holding Ltd ("PSHC"). Additionally, during the third quarter of 2021, PagSeguro Group established four new subsidiaries under PSHC: Pagseguro Chile SPA ("Pagseguro Chile"), Pagseguro Colombia S.A.S ("Pagseguro Colombia"), PSGP México S.A. de C.V. ("PSGP Mexico") and Pagseguro Peru S.A.C. ("Pagseguro Peru"), these companies do not yet operate in the year ended December 31, 2021.

In January 2021, PagSeguro Group submitted a request for Brazilian Central Bank approval of a corporate reorganization involving certain of its subsidiaries, this reorganization was approved by Brazilian Central Bank on August 16, 2021. 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.

After this corporate reorganization, the group subsidiaries are as follows:

- PagSeguro Brazil subsidiaries are PagSeguro Biva Securitizadora de Créditos Financeiras S.A. ("Biva Sec"), Fundo de Investimento em Direitos Creditórios - PagSeguro ("FIDC"), RegistraSeguro S.A. ("RegistraSeguro"), Wirecard Brazil Instituição de Pagamento S.A. (formerly Wirecard Brazil S.A.) ("MOIP") and Concil Inteligência em Negociação S.A ("Concil"). PagSeguro Brazil acquired 100.00% of the issued shares of Concil on August 12, 2021 as detailed in Note 10.
- PagSeg subsidiaries are Net+Phone Telecomunicações Ltda. ("Net+Phone"), Boa Compra Tecnologia Ltda. ("Boa Compra"), BCPS Online Services Ltda. ("BCPS"), CDS Serviços Financeiros LTDA. ("CDS"), PagSeguro Biva Serviços Financeiros Ltda ("Biva Serviços") and PagBank.
- PagBank subsidiaries are Tilix Digital Ltda. ("TILIX"), YAMI Software & Inovação Ltda. ("YAMI") and Zygo Serviços de Tecnologia S.A. ("ZYGO").
- PSHC subsidiaries are Pagseguro Chile, Pagseguro Colombia, Pagseguro Peru and PSGP México.
- BS Holding subsidiary is BancoSeguro S.A. ("Bancoseguro").
- Biva Serviços subsidiary is PagSeguro Biva Correspondente Bancário Ltda ("Biva Corban").

These consolidated financial statements include PagSeguro Brazil, PagSeg, PSHC, BS Holding and corresponding subsidiaries.

**1. General information** (continued)

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**1.1 COVID-19**

The Company has observed that the main impact of the COVID-19 pandemic in total purchase volume (TPV) has occurred between March and June 2020. In the third and fourth quarter of 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.

During the year ended December 31, 2021, the Company observed that, in the first three months, there was an increase in the number of people infected by COVID-19 and consequently the return of partial shutdowns and social isolation in several cities and states of the country. In the second quarter of 2021, most of the cities in Brazil accelerated the vaccination of the population, and consequently, the Company saw a graduated reopening process, with extension of opening hours of commercial activities. In the third quarter of 2021, the Company observed the returning of social events with public, consequently the growth of TPV. At the end of the fourth quarter, Brazil began to see an increase in contagions mainly related to Omicron without impact in PagSeguro business.

The Company has a significant variable cost structure mainly related to TPV, such as processing, interchange, card scheme fees and chargebacks. Marketing and sales expenses are also variable and depends on the Company's strategy to leverage new products and services such as PagBank. The Company is also still accompanying the evolution of the Brazilian economy and reassessing, when necessary, the provisions for loss allowance for expected credit losses.

The Company has a solid position in terms of cash, liquidity and working capital levels and in the years ended December 31, 2021 and 2020 has not faced impairment of assets due to COVID-19.

**1.2 Additional information**

Wirecard Brazil Instituição de Pagamento S.A. ("MOIP") is a subsidiary that PagSeguro acquired in October 2020, which represented less than 3% of the Group's consolidated assets as of December 31, 2021 and less than 2% and 1% of the consolidated revenue and net income for the year ended December 31, 2021. MOIP was involved in a cyberattack between September 25 and September 29, 2021 (the "Incident"). The hackers demanded that the Company make a specified payment to prevent the public disclosure or sale of the targeted hacked data that was compromised in the Incident, which included personal profile information of MOIP customers. At the time of the Incident, MOIP had a distinct and separate IT server and operating environment from the rest of PagSeguro's IT platform and systems, and therefore none of PagSeguro's databases, customer information or systems were subject to the Incident, or formed part of the compromised data, beyond those independently within the MOIP IT environment. PagSeguro promptly followed the requirements of applicable Brazilian law, including the filing of a formal report to the Brazilian National Authority for Data Protection (Autoridade Nacional de Proteção de Dados) and Brazilian Central Bank on October 7, 2021.

After completion of the assessment, without financial impacts, PagSeguro communicated to the ANPD on January 5, 2022 through a complementary form to the one initially reported on October. During the review of the Incident, PagSeguro not identified evidence of unauthorized access to sensitive information, such as passwords or credit card details. PagSeguro confirms that the Incident has not had a material adverse financial impact on the company or on its customers, and PagSeguro's IT systems (including MOIP's IT environment) are operating normally, with heightened security measures undertaken in response to the Incident.

**2. Presentation and preparation of the consolidated financial statements and significant accounting policies**

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**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, 2021 and 2020 and for the three years ended December 2021, were authorized for issuance by PagSeguro Digital's Board of Directors on March 15, 2022.

**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. Presentation and preparation of the consolidated financial statements and significant accounting policies** (continued)

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**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 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. Presentation and preparation of the consolidated financial statements and significant accounting policies** (continued)

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*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.

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).

**2. Presentation and preparation of the consolidated financial statements and significant accounting policies** (continued)

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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 26.

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.

*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.

**2. Presentation and preparation of the consolidated financial statements and significant accounting policies (continued)**

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**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.

**vii) Derivative Financial Instruments**

Derivatives are initially recognized at fair value on the date a derivative contract is entered, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the remaining period until maturity, using a recalculated effective interest rate.

**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. Accounts receivables are initially recorded at the fair value net of the expected credit losses. If the term is equivalent to one year or less, accounts receivable is classified as current assets, if not, as non-current assets.

Based on PagSeguro Brazil's risk assessment, the expected credit loss 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 26).

For debit and credit cards receivables from the 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.

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.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements

As of December 31, 2021

(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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**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 and corresponding provision for losses is recognized when sale value is higher than its purchase 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	5 to 10 years
Machinery and equipment	5 to 10 years
Other assets	5 to 10 years

During 2021, 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.

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. Presentation and preparation of the consolidated financial statements and significant accounting policies (continued)**

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**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 post-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 it is 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 fair value, 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. Borrowings**

Borrowings are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method, except for the embedded derivative, which is measured at fair value through profit or loss.

Gains and losses are recognized in the consolidated income statements when the liabilities are derecognized as well as through the effective interest method amortization process. 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 method. The effective interest method amortization is included in interest expense in the consolidated income statements.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements

As of December 31, 2021

(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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**2.14. 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.

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.

**2.15. 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.

## 2.16. 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.

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 25% for social contribution, according to the law 14.183.

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. Presentation and preparation of the consolidated financial statements and significant accounting policies (continued)**

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**2.17. 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.

**2.18. 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.

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.

**2.19. 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.

**2.20. Share-based payments (LTIP and LTIP Goals)**

LTIP-Goals was established by PagSeguro Brazil on December 18, 2018, as approved by the Company's board of directors, and ratified on August 7, 2019, February 21, 2020 and January 19, 2021. Beneficiaries under the LTIP-Goals are selected by the LTIP-Goals Committee, which consists of the Company's Chairman of the 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 the Company's corporate results-sharing plan for any given year. If any portion of an award was payable in Class A common shares, the relevant value in Brazilian reais was converted into Class A common shares 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.

Before the LTIP-Goals was created, members of management participated in the LTIP, 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 the Company's 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. In this plan, employees (including senior executives) of the UOL group companies 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. These rights vest in five equal annual installments starting one year after the beneficiary's grant date.

**2. Presentation and preparation of the consolidated financial statements and significant accounting policies** (continued)

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That cost is recognized in personnel expenses, 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.

**2.21. New accounting standards adopted in 2021**

The accounting policies adopted in the preparation of the Consolidated financial statements for the year ended December 31, 2021 are consistent with those adopted for the year ended December 31, 2020, except for the changes required by the pronouncements, interpretations and standards which became effective on January 1, 2021, as described below.

***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, which became effective on January 1, 2021. IFRS 17 replaces 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 analyzed their contracts and concluded that it is not exposed to insurance contracts.

**2.22. 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 the consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

**Amendment to IAS 16 "Property, plant and equipment":** In May 2020, the IASB issued an amendment prohibiting an entity from deducting from the cost of property, plant and equipment amounts received from the sale of items produced while the asset is being prepared for its intended use. Such revenues and related costs must be recognized in profit or loss for the year. The effective date of application of this change is January 1, 2022. The group does not expect the new amendment to materially impact its results of operations.

**Amendment to IAS 37 "Provision, Contingent Liabilities and Contingent Assets":** In May 2020, the IASB issued this amendment to clarify that, for purposes of assessing whether a contract is onerous, the cost of performing the contract includes the incremental costs of performing of this contract and an allocation of other costs that relate directly to the performance of this contract. The effective date of application of this change is January 1, 2022. The group does not expect the new amendment to materially impact its results of operations.

**Annual Improvements - 2018-2020 Cycle:** In May 2020, the IASB issued the following changes as part of the annual improvement process, effective January 1, 2022:

- (i) IFRS 9 - "Financial Instruments" - clarifies which rates must be included in the 10% test for the write-off of financial liabilities.
- (ii) IFRS 16 - "Leases" - amendment of example 13 in order to exclude the example of lessor payments related to improvements in the leased property.
- (iii) IFRS 1 "First-time Adoption of International Financial Reporting Standards" - simplifies the application of said standard by a subsidiary that adopts IFRS for the first time after its parent company, in relation to the measurement of the accumulated amount of exchange rate variations.
- (iv) IAS 41 - "Biological Assets" - removal of the requirement to exclude cash flows from taxation when measuring the fair value of biological assets and agricultural products, thus aligning the fair value measurement requirements in IAS 41 with those of other IFRS standards.

The group does not expect the new improvements to materially impact its results of operations.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements

As of December 31, 2021

(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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Amendment to IAS 1 "Presentation of Financial Statements": issued in May 2020, with the objective of clarifying that liabilities are classified as current or non-current, depending on the rights that exist at the end of the period. The classification is not affected by the entity's expectations or events after the reporting date (eg, receipt of a waiver or breach of covenant). The amendments also clarify what "settlement" of a liability refers to under IAS 1. The amendments to IAS 1 are effective as of January 1, 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies: in February 2021 the IASB issued a new amendment to IAS 1 on disclosure of "material" accounting policies rather than "significant" accounting policies. The amendments define what "material accounting policy information" is and explain how to identify it. It also clarifies that immaterial accounting policy information does not need to be disclosed, but if so, it should not obscure the relevant accounting information. To support this change, the IASB also amended the "IFRS Practice Statement 2 Making Materiality Judgments" to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is effective as of January 1, 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 8 - Accounting Policies, Change in Estimate and Error Rectification: the amendment issued in February 2021 clarifies how entities must distinguish changes in accounting policies from changes in accounting estimates, as changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as to the current period. This amendment is effective as of January 1, 2023. The group does not expect the new amendment to materially impact its results of operations.

Amendment to IAS 12 - Income Taxes: the amendment issued in May 2021 requires entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This typically applies to lease transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, as an example, and will require the recognition of additional deferred tax assets and liabilities. This amendment is effective as of January 1, 2023.

**3. Accounting estimates and judgments**

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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 (note 2.9).

**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. Accounting estimates and judgments (Continued)**

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**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.

For loans and credit cards receivable with the 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 life, mainly, goodwill and developed software's, as described in Note 11.

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements  
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**4. Consolidation of subsidiaries**

On December 31, 2021						
Company	Assets	Liabilities	Equity	Net income (loss) for the year	Ownership - %	Level
PagSeguro Brazil	23,863,783	15,250,100	8,613,683	1,136,230	99.99	Direct
BS Holding	545,693	7,019	538,674	84,032	99.99	Direct
Pagseg	648,175	5,870	642,305	(51,550)	99.99	Direct
PSHC	36	—	36	—	99.99	Direct
Pagbank	180,053	9,385	170,668	(3,621)	99.99	Indirect
Net+Phone	375,347	103,424	271,923	(35,806)	99.99	Indirect
Boa Compra	456,934	243,905	213,029	14,271	99.99	Indirect
BCPS	2,022	(52)	2,074	258	99.99	Indirect
Biva SEC	1,446,640	1,439,545	7,095	6,728	99.99	Indirect
Biva Serviços	42,901	5,653	37,248	5,965	99.99	Indirect
Biva Corban	21,200	5,446	15,754	12,912	99.99	Indirect
FIDC	4,770,455	816,980	3,953,475	2,294,655	100.00	Indirect
TILIX	13,972	1,573	12,399	5,017	99.99	Indirect
BancoSeguro	10,320,430	9,807,767	512,663	73,489	100.00	Indirect
Yami	2,087	861	1,226	267	99.99	Indirect
Registra Seguro	5,000	9	4,991	(9)	99.99	Indirect
CDS	10,057	5,583	4,474	(3,157)	99.99	Indirect
Zygo	2,013	4,278	(2,265)	(9,597)	99.99	Indirect
Moip	787,659	596,429	191,230	10,070	100.00	Indirect
Concil	2,390	3,080	(690)	(2,832)	100.00	Indirect
Pagseguro Chile	7	—	7	—	100.00	Indirect
Pagseguro Colombia	28	—	28	—	100.00	Indirect
PSCP México	1	—	1	—	100.00	Indirect
Pagseguro Peru	13	—	13	—	100.00	Indirect

On December 31, 2020						
Company	Assets	Liabilities	Equity	Net income (loss) for the year	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
BIVACO	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
Yami	1,453	489	964	834	99.99	Indirect
Registra Seguro	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

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**4. Consolidation of subsidiaries** (Continued)

Subsidiaries are engaged in providing financial technology solutions and services and the corresponding related activities. PagSeguro Brazil has investments in the following companies:

- Biva Sec: The company's main objective is to acquire and securitize credit solutions of PagSeguro Group, such as, loans and credit card operation.
- FIDC: FIDC is a Brazilian investment fund that 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, as 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 and November 1, 2021, the third party investors redeemed all of their capital related to the senior quotas and mezzanine quotas. On December 27, 2021 PagSeguro Brazil transferred 15% of their subordinated quotas to PagSeguro Digital. Therefore, as of December 31, 2021, FIDC was composed only of subordinated quotas, which are 100% owned by the PagSeguro Group.
- 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.
- MOIP: On October 31, 2020, PagSeguro Brazil acquired 100% of the share capital of MOIP. The company provides an online payment platform and end-to-end payment processing for e-commerce and marketplaces (Note 11).
- Concil: On August 12, 2021, PagSeguro Brazil acquired 100% of the share capital of Concil. The company's corporate purpose is to provide professional data processing services, application service providers, internet hosting services, technical support, maintenance and other services in information technology, licensing, and assignment of the right to use computing (Note 11).
- PagSeg: On July 15, 2020, PagSeguro Group constituted the company, a holding company incorporated under PagSeguro Digital, 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. PagSeg subsidiaries are:
  - Net+Phone: The Company was mainly engaged in acquisition and selling POS devices and similar items and has focus on exploring and providing 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 to handle part of its account management.
  - CDS: On August 31, 2020, PagSeguro Brazil acquired 100% of the issued shares of CDS. Management expects that this acquisition will allow PagSeguro to expand product and services offering (note 11).
  - R2TECH Informatica Ltda. ("R2TECH"): R2TECH's main activity was 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. On December 1, 2021, Boa Compra incorporated R2TECH.
- Biva Serviços: whose main objective is the intermediation among investors, financial institutions and credit borrowers via an electronic platform;
- Biva Corban: whose main objective is to structure peer-to-peer financing for small and medium enterprises following the crowdfunding model.

**PagSeguro Digital Ltd.**

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(All amounts in thousands of reais unless otherwise stated)

**4. Consolidation of subsidiaries** (Continued)

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- BIVACO Holdings Ltda ("BIVACO"): BIVACO previous main objective was the intermediation among investors, financial institutions and credit borrowers via an electronic platform. On December 1, 2021, Biva Serviços reversely incorporated BIVACO.
  - PagBank: On October 22, 2020, PagSeguro Group constituted the company, a holding company incorporated under PagSeg, 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. Pagbank subsidiaries are:
    - 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.
    - Zygo: On July 23, 2020, PagSeguro Brazil acquired 100% of the issued shares of Zygo. Management expects 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.
  - 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 holds a license to provide financial services and its main products are the deposits of PagSeguro Group customers and the service offering of banking solutions for other companies in the Group.
- PSHC: On March 18, 2021, PagSeguro Group constituted this holding company incorporated under PagSeguro Digital and additionally, in third quarter of 2021, PagSeguro Group established four new subsidiaries under PSHC.
- Pagseguro Chile, Pagseguro Colombia, Pagseguro Peru and PSCP Mexico. These companies didn't operate in the year ended December 31, 2021. Their main objective is to develop all kinds of operations directly or indirectly related to the creation, implementations, and maintenance of technological platforms for payments and especially about e-commerce or the internet in their countries. They may act, directly or indirectly as a facilitator and/or agent within payment systems and digital and electronic payment ecosystems.

**PagSeguro Digital Ltd.**

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**5. Segment reporting**

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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 2.5%, 2.8% and 1.1% for the years 2021, 2020 and 2019, respectively.

**6. Cash and cash equivalents**

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	December 31, 2021	December 31, 2020
Short-term bank deposits	569,816	415,387
Short-term investment	1,224,546	1,224,678
	<u>1,794,362</u>	<u>1,640,065</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 months 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, 9.25% per year on December 31, 2021 and 2.0% per year on December 31, 2020).

**7. Financial investments**

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Consists of investments in Brazilian Treasury Bonds ("LFTs"), in the amount of R\$782,647 in December 31, 2021 (R\$979,837 in December 31, 2020) with an average return of 100% of the Basic Interest Rate (SELIC, 9.25% per year on December 31, 2021 and 2.0% per year on December 31, 2020), 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 gain on LFTs in the year ended December 31, 2021 totaled R\$271 (loss of R\$278 in year ended December 31, 2020).



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**8. Accounts receivable**

	December 31, 2021						December 31, 2020				
	Visa	Master	Hipercard	Elo	Amex	Total	Visa	Master	Hipercard	Elo	Total
<b>Legal obligors</b>											
Itaú	1,333,263	2,045,133	757,306	—	—	4,135,702	774,445	2,100,129	627,463	—	3,502,037
Bradesco	1,630,756	160,690	—	842,352	296,696	2,930,494	448,592	2,043,676	—	—	2,492,268
Santander	818,937	1,464,314	—	—	3,253	2,286,504	988,772	251,808	—	250,849	1,491,429
Nubank	—	2,045,699	—	—	—	2,045,699	107,927	543,513	—	—	651,440
Banco do Brasil	1,384,872	77,639	—	467,305	—	1,929,816	1,759,911	294,631	—	409,384	2,463,926
Banco Carrefour	121,398	744,030	—	—	—	865,428	407,688	87,882	—	—	495,570
Banco Cooperativo Sicoob	216,047	633,590	—	—	—	849,637	—	—	—	—	—
Porto Seguro	550,352	141,924	—	—	—	692,276	158,879	238,196	—	223,354	620,429
CEF	206,969	136,125	—	257,929	—	601,023	—	1,421,074	—	—	1,421,074
Banco C6	—	481,017	—	—	—	481,017	—	—	—	—	—
Banco Bradescard	362,978	91,016	—	9,368	—	463,362	—	—	—	2,874	2,874
Banco Inter	—	407,601	—	—	—	407,601	—	684	—	—	684
Other (iv)	1,890,701	2,088,484	—	215,378	770	4,195,333	702,021	1,212,651	—	95,200	2,009,872
<b>Total card issuers (i)</b>	<b>8,516,273</b>	<b>10,517,262</b>	<b>757,306</b>	<b>1,792,332</b>	<b>300,719</b>	<b>21,883,892</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>Total card acquirers (ii)</b>											
Cielo – Elo	—	—	—	—	—	42,662	—	—	—	—	209,318
Getnet	—	—	—	—	—	97,248	—	—	—	—	56,799
Other	—	—	—	—	—	11,716	—	—	—	—	29,030
<b>Total acquirers (ii)</b>						<b>151,626</b>					<b>295,147</b>
<b>Total credit receivables (iii)</b>											
Working capital loans	—	—	—	—	—	1,069,671	—	—	—	—	330,848
Working capital loans ECL	—	—	—	—	—	(256,927)	—	—	—	—	(99,330)
Credit card receivables	—	—	—	—	—	726,095	—	—	—	—	257,338
Credit card receivables ECL	—	—	—	—	—	(174,046)	—	—	—	—	(55,728)
Other credit initiatives	—	—	—	—	—	110,050	—	—	—	—	23,360
Other credit initiatives ECL	—	—	—	—	—	(6,166)	—	—	—	—	—
<b>Total credit receivables (iii)</b>						<b>1,468,677</b>					<b>456,488</b>
Current						1,239,797					422,918
Non – Current						228,880					33,570
Other accounts receivable	—	—	—	—	—	156,700	—	—	—	—	177,771
Other accounts receivable ECL	—	—	—	—	—	(3,493)	—	—	—	—	(4,470)
<b>Total accounts receivable</b>	<b>8,516,273</b>	<b>10,517,262</b>	<b>757,306</b>	<b>1,792,332</b>	<b>300,719</b>	<b>23,657,402</b>	<b>5,348,235</b>	<b>8,194,245</b>	<b>627,463</b>	<b>981,661</b>	<b>16,076,540</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, Amex 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, Hipercard, Amex or Elo, as applicable, if the legal obligors do not make the 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) The ECL ("expected credit losses"), are measured according to the IFRS 9. The provision rates are based on the internal credit rating that considers external information and are based on days past due. Every report date, PagSeguro reassesses the premises to adjust the historical credit loss experience with prospective information.
- (iv) Refers to other dispersed receivables from legal obligors.

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**8. Accounts receivable (Continued)**

The maturity analysis of accounts receivable is as follows:

	December 31, 2021	December 31, 2020
Past due after 91 days	155,495	72,152
Past due within 31 to 90 days	32,703	15,156
Past due within 30 days	25,445	10,337
Due within 30 days	4,214,521	7,013,196
Due within 31 to 120 days	12,033,372	6,129,039
Due within 121 to 180 days	3,457,830	1,509,449
Due within 181 to 360 days	3,808,539	1,453,167
Due after 360 days	370,128	33,570
Expected credit losses	(440,631)	(159,527)
	<b>23,657,402</b>	<b>16,076,540</b>

**9. Taxes Recoverable**

	December 31, 2021	December 31, 2020
Income tax and Social contribution (i)	294,955	223,057
Social integration program (ii)	167,701	151,165
Value-added tax on sales and services (iii)	—	14,646
Other	6,834	107
	<b>469,490</b>	<b>388,975</b>

- (i) The increase is mainly related to withholding taxes from FIDC quotas redeemed in December 2021, amounted to R\$409,084, representing withholding taxes of R\$59,876  
(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, the decrease is related to tax impairment realized in December 2021, in the amount of R\$24,476.

**10. Related-party balances and transactions**

i) Balances and transactions with related parties

	December 31, 2021	December 31, 2020
	Payables	Payables
<b>Immediate parent</b>		
UOL – sales of services (a)	16,216	15,720
UOL – shared service costs (b)	19,093	12,539
UOL – deposits (c)	248,271	11,391
<b>Affiliated companies</b>		
UOL Edtech Tecnologia - Deposits (c)	229,250	—
Compasso Informática S.A.(d)	12,853	—
UOL Diveo – sales of services (d)	7,612	10,218
Transfolha Transportadora e Distribuição Ltda.	—	1,933
Others	10,326	6,535
	<b>543,621</b>	<b>58,336</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.

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**10. Related-party balances and transactions (Continued)**

(c) Certificate of deposits (CD) acquired by UOL and UOL Edtech from Banco Seguro with interest rate between 110% to 120% per year of CDI. The maturity analysis is as follows:

	December 31, 2021	December 31, 2020
Due within 61 to 180 days	193,592	11,391
Due within 181 to 360 days	283,929	—
	<u>477,521</u>	<u>11,391</u>

(d) This payable refers mainly to colocation and cloud services. In 2020, these services were provided by UOL Diveo and since February 2021 these services are being provided by Compasso Informática S.A.

ii) Revenue and expense from transactions with related parties

	For the year ended December 31,					
	2021		2020		2019	
	Revenue	Expense	Revenue	Expense	Revenue	Expense
<b>Immediate parent</b>						
UOL - shared service costs (a)	—	141,915	—	134,277	—	161,650
UOL - sales of services (b)	3,221	92,664	2,878	80,820	2,520	57,480
UOL - deposits (c)	—	3,797	—	2,970	—	—
<b>Affiliated companies</b>						
UOL Diveo - sales of services (d)	—	2,887	—	49,665	—	36,790
Compasso Informática S.A. (d)	—	102,912	—	—	—	—
Transfolha Transportadora e Distribuição Ltda.	—	12,447	—	23,571	—	17,209
UOL Edtech Tecnologia (c)	—	9,695	—	—	—	—
Others	1,013	4,082	603	2,926	35	1,035
	<u>4,234</u>	<u>370,399</u>	<u>3,481</u>	<u>294,229</u>	<u>2,555</u>	<u>274,164</u>

(a) 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.

(b) Sale of services expenses is related to advertising services from UOL and revenue is related to intermediation fees.

(c) Expenses are related to UOL and UOL Edtech purchase of Banco Seguro's Certificate of Deposits (CD).

(d) Expenses related to colocation and cloud services. In 2020, these services were provided by UOL Diveo and since February, 2021 the same services are being provided by the affiliated company Compasso. The increase in 2021 relates to higher volume of cloud services due to the increase in active merchants and PagBank users.

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 year ended December 31, 2021 amounted to R\$41,198 (December 31, 2020 - R\$104,568 and R\$126,749 in 2019, respectively).

## 11. Business combinations

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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. In July 2021, the Company concluded the purchase price allocation and as a result in the goodwill of R\$5,769, with the allocation of R\$348 as non-compete agreement and software. The consideration paid in cash amounted to R\$5,053 and the remaining portion of purchase price will be retained for eventual debt and paid between 3 to 5 years after acquisition.

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.

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\$151,986. The initial consideration paid in cash amounted to R\$307,855 and on March 8, 2021, additional amount of R\$32,573 was paid. The remaining portion in amount of R\$18,181 was recognized in other liabilities in non-current liabilities and will be retained for 5 years after acquisition.

The 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\$148,117, which is attributable mainly to operational synergy and cost reductions. The PPA was elaborated considering projections for the period of 5 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).

On August 12, 2021, PagSeguro Brazil acquired 100% of the share capital and obtained control of Concil. Total consideration amounted to R\$43,896 and the total net assets acquired at fair value amounted to R\$23,165. The consideration paid in cash amounted to R\$35,000 and the remaining portion in amount of R\$8,896 was recognized in other liabilities and will be retained for the achievement of metrics. Concil main activity is in the information technology industry, focused on the processing of back-office solutions, including reconciliation services for the capture of credit cards with acquirers and sub acquirers.

The preliminary purchase price allocation ("PPA") was completed on September 30, 2021, which included the recognition of a customer portfolio with a fair value of R\$3,839, non-compete agreement of R\$940 and software of R\$33,136. The Company has also recognized a contingency liability and indemnification assets of R\$7,848 resulting in the recognition of goodwill of R\$20,731, which is attributable mainly to operational synergy and cost reductions.

The PPA was elaborated considering projections for the period of five years based on management's budgets for Concil and applying an inflation rate plus the estimated growth of GDP of services (fluctuating from 2.0% to 4.5% per year) in order to project future cash flows, discount rate based on WACC (fluctuating from 17.5% to 19.5% per year).

These acquisitions are in accordance with PagSeguro Group's business strategies, ramping up investments on new technologies, products and services for the Group's digital ecosystem. The fair value of assets and liabilities acquired in 2021 (Concil) and 2020 (CDS, Zygo and Moip) were as follows:

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**11. Business combinations** (Continued)

	December 31, 2021	December 31, 2020
Fair value of assets and liabilities acquired		
Cash and cash equivalents	529	38,385
Accounts receivable acquired	540	537,570
Financial investments acquired		177,772
Other Assets acquired	1,092	30,988
Payables to third parties assumed	—	(566,244)
Liabilities assumed	(4,020)	(42,263)
Customer portfolio, expenditures with software and others	45,763	58,506
Deferred taxes	(12,891)	(19,960)
Contingency liability	(7,848)	—
Value of net assets	<u>23,165</u>	<u>214,754</u>
Goodwill	20,731	154,234
Purchase cost	43,896	368,988
Consideration for the purchase settled in cash	35,000	315,287
Cash and cash equivalents at the subsidiary acquired	(529)	(38,385)
Amount paid on acquisitions less cash and cash equivalents acquired	<u>34,471</u>	<u>276,902</u>

**12. Property and equipment**a) Property and equipment are composed as follows:

	December 31, 2021		
	Cost	Accumulated depreciation	Net
Data processing equipment	106,643	(51,294)	55,349
Machinery and equipment (i)	2,798,823	(654,360)	2,144,463
Buildings Leasing	94,048	(26,928)	67,120
Other	29,909	(7,789)	22,120
Total	<u>3,029,423</u>	<u>(740,371)</u>	<u>2,289,052</u>

	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)	1,677,402
Buildings Leasing	79,890	(12,621)	67,269
Other	22,114	(6,013)	16,101
Total	<u>2,060,973</u>	<u>(258,360)</u>	<u>1,802,613</u>

**PagSeguro Digital Ltd.**

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As of December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

**12. Property and equipment (Continued)**

b) The changes in cost and accumulated depreciation were as follows:

	<b>Data processing equipment</b>	<b>Machinery and equipment (i)</b>	<b>Buildings Leasing (ii)</b>	<b>Other</b>	<b>Total</b>
<b>On 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	46,538	343,229	—	10,223	399,990
<b>On December 31, 2020</b>					
Opening balance	46,538	343,229	—	10,223	399,990
Cost	12,297	1,509,814	79,890	9,609	1,611,610
Purchases	10,820	1,519,278	79,717	3,789	1,613,604
Disposals	(1,509)	(9,838)	(684)	(74)	(12,105)
Acquisition of subsidiary	2,986	375	857	5,894	10,111
Depreciation	(16,994)	(175,641)	(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)	(100)	(396)	(2,746)	(4,661)
Net book value	41,841	1,677,402	67,269	16,101	1,802,613
<b>On December 31, 2020</b>					
Cost	77,413	1,881,556	79,890	22,114	2,060,973
Accumulated depreciation	(35,572)	(204,154)	(12,621)	(6,013)	(258,360)
Net book value	41,841	1,677,402	67,269	16,101	1,802,613
<b>On December 31, 2021</b>					
<b>Opening balance</b>					
Cost	29,230	917,267	14,156	7,796	968,449
Purchases (ii)	29,940	931,859	15,013	10,478	987,290
Disposals	(1,226)	(14,601)	(857)	(2,902)	(19,586)
Acquisition of subsidiary	516	9	—	220	745
Depreciation	(15,722)	(450,206)	(14,305)	(1,777)	(482,010)
Depreciation	(16,407)	(453,593)	(14,804)	(3,137)	(487,941)
Disposals	1,063	3,389	499	1,445	6,396
Acquisition of subsidiary	(378)	(2)	—	(85)	(465)
Net book value	55,349	2,144,463	67,120	22,120	2,289,052
<b>On December 31, 2021</b>					
Cost	106,643	2,798,823	94,048	29,909	3,029,423
Accumulated depreciation	(51,294)	(654,360)	(26,928)	(7,789)	(740,371)
Net book value	55,349	2,144,463	67,120	22,120	2,289,052

(i) Net book value of machinery and equipment are R\$2,091,671 of POS devices, (R\$1,635,782, as of December 31, 2020), which are depreciated over 5 years. The depreciation of POS in the year ended December 31, 2021, amounted to R\$448,385 (R\$172,519 in the year ended December 31, 2020). On December 31, 2021, PagSeguro have contractual obligations to acquire POS Devices in the amount of R\$1,650,885 (R\$1,386,324 on December 31, 2020).

(ii) In January 2020, PagSeguro entered into a lease agreement until July 2026 and recorded in their financial statements, the office (right-of-use) in the amount of R\$88,880, which was calculated considering the discount rate of 4.30% per year. For this leasing agreement, in 2021, PagSeguro agreed the annual lease adjustment of R\$9,986. Additionally in May 2021, PagSeguro entered into another lease agreement until January 2024 and recorded in their financial statements, the office (right-of-use) in the amount of R\$5,030, which was calculated considering the discount rate of 3.35% per year. Consequently, as of December 31, 2021, PagSeguro had a lease liability presented in other current liabilities in the amount of R\$15,690 and as non-current liability in the amount of R\$1,521. In 2021, the Company incurred in financial expenses related to these leases of R\$21

**13. Intangible assets**

a) Intangible assets are composed as follows:

	December 31, 2021		
	Cost	Accumulated amortization	Net
Expenditures related to software and technology (i)	2,016,541	(772,804)	1,243,737
Software licenses	196,854	(53,129)	143,725
Goodwill (ii)	209,908	—	209,908
Other	67,768	(14,962)	52,806
	<b>2,491,071</b>	<b>(840,895)</b>	<b>1,650,176</b>

	December 31, 2020		
	Cost	Accumulated amortization	Net
Expenditures related to software and technology (i)	1,319,061	(501,319)	817,742
Software licenses	103,256	(29,060)	74,196
Goodwill (ii)	169,667	—	169,667
Other	62,786	(771)	62,015
	<b>1,654,770</b>	<b>(531,150)</b>	<b>1,123,620</b>

(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, Banco Seguro, Yami, Zygo, Moip and Concl.

The goodwill is allocated to the Cash Generating Units (CGUs) in each of the acquired companies that generated the goodwill and is demonstrated below:

	December 31, 2021	December 31, 2020
Moip	148,117	148,117
Concl	20,731	—
Biva Serviços	14,627	—
Bivaco Holding	—	14,627
Banco Seguro	12,612	12,612
Boa Compra	6,570	—
Zygo	5,768	5,768
R2Tech	—	6,570
Yami	1,382	1,382
Total	<b>209,806</b>	<b>189,075</b>

The recoverable amount of a CGU is determined based on value-in-use calculations. The goodwill was mainly represented by the MOIP acquisition in the amount of R\$148,117. The recoverability of this goodwill was tested using five-year budgets, a long-term growth rate based on estimated gross domestic product (3.34% in 2021, 2.51% in 2022, 2.44% in 2023 and 2.49% in 2024), inflation rates (3.01% in 2021, 3.39% in 2022, 3.33% in 2023 and 3.27% in 2024) metrics to project future cash flows and discount rate based on WACC (being stable to 13% per year).

For the amount of goodwill represented by the acquisition of Concl, 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, 2021.

For the goodwill originated by other acquisitions, the Company tested the recoverability using budgets for the period of five years for each of these companies and a long-term growth rate based on the estimate of gross domestic product (1.60% in 2022, 2.28% in 2023, 2.41% in 2024 and 2.45% in 2022) and inflation rates (4.17% in 2022, 3.34% in 2023, 3.17% in 2024 and 3.14% in 2025) applying these metrics to project future cash flows and using discount rate based on WACC (fluctuating from 8% to 13% per year) calculated by each one of Companies with goodwill.

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**13. Intangible assets (Continued)**

Based on these assessments, management concluded that the book balances recorded on December 31, 2021 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.

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>On December 31, 2019</b>					
Cost	787,970	58,247	54,858	4,586	905,661
Accumulated amortization	<u>(302,031)</u>	<u>(13,492)</u>	<u>—</u>	<u>(585)</u>	<u>(316,108)</u>
Net book value	<u>485,939</u>	<u>44,755</u>	<u>54,858</u>	<u>4,001</u>	<u>589,553</u>
<b>On December 31, 2020</b>					
Opening balance	485,939	44,755	54,858	4,001	589,553
Cost	531,092	45,010	114,809	58,199	749,110
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)	—	(185)	(215,043)
Amortization	(164,319)	(15,153)	—	(180)	(179,652)
Disposals	2,667	—	—	—	2,667
Acquisition of subsidiary (iii)	(37,636)	(416)	—	(5)	(38,056)
Net book value	<u>817,742</u>	<u>74,196</u>	<u>169,667</u>	<u>62,015</u>	<u>1,123,620</u>
<b>On December 31, 2020</b>					
Cost	1,319,061	103,256	169,667	62,786	1,654,770
Accumulated amortization	<u>(501,319)</u>	<u>(29,060)</u>	<u>—</u>	<u>(771)</u>	<u>(531,150)</u>
Net book value	<u>817,742</u>	<u>74,196</u>	<u>169,667</u>	<u>62,015</u>	<u>1,123,620</u>
<b>On December 31, 2021</b>					
Cost	697,480	93,597	40,241	4,983	836,301
Additions (iv)	715,382	97,103	40,589	4,983	858,057
Disposals	(18,167)	(3,645)	(348)	—	(22,160)
Acquisition of subsidiary (iii)	265	139	—	—	404
Amortization	(271,485)	(24,068)	—	(14,192)	(309,745)
Amortization	(278,220)	(24,290)	—	(14,192)	(316,702)
Disposals	6,735	222	—	—	6,957
Net book value	<u>1,243,737</u>	<u>143,725</u>	<u>209,908</u>	<u>52,806</u>	<u>1,650,176</u>
<b>On December 31, 2021</b>					
Cost	2,016,541	196,854	209,908	67,768	2,491,071
Accumulated amortization	<u>(772,804)</u>	<u>(53,129)</u>	<u>—</u>	<u>(14,962)</u>	<u>(840,895)</u>
Net book value	<u>1,243,737</u>	<u>143,725</u>	<u>209,908</u>	<u>52,806</u>	<u>1,650,176</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).

(ii) Goodwill disposals refers to goodwill recorded in prior years related to business combinations acquisitions.

(iii) Relates to intangible assets from Concl acquired in 2021 and MOIP, ZYGO and CDS, which were acquired in 2020.

(iv) Refers to pulverized expenditures with software and technology, mainly related to customer experience functionalities, such as, digital payment and digital banking account. Goodwill recorded in business combinations acquisitions related to Concl.



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**14. Payables to third parties**

Payables to third parties, in the amount of R\$13,217,150 (R\$10,101,510 as of December 31, 2020) correspond mainly to amounts to be paid to merchants related to transactions carried out by their card holders, net of the intermediation fees and discounts applied. PagSeguro Brazil's average settlement terms agreed upon with commercial establishments is up to 14 days.

From the total amount of payable to third parties, R\$533,436 (R\$739,951, as of December 31, 2020) refer to the balance of transactions settled on merchant's payment account and available to be used by them and R\$5,167,577 (R\$3,566,818 as of December 31, 2020) are the balance of the clients maintained in their banking accounts that are invested by the Company in Certificate of Deposits with 30 days of maturity and interest average rate of 59% of CDI (45% of CDI in December 2020).

**15. Deposits**

	December 31,	
	2021	2020
Certificate of Deposit(i)	2,510,818	604,916
Interbank deposits(ii)	404,998	—
Corporate Securities(iii)	218,180	161,170
	<b>3,133,996</b>	<b>766,086</b>
Current	3,056,444	571,996
Non-Current	77,552	194,090

(i) The average return is 163%ofCDI (164%ofCDI in December 2020). The increase is related to higher offer ofCDBs products to the clients, considering this service began in 2020.

(ii) The average return is 118%ofCDI.

(iii) The average return is 152%ofCDI (158%ofCDI in December 2020).

The maturity analysis of deposits is as follows:

	December 31, 2021	December 31, 2020
Due within 30 days	646,232	5,231
Due within 31 to 120 days	1,029,936	77,812
Due within 121 to 180 days	313,008	53,000
Due within 181 to 360 days	1,067,268	435,952
Due to 361 days or more days	77,552	194,091
	<b>3,133,996</b>	<b>766,086</b>

The changes in deposits were as follows:

On December 31,2019	—
Additions	892,754
Withdrawals	(130,459)
Interest	3,791
On December 31,2020	766,086
Additions	4,929,953
Withdrawals	(2,667,612)
Interest	105,596
On December 31,2021	<b>3,133,996</b>

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**16. Salaries and social security charges**

	December 31, 2021	December 31, 2020
Profit sharing	75,076	29,401
Social charges	39,200	24,776
Payroll accruals	75,151	53,264
Payroll taxes (LTIP) (i)	61,359	62,293
Other	8,938	5,464
	<u>259,724</u>	<u>175,198</u>

(i) Refers to social charges and income tax over LTIP and LTIP goals balances

**17. Taxes and contributions**

	December 31, 2021	December 31, 2020
<b>Taxes</b>		
<b>Services tax and other (i)</b>	<b>171,902</b>	<b>157,066</b>
Value-added tax on sales and services (ii)	117	29,678
Social integration program (iii)	26,832	24,984
Social contribution on revenues (iii)	164,330	153,626
Income tax and social contribution (iv)	31,865	6,336
Other	12,479	8,841
	<u>407,525</u>	<u>380,531</u>
	December 31, 2021	December 31, 2020
<b>Judicial deposits (v)</b>		
Services tax (i)	(159,101)	(150,121)
Value-added tax on sales and services (ii)	—	(29,114)
Social integration program (iii)	(25,789)	(24,498)
Social contribution on revenues (iii)	(158,701)	(150,756)
	<u>(343,591)</u>	<u>(354,489)</u>
	<u>63,934</u>	<u>26,042</u>

(i) Refers to tax on revenues.

(ii) In March 2021, there was a decision taken by Brazilian Supreme Court related to Value-added Tax on Sales and Services (ICMS), that benefited the Company. For this reason, the Company reversed the provision in the amount of R\$29,114. Consequently, as the Company does not have this amount recorded in liability to make the offset with judicial deposits, the deposit is now being presented in the non-current assets as Judicial Deposits, until the withdrawal of these amounts.

(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.

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**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.

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Civil	33,343	23,238
Labor	18,387	13,598
	<b>51,730</b>	<b>36,836</b>
Labor Deposits	(10,167)	(8,032)
	<b>(10,167)</b>	<b>(8,032)</b>
	<b>41,563</b>	<b>28,804</b>
Current	27,653	17,063
Non-Current	13,910	11,741

Below it's demonstrated the movements of the provision for contingencies in the year ended December 31, 2021:

On December 31, 2019	11,849
Accrual	6,409
Acquisition of subsidiary	11,446
Settlement	(1,127)
Interest	227
On December 31, 2020	28,804
Accrual	25,907
Settlement	(17,760)
Interest	4,610
On December 31, 2021	41,563

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, 2021, totaling approximately RS504,691 (December 31, 2020 - RS165,862). The PagSeguro Group is not a party to labor lawsuits involving risks classified by management as possible losses. The main tax and labor lawsuit are disclosed below:

On October 15, 2021, PagSeguro Internet was assessed by the Brazilian Internal Revenue Service ("IRS") for not collecting tax on financial operation ("IOF") on intercompany loans. IOF is applicable over credit transactions of any nature, including intercompany loans. The amount of this assessment was RS239,812.

The Company has presented its defense, clarifying that the transactions carried out among PagSeguro and its subsidiaries are not credit transactions. The Group has a centralized cash pool and, according to the law, this kind of intercompany transaction is not taxable by IOF.

Additionally, PagSeguro in 2021 has one labor contingency in the amount of RS68,534.

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**19. Borrowings**

In November 2021, the Group entered in a US\$180 million borrowing agreement with maturity in one-year from the execution date and the payment will occur in a single installment as the due date. Interest on the borrowing is paid on the maturity of the operation, together with the total settlements of the financial instruments. On December 31, 2021, the borrowing amounted to R\$1,005,787, of which R\$1,297 related to interest.

In the same operation, the Company contracted derivative financial instruments ("Swaps") for the borrowing in foreign currency, with the specific objective of protecting said borrowing from fluctuations arising from exchange variation, with the final remuneration, considering all the costs of the operation, equivalent to 109.4% of the CDI. In 2021, the Company incurred in financial expenses in the amount of R\$14,317.

That capture was directed to working capital helping to financing the operation and it is not linked to borrowing limits or covenants.

**20. Income tax and social contribution**

## a) Reconciliation of the deferred income tax and social contribution

	<b>Tax losses</b>	<b>Tax credit</b>	<b>Technological innovation (i)</b>	<b>Other temporary differences assets(ii)</b>	<b>Other temporary differences liability (iii)</b>	<b>Total</b>
Deferred tax						
On December 31, 2019	50,134	5,618	(161,211)	153,632	(679,123)	(630,950)
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
On December 31, 2020	68,839	4,897	(277,971)	182,818	(1,027,883)	(1,049,300)
Included in the statement of income	(2,524)	(5,084)	(157,885)	170,895	(207,344)	(201,942)
Other	4,468	—	8,617	(93)	(32,748)	(19,756)
On December 31, 2021	70,783	(187)	(427,239)	353,620	(1,267,975)	(1,270,998)
Deferred tax asset						120,762
Deferred tax liability						(1,391,760)

(i) Refers to the benefit granted by the Technological Innovation Law (Lei do Bem), which reduces the tax charges on the capitalized amount intangible assets.

(ii) The main other assets temporary difference refers to expected credit losses (note 8) and taxes and contributions (note 17).

(iii) The main other liability temporary difference refers to gain on the ownership of FIDC quotas, that will be realized only in the redemption of such 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. Tax losses do not have expiration date.

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**20. 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 years ended December 31, 2021, 2020 and 2019:

	For the year ended		
	December 31, 2021	December 31, 2020	December 30, 2019
Profit for the year before taxes	1,488,027	1,774,691	1,912,539
Statutory rate	34 %	34 %	34 %
Expected income tax and social contribution	(505,929)	(603,395)	(650,263)
<b>Income tax and social contribution effect on:</b>			
Permanent additions (exclusions)			
Gifts	704	(7,175)	(814)
R&D and technological innovation benefit(i)	187,207	134,247	86,665
Different tax rates	(20,839)	(6,316)	3,575
Unrecorded deferred taxes	14,625	—	—
Other additions	2,488	248	15,323
Income tax and social contribution expense	<b>(321,744)</b>	<b>(482,391)</b>	<b>(545,514)</b>
Effective rate	22 %	27 %	29 %
Income tax and social contribution – current	(119,801)	(62,840)	(24,471)
Income tax and social contribution – deferred	(201,942)	(419,551)	(521,043)

(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 the PagSeguro Group on specific intangible assets, see Note 13.

**21. Equity**

a) Share capital

On December 31, 2021, share capital is represented by 329,608,226 common shares, per value of US\$0.000025. Share capital is composed of the following shares for the year ended December 31, 2021:

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
Treasury shares	1,520,065
Long-Term Incentive Plan	758,024
Repurchase of common shares	(1,686,235)
December 31, 2021 shares outstanding	329,608,226

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 year ended December 31, 2021, the Company recognize LTIP capital movement by issuing new shares of R\$138,665 (R\$3,834 in the year ended December 31, 2020).

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**21. Equity (Continued)****c) Share based long-term incentive plan (LTIP and LTIP goals)**

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 year ended December 31, 2021, the Company recognized in equity, costs related to the LTIP and LTIP goals in the total amount of R\$ 305,408 (R\$75,218 in the year ended December 31, 2020). On December 31, 2021, the amount of R\$61,359 (R\$62,293 on December 31, 2020) was accounted for LTIP and LTIP Goals social charges, including withholding income tax (Note 16).

The maximum number of common shares that can be delivered to beneficiaries under the LTIP may not exceed 3% of the Company's issued share capital at any time. On December 31, 2021, total shares granted were 6,167,108, and the total shares issued were 5,907,695.

**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 a loss of R\$117 in the year ended on December 31, 2021 (gain of R\$959 in the year ended December 31, 2020). 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 7 were classified at fair value through other comprehensive income. Unrealized gain on LFTs in the year ended December 31, 2021, totaled R\$271 (loss of R\$278 in the year 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 (R\$22,372 as of December 31, 2020).

**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 year ended December 31, 2021, 2020:

	Shares	Amount	Average Price (US\$)
December 31, 2019 treasury shares	518,642	41,267	20.09
Repurchase of common shares	547,543	44,775	16.13
Long-Term Incentive Plan	(897,549)	(72,433)	18.06
December 31, 2020 treasury shares	168,636	13,609	18.06
Repurchase of common shares	<b>1,686,235</b>	<b>284,812</b>	<b>30.23</b>
Long-Term Incentive Plan	<b>(166,170)</b>	<b>(13,410)</b>	<b>18.06</b>
December 31, 2021 treasury shares	1,688,701	285,011	30.23

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**22. 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 year ended December 31, 2021, 2020 and 2019:

	For the year ended December 31,		
	2021	2020	2019
Profit attributable to stockholders of the Company	1,166,102	1,291,658	1,365,597
Weighted average number of outstanding common shares (thousands)	330,310,786	329,292,240	328,169,609
Basic earnings per share - R\$	3.5303	3.9225	4.1613

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.

	For the year ended December 31,		
	2021	2020	2019
Profit used to determine diluted earnings per share	1,166,102	1,291,658	1,365,597
Weighted average number of outstanding common shares (thousands)	330,310,786	329,292,240	328,169,609
Weighted average number of shares that would have been issued at average market price	1,864,038	521,937	1,090,047
Weighted average number of common shares for diluted earnings per share (thousands)	332,174,824	329,814,177	329,259,656
Diluted earnings per share - R\$	3.5105	3.9163	4.1475

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**23. Total revenue and income**

	For the year ended December 31,		
	2021	2020	2019
Gross revenue from transaction activities and other services (i)	7,574,728	5,059,464	3,862,627
Gross revenue from sales (ii)	—	—	243,728
Gross financial income (iii)	3,587,823	2,193,961	2,054,430
Other financial income (iv)	149,491	128,595	126,404
Total gross revenue and income	11,312,042	7,382,020	6,287,189
Deductions from gross revenue from transactions activities and other services (v)	(789,922)	(550,744)	(486,559)
Deductions from gross revenue from sales (ii)	—	—	(69,502)
Deductions from gross financial income (vi)	(73,398)	(16,603)	(23,919)
Total deductions from gross revenue and income	(863,320)	(567,347)	(579,980)
Total revenue and income	10,448,722	6,814,673	5,707,209

- (i) In the year ended December 31, 2021, R\$268,931 corresponds to membership fee (R\$140,803 in the year ended December 31, 2020).
- (ii) On September 1st, 2019, the Company changed its POS police to merchants from sale to membership fee.
- (iii) Includes interest income from early payment of notes payable to third parties.
- (iv) Includes (a) interest of financial investments and (b) gain on exchange variation.
- (v) Deductions consist of transactions taxes. Additionally, in the year ended December 31, 2021, R\$24,876 (R\$13,314 in the year ended December 31, 2020) correspond to membership fee taxes.
- (vi) Deductions consist of taxes on financial income.

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**24. Expenses by nature**

	For the year ended December 31,		
	2021	2020	2019
Transactions costs (i)	(4,321,135)	(2,773,436)	(1,815,374)
Cost of goods sold (ii)	—	—	(463,293)
Marketing and advertising	(791,134)	(510,840)	(476,466)
Personnel expenses (iii)	(1,074,249)	(619,137)	(399,104)
Financial expenses (iv)	(790,635)	(109,232)	(38,138)
Chargebacks and ECL (v)	(664,268)	(288,309)	(200,633)
Depreciation and amortization (vii)	(768,593)	(376,335)	(128,348)
Other (vi)	(550,681)	(362,693)	(273,314)
	<b>(8,960,695)</b>	<b>(5,039,982)</b>	<b>(3,794,670)</b>
Classified as:			
Cost of services	(5,775,895)	(3,772,298)	(2,236,066)
Cost of sales	—	—	(526,021)
Selling expenses	(1,523,908)	(617,463)	(565,170)
Administrative expenses	(877,559)	(563,893)	(427,366)
Financial expenses	(790,635)	(109,232)	(38,138)
Other income (expenses), net	7,302	22,904	(1,909)
	<b>(8,960,695)</b>	<b>(5,039,982)</b>	<b>(3,794,670)</b>

- (i) The increase is mainly represented by (i) costs related to freight, maintenance of POS and storage costs in the amount of R\$242,834 for year ended December 31, 2021 (R\$212,813 and R\$120,870 for years ended December 31, 2020 and 2019), (ii) costs related to interchange fees of card issuers were the amount of R\$3,043,591 for the year ended December 31, 2021 (R\$1,680,441 and R\$1,390,600 for years ended December 31, 2020 and 2019), (iii) card scheme fees in the amount of R\$653,224 for the year ended December 31, 2021 (R\$432,361 and R\$292,629 for years ended December 31, 2020 and 2019) and (iv) in 2021, PagSeguro had a cost of R\$117,547 related to PagPhone net realizable value and obsolescence adjustment.
- (ii) On September 1st, 2019, the Company changed its POS police to merchants from sale to membership fee.
- (iii) Includes R\$370,629, R\$207,012 and R\$156,273 of compensation expenses related to the LTIP and LTIP goals for the years ended December 31, 2021, 2020 and 2019, respectively. The increase in personnel expenses is mainly related to the LTIP and LTIP goals expenses and Hubs' workforce expansion.
- (iv) Relates mainly to the early collection of receivables, which amounted to R\$426,992 in the year ended December 31, 2021 (R\$49,204 and R\$20,570 in the years ended December 31, 2020 and 2019). The remaining increase is related to expenses with higher amount of interests on deposits due to the increase of Brazilian interest rates and exchange rate in foreign currency.
- (v) Chargebacks refer to losses recognized during the period related to card processing operations (acquiring and issuing), losses on digital accounts and provision for delinquency rate of credit portfolio, as detailed in Note 26. In the first quarter of 2021, the amount of R\$73,336 is represented by inappropriate use of a system functionality implemented in the past, allowing unappropriated transactions by digital accounts customers and unexpected chargebacks on digital account losses for specific group of customers with higher credit risk for a new product. For all these facts, the corresponding root cause was identified and appropriately addressed by PagSeguro management, and there were no losses from these matters in second and third quarters of 2021. Additionally, the increase is related to credit initiatives ECLs as detailed in note 8.
- (vi) In the year ended December 31, 2021, includes R\$29,114 related to the reversal in the tax payable as detailed in Note 17 and R\$24,476 related to an impairment of tax recoverable as detailed in Note 9. In the year ended December 31, 2020, includes R\$84,294 related to the reversal of taxation of PIS/COFINS on financial income.
- (vii) Depreciation and amortization amounts incurred in the period are segregated between costs and expenses as presented below.

	For the year ended December 31,		
	2021	2020	2019
Depreciation			
Cost of sales and services (i)	(464,411)	(187,284)	(33,421)
Selling expenses	(89)	(25)	(28)
Administrative expenses	(23,439)	(17,319)	(4,421)
	<b>(487,939)</b>	<b>(204,628)</b>	<b>(37,870)</b>
Amortization			
Cost of sales and services	(295,218)	(174,943)	(97,765)
Administrative expenses	(21,484)	(4,709)	(1,892)
	<b>(316,702)</b>	<b>(179,652)</b>	<b>(99,657)</b>
PIS and COFINS credits (ii)	36,048	7,945	9,179
Depreciation and amortization expense, net	<b>(768,593)</b>	<b>(376,335)</b>	<b>(128,348)</b>

- (i) The depreciation of POS in the year ended December 31, 2021, amounted to R\$448,385 (R\$172,519 in the year ended December 31, 2020).
- (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.



**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements

As of December 31, 2021

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**25 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, 2021	December 31, 2020
<b>Financial assets</b>		
<b>Amortized cost:</b>		
Cash and cash equivalents	1,794,362	1,640,065
Accounts receivables	23,657,402	16,076,540
Other receivables	206,486	164,805
Judicial deposits	40,224	7,449
Investment	1,406	1,400
<b>Fair value through other comprehensive income</b>		
Financial investments	782,647	979,837
	<u>26,482,527</u>	<u>18,870,096</u>
	December 31, 2021	December 31, 2020
<b>Financial liabilities</b>		
<b>Amortized cost:</b>		
Payables to third parties	13,217,150	10,101,510
Trade payables	578,004	335,539
Trade payables to related parties	543,621	58,336
Deposits	3,133,996	766,086
Borrowings	1,005,787	—
Deferred revenue	179,866	213,555
Other liabilities	143,884	159,198
<b>Fair value through profit or loss</b>		
Derivative financial instruments	14,317	—
	<u>18,816,625</u>	<u>11,634,224</u>

**26. 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.

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, 2021. For this analysis, the Group adopted as a probable scenario for 2022 interest rates of 11.5% for the CDI (increase of 25%). As a result, financial income (with respect to financial investments) and financial expense (with respect to certificate of deposit, corporate securities and borrowings) would be impacted as follows:

Transaction	Interest rate risk	Book Value	Scenario with maintaining of CDI (9.15%)	Probable scenario with increase of 25% (to 11.5%)
Cash and cash equivalents	100% of CDI	1,794,362	164,184	206,352
Financial investments	100% of CDI	782,647	71,612	90,004
Certificate of deposit	163% of CDI	2,510,818	(374,476)	(470,653)
Interbank deposits	118% of CDI	404,998	(43,728)	(54,958)
Corporate securities	152% of CDI	218,180	(30,345)	(38,138)
Bank accounts (note 14)	59% of CDI	5,167,577	(278,972)	(350,620)
Borrowings	109% of CDI	1,005,787	(100,312)	(126,075)
<b>Total</b>			<b>(592,037)</b>	<b>(744,088)</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. The Company's risk is mainly related to Boa Compra and BCPS that have revenues in other currencies and cash and cash equivalents maintained in other countries. Additionally, as mentioned in note 19, in November 2021, the Group entered in a US\$180 million borrowing agreement and also contracted a derivative financial instrument with the specific objective of protecting from fluctuations arising from exchange variation. Our exchange income (expense), are demonstrated below:

	December 31 2021	December 31, 2020
Exchange variation on P&L, net	(10,645)	55,217

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, 2021 and December 31, 2020, 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:

- (i) 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.
- (ii) 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, which was impacted by specific events in the year ended December 31, 2021, are disclosed in note 24.

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 the Company's customers.

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 the 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 bearings financial investments, choosing instruments with appropriate maturity or enough liquidity to provide adequate margin as determined by the forecasts. On December 31, 2021, PagSeguro Group held cash and cash equivalents of R\$1,794,362 (R\$1,640,065 on December 31, 2020).

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements

As of December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

**26. Financial risk management** (Continued)

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>On December 31, 2021</b>					
Payables to third parties	10,415,882	1,770,271	504,444	526,553	—
Trade payables	573,570	4,339	95	—	—
Trade payables to related parties	—	259,216	5,691	323,203	—
Deposits	655,289	1,073,239	334,942	1,201,888	90,595
Borrowings	—	—	—	1,114,211	—
<b>On December 31, 2020</b>					
Payables to third parties	8,348,127	1,146,136	300,058	299,645	7,544
Trade payables	332,733	2,806	—	—	—
Trade payables to related parties	—	46,945	5,132	6,438	—
Deposits	5,231	77,812	53,000	435,952	194,091

**27. 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.

	December 31, 2021
<b>Borrowings</b>	1,005,787
<b>(-) Cash and cash equivalents</b>	(1,794,362)
<b>Net debt</b>	(788,575)
<b>Total equity</b>	10,502,198
<b>Total capital</b>	9,713,623
<b>Gearing ratio</b>	(8.1)%

**PagSeguro Digital Ltd.**

Notes to the consolidated financial statements

At December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

**28. Non-cash Transactions**

	For the year ended December 31,		
	2021	2020	2019
<b>Non-cash operation activities</b>			
Distribution of LTIP with treasury shares	13,410	72,433	—
Transfer of POS from inventory to property and equipment	—	—	(42,429)
<b>Non-cash investing activities</b>			
Property and equipment acquired through lease	15,016	79,031	—
MTM of financial investments	271	(278)	(28)
Income taxes on the fair value of acquired assets	32,748	—	—
Unpaid consideration for acquisition	8,896	68,701	1,961
<b>Non-cash financing activities</b>			
Unpaid consideration for acquisition of non-controlling shares	—	—	1,574

**29. 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

As of December 31, 2021

(All amounts in thousands of reais unless otherwise stated)

**29. 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, 2021:

	December 31, 2021		
	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	446,322	1,348,040	—
Financial investments	782,647	—	—
Accounts receivable	—	23,657,402	—
Other receivables	—	206,486	—
Judicial deposits	—	40,224	—
Investment	—	—	1,406
<b>Financial liabilities</b>			
Payables to third parties	—	13,217,150	—
Trade payables	—	578,004	—
Trade payables to related parties	—	543,621	—
Deposits	—	3,133,996	—
Borrowings	—	1,005,787	—
Derivative financial instruments	—	14,317	—
Deferred revenue	—	179,866	—
Other liabilities	—	143,884	—
<b>December 31, 2020</b>			
	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	—	—	1,400
<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 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 year ended December 31, 2021.

## DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

As of December 31, 2021, 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:

Title of each class:	Trading Symbol	Name of each exchange on which registered
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, 2021.

**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 December 31, 2021, the Class A common shares represented 61.30% of our shares and 100% of our current global public float.

As of December 31, 2021, 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, 2021, 200,364,664 Class A common shares and 127,554,861 Class B common shares were issued, fully paid and outstanding, and we held 1,688,701 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.

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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
- 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.

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#### 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.

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.

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### 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.

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#### 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.

#### 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.

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#### 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.

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.

#### 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.

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#### 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.

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;
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- 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.

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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.

**10TH 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";

**TEC TOY S.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, CEP 06715-865, enrolled with CNPJ/MF under No. 22.770.366/0006-97, herein represented pursuant to its Bylaws, hereinafter simply referred to as "TEC TOY". PAX, TRANSIRE and TEC TOY are jointly referred to simply as "SUPPLIERS".

CLIENT 1, CLIENT 2, PAX, TRANSIRE and TEC TOY are hereinafter jointly referred to as "Parties", and individually as "Party".

**WHEREAS:**

- (i) The Parties executed the Equipment Supply Agreement ("Agreement") as of [\*\*\*\*\*], with subsequent amendments on [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; and [\*\*\*\*\*]; and
- (ii) The Parties wish to adjust the prices applied to the Equipment Maintenance Services included in the Agreement.

The Parties have decided to enter into this 10th Amendment to the Equipment Supply Agreement ("Amendment"), pursuant to the following terms and conditions:




**1. AMENDMENTS**

1.1. The Parties agree to adjust the amounts charged for the Equipment maintenance services, replacing the chart in section 2.1 of Exhibit I of the Agreement with the chart below.

Model	PRICE
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]

**Assumptions:**

- [\*\*\*\*\*] day warranty after maintenance only for Equipment;
- Repair period (SLA): As provided in the Agreement;
- The manufacturer shall bear all operational costs in the event of epidemic defect, provided that its responsibility is proven, otherwise, the CLIENT shall bear the costs.
- Billing within [\*\*\*\*\*] days after the invoice is issued.

1.2. The Parties agree that the Equipment repair/maintenance services may be delayed due to proven external factors outside the control of the **SUPPLIERS**, and in these events, no penalties are applicable to the **SUPPLIERS**.

1.3. In conclusion, it is hereby agreed that the billing for the Equipment Maintenance services shall be performed by PAX BR COMERCIO E SERVIÇOS LTDA., and its information detailed below.

Corporate Name:	PAX BR COMÉRCIO E SERVIÇOS DE EQUIPAMENTOS DE INFORMÁTICA LTDA.
Doing Business As:	PAX DO BRASIL
Address:	Rua Santa Mônica, nº 281, Bloco A, na Cidade de Cotia, Estado de São Paulo, CEP 06.715-865
Phone:	(11) 3197-8090 / (11) 4148-5878
CNPJ:	11.603.135/0001-68
State Registry Enrollment:	[*****]

**2. RETROACTIVITY**



2.1. This Amendment Instrument is executed on the date hereof, however, its effects shall relate back to the date of [\*\*\*\*\*], when the Parties had oral understandings concerning its purpose.

**3. RATIFICATION**

3.1. The Parties 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.

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, July 20, 2021.

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**NET+PHONE TELECOMUNICAÇÕES LTDA. PAGSEGURO INTERNET S.A.**

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**PAX BR COMÉRCIO E SERVIÇOS DE EQUIPAMENTOS DE INFORMÁTICA LTDA.**

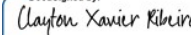
**TRANSIRE FABRICAÇÃO DE COMPONENTES ELETRÔNICOS LTDA.**

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**TEC TOY S.A.**

Witnesses:

DocuSigned by:  
  
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1. \_\_\_\_\_  
 Name: Klaus Gottsfritz  
 CPF: [\*\*\*\*\*]

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2. \_\_\_\_\_  
 Nome: Clayton Xavier Ribeiro  
 CPF: [\*\*\*\*\*]

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**Completion Certificate**

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Document Pages: 3 Signatures: 10 Envelope Sent by:  
Certificate Pages: 6 Initials: 6 Fabiana Algaves  
AutoNav: Enabled  
Enveloped Stamping (ID Stamping): Enabled  
Time Zone: (UTC-08:00) Pacific Time (US & Canada)

Av. Brigadeiro Faria Lima, 1.384  
SP, 01452-002  
[\*\*\*\*\*]  
Endereço IP: [\*\*\*\*\*]

**Record Tracking**

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Holder: Fabiana Algaves  
[\*\*\*\*\*]

Location: DocuSign

Signer Events	Signature	Timestamp
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Paulo Rodrigo Dantas de Carvalho Dias [\*\*\*\*\*]  
LAWYER UNIVERSO ONLINE SA  
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**Electronic Record and Signature Disclosure:**  
Not offered via DocuSign

Paula Yumi Kido [\*\*\*\*\*]  
Security Level: E-mail, Account Authentication (None)

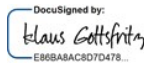


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[\*\*\*\*\*]  
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Artur Gaulke Schunck  
[\*\*\*\*\*]  
Chief Financial Officer

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Signature established by: Pre-set style  
Using IP Address: [\*\*\*\*\*]

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(None)

**Electronic Record and Signature Disclosure:**

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Signer Events	Signature	Timestamp
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Clayton Xavier Ribeiro  
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Security Level: E-mail, Account Authentication  
(None)

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*Clayton Xavier Ribeiro*  
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Paulo Fernando Gasparo  
[\*\*\*\*\*]  
DIRECTOR  
Security Level: E-mail, Account Authentication (None)

DocuSigned by:  
*Paulo Fernando Gasparo*  
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Signature established by: Pre-set style  
Using IP Address: [\*\*\*\*\*]

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Renato Bertozzo Duarte  
[\*\*\*\*\*]  
HEAD OF UNIVERSO ONLINE LEGAL DEPARTMENT  
Security Level: E-mail, Account Authentication (None)

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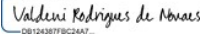
Tiago Cabral  
[\*\*\*\*\*]  
Commercial Services Officer  
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Resent 8/2/2021 6:15:32 AM  
Resent 8/13/2021 1:20:58 PM  
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Valdeni Rodrigues de Novaes  
[\*\*\*\*\*]  
CEO  
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Editor 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
Envelope Summary Events	Status	Timestamp
Envelope sent	Hashed/Encrypted	7/21/2021 7:11:42 AM
Certified delivery	Security checked	7/26/2021 10:09:36 AM
Signing complete	Security checked	7/26/2021 10:09:57 AM
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Payment Events	Status	Timestamp

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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:

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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.

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- (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.

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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 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.

**11TH 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";

**TRANSIRE COMÉRCIO E SERVIÇOS DE EQUIPAMENTOS LTDA.** (current corporate name is **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 "TRANSIRE SERVIÇOS"; and

**TRANSIRE FABRICAÇÃO DE COMPONENTES ELETRÔNICOS S/A.**,

private corporation, headquartered at Avenida Ministro Mario Andreazza, No. 4.120, City of Manaus, State of Amazonas, CEP 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"; and

**TEC TOY S.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, CEP 06715-865, enrolled with CNPJ/MF under No. 22.770.366/0006-97, herein represented pursuant to its Bylaws, hereinafter simply referred to as "TEC TOY". TRANSIRE SERVIÇOS, TRANSIRE ELETRÔNICOS and TEC TOY are jointly referred to simply as "SUPPLIERS".

CLIENT 1, CLIENT 2, TRANSIRE SERVIÇOS, TRANSIRE ELETRÔNICOS and TEC TOY are individually referred to as "Party" and jointly as "Parties".

**WHEREAS:**

- (i) The Parties executed the Equipment Supply Agreement ("Agreement") as of [\*\*\*\*\*], with subsequent amendments on [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; [\*\*\*\*\*]; and [\*\*\*\*\*];
- (ii) The Parties wish to include new Equipment as part of the Agreement, named M30, adjusting the specific conditions applicable to it; and
- (iii) The Parties wish to include battery disposal conditions applicable to all Equipment sold by the **SUPPLIERS**.

The Parties have decided to enter into this 11th Amendment to the Equipment Supply Agreement ("Amendment"), pursuant to the following terms and conditions:

**1. AMENDMENTS**

1.1. The Parties, upon the agreement to include the new EQUIPMENT Model M30 to the models sold by the Agreement, have mutually agreed to provide the specific conditions to be observed in relation to the EQUIPMENT Model M30, as below:

1.1.1. For EQUIPMENT Model M30, the SUPPLIERS undertake to comply with the conditions included in the Exhibits of this Amendment, which are listed below. The provisions in the Exhibits below, as they are specific provisions, must be applied to the EQUIPMENT Model M30, to the extent where they conflict with or differ from the general provisions and provisions in the other exhibits of the agreement.

- (i) Exhibit I (M30) - Business Proposal of EQUIPMENT Model M30.
- (ii) Exhibit II (M30) - Battery Disposal Policy.
- (iii) Exhibit II (M30) - Warranty Template of EQUIPMENT Model M30.
- (iv) Exhibit III (M30) - Technical Support Conditions of EQUIPMENT Model M30.
- (v) Exhibit IV (M30) - Technical Support Flow of EQUIPMENT Model M30.
- (vi) Exhibit V (M30) - Repair Instructions Template for Submission of EQUIPMENT Model M30 for Technical Support.

1.1.2. The Parties agree that Exhibit II (M30) - Battery Disposal Policy listed in item (ii) above, as a global policy of the SUPPLIERS, is valid and applicable to all EQUIPMENT sold by the SUPPLIERS.

1.2. Upon the inclusion of the EQUIPMENT Model M30, the Parties hereby agree to amend sections 5.1 and 7 - Equipment Warranty, which shall be governed by the following wording:

*"5.1. The SUPPLIERS shall perform the maintenance of EQUIPMENT purchased by the CLIENTS, including EQUIPMENT still covered by the warranty period, as well as of any other EQUIPMENT, including due to misuse. The MAINTENANCE shall be performed upon the CLIENTS' approval, pursuant to Exhibit I, except for EQUIPMENT Model M30, whose MAINTENANCE, in case of misuse, shall only be performed upon the owner's approval and submission of prior technical report and quotation, pursuant to Exhibit I.1 (M30)."*

**"SECTION 7 – Equipment Warranty**

7.1. The SUPPLIERS shall grant a [\*\*\*\*\*] warranty on EQUIPMENT's manufacturing defect, excluding defects that are proven and verified to be resulted from exclusive misuse.

7.2. For EQUIPMENT Model M30, the SUPPLIERS shall grant a [\*\*\*\*\*] warranty on manufacturing defect of EQUIPMENT Model M30; [\*\*\*\*\*]; warranty on manufacturing defect of the EQUIPMENT Model M30's Battery; and [\*\*\*\*\*] warranty, which may be extended for another [\*\*\*\*\*], on manufacturing defects of other EQUIPMENT Model M30's accessories, excluding defects that are proven and verified to be resulted from exclusive misuse. For more information, read Exhibit I.1."

1.3. Moreover, as a result of the amendments above, the Parties hereby formalize the inclusion of Exhibit I.1, concerning the maintenance and warranty of the EQUIPMENT Model M30, which shall be governed pursuant to Exhibit I.1 attached hereto.

**2. RETROACTIVITY AND RATIFICATION**

2.1. This Agreement is executed on the date hereof, however, its effects shall relate back to the date of [\*\*\*\*\*], when the Parties had oral understandings concerning its purpose.

2.2. The Parties 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.

In witness whereof, the Parties 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, August 18, 2020.

[signature] [signature]  
\_\_\_\_\_  
**NET+PHONE TELECOMUNICAÇÕES LTDA**

[signature] [signature]  
\_\_\_\_\_  
**PAGSEGURO INTERNET S.A.**

[signature] [signature]  
\_\_\_\_\_  
**TRANSIRE COMÉRCIO E SERVIÇOS DE EQUIPAMENTOS LTDA.**

[signature] [signature]  
\_\_\_\_\_  
**TRANSIRE FABRICAÇÃO DE COMPONENTES ELETRÔNICOS S.A.**

[signature] [signature]  
\_\_\_\_\_  
**TEC TOY S.A.**

Witnesses:

1 [signature]  
\_\_\_\_\_  
Name: Klaus Gottsfriz  
CPF: 148.792.668-59

2 [signature]  
\_\_\_\_\_  
Name: Clayton Xavier Ribeiro  
CPF: 266.720.848-00

## Exhibit I.1 (M30)

MAINTENANCE and WARRANTY of Equipment Model M30 in Laboratory between the SUPPLIERS and CLIENTS.

**1 – WARRANTY**

1.1 – Warranty of EQUIPMENT Model M30 sold by the CLIENTS shall be for a period of [\*\*\*\*\*] of legal warranty and eight hundred and [\*\*\*\*\*] of contractual warranty), starting from the issuance of the Invoice, and it shall cover any and all issues found in the EQUIPMENT Model M30 as manufacturing defect. For the EQUIPMENT Model M30's Battery, it shall be considered the [\*\*\*\*\*] warranty ([\*\*\*\*\*] of legal warranty and [\*\*\*\*\*] of contractual warranty) and for other EQUIPMENT Model M30's Accessories, the warranty shall be of [\*\*\*\*\*] (being [\*\*\*\*\*] of legal warranty and [\*\*\*\*\*] of contractual warranty), both starting from the issuance of the Invoice of the EQUIPMENT Model M30, and it shall cover any and all issues found as manufacturing defect. Damages to the EQUIPMENT Model M30 due to the proven misuse shall not be covered by the warranty. **If there is any general issue associated to manufacturing defect, the SUPPLIERS must bear the additional Logistics costs, including, but not limited to, its replacement, upon the withdrawal of EQUIPMENT M30 from the market.**

1.2 – Repairs performed within the warranty period shall not have any cost to the CLIENTS or the Customers of the CLIENTS (owners). If the repair is not viable, the owners may, at their sole discretion, and if the applicable period lapses, choose to receive the refund of the amount paid to the CLIENTS, a prorated deduction from the price (as applicable) or the replacement of EQUIPMENT Model M30. If the repair is not viable and if the Customers (owners) do not choose to receive the EQUIPMENT, the SUPPLIERS must carry out its disposal, in compliance with Exhibit II - Battery Disposal Policy. The SUPPLIERS undertake to reimburse the CLIENTS with any costs, disbursements or losses arising from the liability of the SUPPLIERS (defects of EQUIPMENT Model M30), including, but not limited to, costs related to the reimbursement of amounts paid for EQUIPMENT Model M30, indemnification and costs with the replacement of EQUIPMENT Model M30 and (final or temporary) delivery of new EQUIPMENT to the owners.

1.3 – The SUPPLIERS are responsible for providing operational system updates (Android and Monitor), notifying PagSeguro on the release of new hotfix or and/or security patch.

**2 – SERVICES**

2.1 – Maintenance services after the verification of misuse upon submission of technical report and repair out of the warranty period ("Services") shall be provided by the SUPPLIERS directly to the owners, upon submission of previous quotation and its approval.

2.1.1 – If the repairs are demanded by PagSeguro, by its sole and exclusive initiative, the following amounts shall be observed for purposes of maintenance:

- (i) [\*\*\*\*\*] for Cosmetic Maintenance<sup>1</sup> or Maintenance resulted from misuse within the warranty period.
- (ii) [\*\*\*\*\*] for non-cosmetic Maintenance or not resulted from misuse, but out of the warranty period - it does not cover the replacement of LCD parts, front touch screen glass and metalframe.
- (iii) [\*\*\*\*\*] for cosmetic Maintenance or resulted from misuse, but out of the warranty period - including the full replacement of LCD parts, front touch screen glass and metalframe.

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 [\*\*\*\*\*] and upon mutual agreement of the Parties.



- 2.2 - EQUIPMENT Model M30 semi-destructed must be repaired upon prior approval of specific quotation by the owner or returned directly by the SUPPLIERS to the CLIENTS without repair after the expiration of the quotation with the relevant document proving the misuse, in this case with no cost.
- 2.3 - The SUPPLIERS reserve their rights to not perform repair services on EQUIPMENT Model M30 that presents signs of opening or technical intervention by third parties compromising the general condition of the EQUIPMENT Model M30 after the lab repair.
- 2.4 The warranty for repairs performed by the SUPPLIERS in cases of misuse or repairs performed out of the warranty period shall be of [\*\*\*\*\*].
- 2.5 - "Misuse/Semi-destruction" means all EQUIPMENT Model M30 - therefore, not covered by the warranty - showing evidence of:
- Use and/or installation of software or application violating the instructions included in the product guide;
  - Opening, handling, repair or any type of intervention in the product by the owner or third party not authorized by the SUPPLIERS;
  - Damages for accidents or misuse, such as: fall, contact with water as well as any type of liquids, crash, atmospheric electric discharge, undue connection to electric grid or that is subject to excessive variations, use of counterfeit accessories, attempt to change the original firmware, problems arising from phone service (carrier), application marketplace, virus or third-party applications.
- 2.6 - After the applicable warranty period lapses, the replacement items (cables, charger, lids and battery) shall be billed separately, directly through the SUPPLIERS to the owner, upon their prior authorization.
- 2.7 - The history of all MAINTENANCES performed on the EQUIPMENT Model M30, including proof of repair, must be stored by the SUPPLIERS for a minimum period of five (5) years, and in the event of request by the CLIENTS, such documents must be provided within five (5) business days. The SUPPLIERS are responsible for any damages and losses incurred by the CLIENTS arising from delay and/or lack of such documentation.

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<sup>1</sup> Cosmetic Maintenance includes the full replacement of parts, i.e., front touch screen glass and metal frame.

**3. - EQUIPMENT**

3.1 – The EQUIPMENT subject matter of the Services hereof include only Models M30 sold by the **SUPPLIERS** and purchased by the **CLIENTS**.

**4. - PAYMENT**

4.1 – The payment for MAINTENANCE Services (whether cosmetic or resulted from misuse) and repair out of the warranty period shall be carried out directly by the owner [\*\*\*\*\*] by the **SUPPLIERS**.

**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:

- a) The time period (support) for performing the Services shall be of up to [\*\*\*\*\*] business days, which is the lab cycle (receipt + repair + availability of equipment ready for withdrawal), starting from the date the EQUIPMENT Model M30 was received at the **SUPPLIERS**' technical support;
- b) After the period of [\*\*\*\*\*] business days, the **SUPPLIERS** must notify the **CLIENTS** on the completion of the repair or the impossibility of repair, keeping that information up to date during the legal period of repair, so that the **CLIENTS** can inform the owners, at the end of the legal period of repair, that the EQUIPMENT Model M30 is going to be replaced or that the price paid will be refunded, at the owner's discretion. The information handled herein must be provided by the **SUPPLIERS** within [\*\*\*\*\*] business days, in an Excel file or upon another form to be defined by the **CLIENTS**, including a system to exchange information.
- c) The **SUPPLIERS**, throughout the warranty period, undertake to comply with the legal periods for the services of MAINTENANCE/REPAIR, including any supervening change of law or norm, holding the **CLIENTS** harmless from any questioning and/or conviction resulted from breaching the applicable legal conditions.

6.2 The Parties mutually establish the compliance with the minimum repair period of [\*\*\*\*\*]% of the volume of EQUIPMENT Model M30 under repair in the respective calendar month. The compliance with the goals defined herein will be calculated based on the total of activities performed throughout the month, considering the date of receipt of the EQUIPMENT Model M30 for repair.

6.2.1. The negative impact of compliance with the repair period, calculated on less than [\*\*\*\*\*]% of the volume of EQUIPMENT Model M30 under repair in the respective calendar month, shall be subject to a penalty of [\*\*\*\*\*]% on the current amount of a new Equipment Model M30 for each event of delay, to be converted into credit for future purchases of general EQUIPMENT by the **CLIENTS** or to be paid by the **SUPPLIERS**, within [\*\*\*\*\*] days, in the event of lack or unpredictability of new purchases by the **CLIENTS**.

6.3. If the repair is not possible or the Customer (owner) chooses, pursuant to applicable law, to replace the EQUIPMENT Model M30 with a new one, the replacement shall be performed by the **CLIENTS**, and the **SUPPLIERS** are responsible for restoring the quantity of EQUIPMENT Model M30 to the **CLIENTS** within thirty (30) calendar days, starting from the receipt of proof of replacement of the Equipment Model M30 delivered by the **CLIENTS**. The same rule and the same period applies if the Customer (owner) chooses to receive a refund for the amount paid for the EQUIPMENT Model M30 or prorated deduction of the product amount, which shall be carried out by the **CLIENTS** to the Customer (owner), and the **SUPPLIERS** shall be responsible for reimbursing the amounts spent by the **CLIENTS** within [\*\*\*\*\*] calendar days, starting from date the proof of payment made by the **CLIENTS** was received.

6.3.1. Without prejudice to the period of [\*\*\*\*\*] calendar days mentioned above, the **CLIENTS** may, at their sole discretion, agree with the **SUPPLIERS** on performing monthly account reconciliation, in order to optimize the expense reimbursement flow and delivery of EQUIPMENT Model M30.

6.3.2. The obligation to reimburse the **CLIENTS** for amounts disbursed or EQUIPMENT Model M30 delivered to Customers (owners) indistinctly applies to payments performed spontaneously by the **CLIENTS**, pursuant to applicable law, by court order or administrative settlement.

**Exhibit 1 (M30)**  
**Business Proposal of EQUIPMENT Model M30.**



PAX - ADTxxx - Anexo I - Proposta C

**Exhibit II (M30)  
Battery Disposal Policy**



Anexo II - Política de Descarte de Bate

**Exhibit III (M30)**  
**Warranty Template of EQUIPMENT Model M30.**

**WARRANTY CERTIFICATE**

The warranty offered has the following periods, starting from when the invoice is issued:

- a) Device: [\*\*\*\*\*], being [\*\*\*\*\*] of legal warranty and [\*\*\*\*\*] of contractual warranty;
- b) Battery: [\*\*\*\*\*], being [\*\*\*\*\*] of legal warranty and [\*\*\*\*\*] of contractual warranty;
- c) Accessories: [\*\*\*\*\*], being [\*\*\*\*\*] of legal warranty and [\*\*\*\*\*] of contractual warranty.

If there is a defect, contact PagSeguro Support Service with the certificate in hands and the copy of Purchase Invoice, to gather information on repair services, covered by the warranty.

This warranty does not cover defects resulted from:

- Use and/or installation of software or application violating the instructions included in this brochure or in the product guide;
- Opening, handling, repair or any type of intervention in the product by the customer or unauthorized third party;
- Damages for accidents or misuse, such as: fall, contact with water as well as any type of liquids, crash, atmospheric electric discharge, undue connection to electric grid or that is subject to excessive variations, use of counterfeit accessories, attempt to change the original firmware, problems arising from phone service (carrier), application marketplace, virus or third-party applications.

The warranty does not cover for aesthetic damages, such as wrinkles, cracks, stains, paint and scratches. Also, the warranty does not cover installation and adjustment services.

During the repair process, data and settings will be erased. Before submitting the product for repair, the user is responsible for erasing all data in the device in a way to protect their personal and confidential information. In any case, especially when the damage incurred does not allow for the prior erasing of data, during the repair process, regardless of the defect nature and repair technique, our professionals must reset the device to the default settings, in order to protect all data in it. For that reason, any prior backup must be carried out exclusively by the consumer, without any exceptions, and no damages or losses may be claimed due to data erasure.

The internal battery warranty shall be voided if any counterfeit charger was used and if the ANATEL code fixed on the guide has been violated, or also if the battery presents signs of tampering.

The battery Charger shall have its warranty voided due to:

- Damages for accidents or misuse, such as: fall, contact with water as well as any type of liquids, crash, atmospheric electric discharge, undue connection to electric grid or that is subject to excessive variations, use of counterfeit accessories;
- And if the ANATEL code fixed on it has been violated, or also if the Charger presents signs of tampering.

**The additional (contractual) warranty does not cover Earphones, USB Cable and Screen protectors**

The warranty covers parts (and respective service) that are naturally worn out from use, provided that such wear hinders the proper operation of the product.

TECTOYS.A.  
Consumer Support Service  
(SAC) (11) 3018-8080  
[\*\*\*\*\*]

**Exhibit IV (M30)**  
**Technical Support Conditions of EQUIPMENT Model M30.**

1. The repair of EQUIPMENT Model M30 shall be performed within [\*\*\*\*\*] business days, pursuant to Section 6.1 of exhibit I.1.  
 The **SUPPLIERS** must comply with Tax Legislation in force related to the delivery and receipt of equipment submitted for technical support. The **CLIENTS** are responsible, during the period of warranty of EQUIPMENT Model M30, for bearing the costs arising from the delivery to technical support, as well as for collecting it after the repair and shipment to the respective owner.
  - 1.1. When receiving the EQUIPMENT Model M30 at the technical support, the **SUPPLIERS** must proceed as described below. (i) for EQUIPMENT Model M30 within the warranty period and coverage, with the respective and due repair; (ii) for EQUIPMENT Model M3 out of the warranty period and coverage, with the submission of prior quotation to the Customer (owner) for express approval of all conditions required for the performance of the service, including approval of the repair period and quotation.
  - 1.2. After the repair of the EQUIPMENT Model M30 is completed, the **CLIENTS** must, during the warranty period, perform at least [\*\*\*\*\*] attempts to return the device; after the warranty period, the **CLIENTS** shall bear the same responsibility, which, however, may be revised by the Parties. If the **SUPPLIERS** are deemed responsible for the return, the delivery attempts must be documented and, if failed, the **SUPPLIERS** must inform the **CLIENTS** within [\*\*\*\*\*] hours after the last attempt, so that the **CLIENTS** may notify the Customers (owners) that the device is available. If the owner does not pick up the device within [\*\*\*\*\*] days, the device may be considered abandoned.
2. During the warranty period of any EQUIPMENT Model M30, in the event of non-compliance with the applicable legal period of repair, or if the EQUIPMENT Model M30 cannot be repaired, due to conditions not resulted from misuse, the **SUPPLIERS** must, if chosen by the Customer (owner), provide to the **CLIENTS** a new EQUIPMENT Model M30 or another similar or superior device, in the form and within the period set forth in Section 6.3 of Exhibit I.1, for the **CLIENT** to deliver the replacement to the Customer (owner).
  - 2.1. The **SUPPLIERS** undertake to keep enough devices in their inventory for the compliance with the monthly repair provided in the previous item.
3. If the Customer (owner) chooses the refund of the amount paid, the **CLIENTS** must, as a rule, perform the refund, and the **SUPPLIERS** must reimburse the **CLIENTS**, pursuant to Section 6.3 of Exhibit I.1.
4. If the immediate replacement of the mobile phone devices submitted to technical support becomes mandatory, by force of change in law or court order, upon the delivery of new final or temporary device to the Customers, the **SUPPLIERS** shall adopt all necessary measures to comply with such order.
5. Technical support service shall be provided during business hours, at least from 8 am to 5 pm, from Monday to Thursday, and from 8 am to 4 pm on Friday. The receipt/pick-up of devices shall occur from Monday to Friday, from 8 am to 5 pm, and Friday from 8 am to 4 pm. The repair SLA period starts on the next business day.
  - 5.1. The follow up on service shall be performed through an online system indicated by the **CLIENTS**. If needed, a new system shall be developed by the **SUPPLIERS**, with at least the following specifications: (i) information must be updated on real time; (ii) the tool must control access by user and password with permission of access to the support channels; (iii) other characteristics and specifications to be jointly decided with the **CLIENTS**.
  - 5.2. The Parties shall periodically meet to assess the SLA terms and technical support flows, always with the intent of improving processes and meeting the **CLIENTS'** demand.



**Exhibit V (M30)**  
**Technical Support Flow of EQUIPMENT Model M30.**



Assistencia Alpha\_1904\_AFROV

It is hereby agreed that the Technical Support Flow of EQUIPMENT Model M30 included herein may be revised by the **CLIENTS** to add necessary adjustments, upon agreement between the Parties and subsequent formalization.

**Exhibit VI – Repair Instructions Template for Submission of EQUIPMENT Model M30 for Technical Support.**

**Repair Instructions**

Dear Customer,

As per your telephone call, by which the technical issues with the device were reported, you will need to submit your device to the Manufacturer, as per the Warranty Certificate.

In order to do so, we will inform you a short code that must be used for the shipment of the device in the post office you prefer. You will receive all the necessary information, without any shipment costs.

The Manufacturer will assess the technical issues and, if they are covered by warranty, the Manufacturer will perform the due repair or the replacement of the device, without any charges.

Upon shipment of the device, using the code that will be sent to you, you thereby authorize the Manufacturer to perform all procedures and repairs covered by warranty, without any other authorization being required.

If the issues verified by the Manufacturer are excluded from the coverage, pursuant to the Warranty Certificate, you will be previously informed on any repair costs, which will only be performed upon your approval.

Before shipping the device, we have the following recommendations:

- Read through the **Warranty Certificate** that was provided at the purchase of the device to answer any questions you may have regarding the warranty conditions, such as coverage and exclusions, among others:
- Perform the back-up of information and data stored in the device, erasing personal and confidential information, such as passwords, as set forth in the PagSeguro agreement and the warranty certificate; and
- Remove the sim card and memory card (if any) from the device, as per instructions in the Guide.

During the repair process, data and settings will be erased. PagSeguro and the Manufacturer are not liable for the loss of any information, data, applications or media resulted from product repair. We would like to remind you that PagSeguro is not the Manufacturer of the device, and we do not perform any repairs that may be needed. The Manufacturer is the sole responsible for repairs, pursuant to the Warranty Certificate.

If you disagree with any of the above-mentioned conditions, do not use the shipment code and contact our Consumer Support Service. The use of the and shipment of the device shall mean the full acceptance of the conditions above.

Best Regards, PAGSEGURO  
INTERNET S.A.



São Paulo, March 19, 2021

To

Company: NET+PHONE TELECOMUNICAÇÕES LTDA

As per our understandings, we hereby submit the Business Proposal for the supply of M30 Equipment.

We are at your disposal for any additional information.

Best regards,

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PAX DO BRASIL  
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[\*\*\*\*\*] – Pq. Industrial San José – Cotia/SP - Brasil  
CEP 06.715-865  
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**BUSINESS PROPOSAL FOR THE SUPPLY OF PAX EQUIPMENT - MODEL:**

**M30**

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[\*\*\*\*\*] – Pq. Industrial San José – Cotia/SP - Brasil  
CEP 06.715-865  
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CEP 06.715-865  
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Rua Santa Monica, 281 – Pq. Industrial San José – Cotia/SP - Brasil

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## 1. Business Proposal

Our customers are crucial for everything we envision; our products, services and processes represent their actual needs.

Every decision we make has the purpose of providing the best solution to our customers and we take care of their interests at all times, so that together we can achieve the best level of reference.

We understand that integrity is the main foundation for what we are and what we defend.

Integrity helps us build trust and respect among all of our business relationships with our Customers, Partners, Suppliers and Shareholders.

Our integrity concept does not allow for differences between what we offer and what we deliver.

We hereby submit this proposal with the purpose of offering **equipment M30, Maintenance Price and Warranty.**

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## 2. Products Offered

### 2.1 Smartphone M30



**Display**  
First display  
5.5" 720\*1440  
GFF Multi points touch

**Chipset**  
Octa cores 1.6GHz

**Camera**  
Rear Camera:  
13MP+2MP PDAF (Dual Cam)  
Front: 5MP FF  
Rear & front flashes

**Others**  
G-sensor  
P/L sensor  
E-compass  
Gyroscope  
Fingerprint

**Memory**  
32GB ROM + 3GB RAM  
Compatible 64GB + 4GB  
Micro SD up to 128GB

**Connectivity**  
Wi-Fi 2.4G/5G  
BT5.0  
4G/3G/GPRS  
GPS

**Port**  
Type C  
3.5mm audio jack  
Nano SIM + SD

**Battery**  
3.7V,3000 mAh

**OS**  
Android 10

**Design**  
152X72.2X10mm  
Side keys: 3 keys  
(1 for power, 2 for volume)

**Network**  
GSM:82/83/85/86  
WCDMA:81/82/85/95  
FDD: B1/3/5/7/8/20/28A/28B  
TDD:836/838/840/841

**Card Readers**  
IC Card Reader  
Contactless Card Reader

**Accessory**  
5V 2A charger  
USB Cable

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CEP 06.715-865  
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### 3. Prices, Warranty and Maintenance

#### 3.1 Prices

Model	Name	Quantity	Price
M30	Mobile Payment	[*****]	[*****]

Manufacturer Warranty Period: [\*\*\*\*\*].

#### 3.2 Maintenance Prices

Currently, within the equipment maintenance process, over [\*\*\*\*\*]% is related to imported raw material, which is frequently affected by the foreign exchange variation (U.S. Dollar). For that fact, we present the best proposal to perform the service under discussion.

#### 3.3 M30 - Price of Cosmetic Maintenance and Misuse

The amounts shown in the chart below refer to equipment that needs maintenance while under manufacturer warranty or characterized as misuse.

Equipment	Maintenance Price	Warranty
Cosmetic Repair <sup>1</sup> and Misuse	[*****]	[*****]

#### 3.4 M30 – Equipment Out of Warranty

The amounts shown in the chart below refer to equipment that needs maintenance while out of the warranty period, but without cosmetic maintenance or misuse.

Equipment	Maintenance Price	Warranty
Maintenance <sup>2</sup>	[*****]	[*****]
Cosmetic Repair <sup>3</sup> and Misuse	[*****]	[*****]

1 Cosmetic Maintenance - includes the full replacement of parts, i.e., front touch screen glass and metal frame.

2 It does not include the replacement of parts LCD front touch screen glass and metal frame.

3 Cosmetic Maintenance - includes the full replacement of parts, i.e., front touch screen glass and metal frame.



**4. Payment Method**

Conditions: [\*\*\*\*\*]

The billing (issuance of invoice) shall be made by the companies of the group, depending on the location of manufacturing/repair of the equipment presented in this proposal.

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[\*\*\*\*\*] – Pq. Industrial San José – Cotia/SP - Brasil

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## Waste Management

PR-CTE-038

Revision No. 05

PREPARED BY:	Ingrid Carioca – SGC Analyst		
REVISED BY	Orlando Gomes – Service Management Leader		
APPROVED BY	Ariadina Torres – General Manager of Quality		
LAST APPROVAL	9/29/2020	NEXT REVISION	9/28/2021

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## 1. PURPOSE

The purpose of this document is to establish the criteria required for managing all waste generated by Transire Eletrônicos, by properly categorizing, cataloging, handling, transporting and storing it according to laws and regulations in force and internal control procedures from its generation through its final disposal, including the accounting aspects and tax matters, in order to ensure that the waste has a proper management while environmentally correct.

## 2. COVERAGE

This procedure is applied to all processes of Transire Eletrônicos.

## 3. TERMS AND DEFINITIONS

**3.1 WASTE MANAGEMENT:** Means the activity to manage waste including the categorization, sorting, collection and storage, so that the waste may have proper final disposal;

**3.2 WASTE SORTING:** Means to sort or select the waste generated in activities, which must be placed in containers duly identified for a better use of the recycling area, preventing wastage, improving the control of pollutants, with the purpose of preventing damages to public health and the environment;

**3.3 SOLID WASTE:** Waste in solid and semi-solid condition, resulting from industrial, domestic, hospital, commercial, agricultural, services and sweeping activities. This definition includes sludge from water treatment systems, generated in equipment and installations used for pollution control, as well as certain liquids whose characteristics make their release into the public sewage system or water bodies non-viable. Solid waste is classified according to norm NBR 10004: 2004, as follows:

**3.4 CLASS I WASTE - HAZARDOUS:** Waste that presents material risk to public health or environment due to its characteristics of toxicity, corrosivity, reactivity, flammability, pathogenicity or explosibility;

**3.5 CLASS II WASTE - NON-HAZARDOUS:** Waste that does not present risks to public health or the environment. Example: restaurant waste (leftovers), non-ferrous metal scrap (brass, etc.), paper and cardboard waste, wood waste, etc.;

**3.6 CLASS II A WASTE - NON-INERT:** Waste that does not fit into the categories of class I waste - Hazardous or class II B waste - inert. Inert defined pursuant to Norm ABNT NBR 10004:2004. Class II A waste - Non-inert may present characteristics like: biodegradability, combustibility or water solubility;

**3.7 CLASS II B WASTE - INERT:** Any waste that, when taken a representative sample, according to ABNT NBR 10007 (Solid Waste Sampling), and subject to a dynamic and static contact with distilled or deionized water, at room temperature, according to ABNT NBR 10006 (Procedure to obtain solubilized extract of solid waste), did not have any of its elements solubilized on concentrations higher than the standards of water potability, excluding aspect, color, turbidity, hardness and taste, according to exhibit G of Norm ABNT NBR 10004;

**3.8 WASTE,** may be: Recyclable, Reusable, Non-Recyclable, Non-Reusable, Incinerable, Sweeping Waste, as defined below.

- **RECYCLABLE WASTE:** All materials or substances disposed during the production process or other company activity. This material may be used in other production processes, becoming other products;
- **REUSABLE WASTE:** All materials or substances disposed during the production process or other company activity, which may be reused in the same production process or another process in or outside the factory, without the addition of any other material and it is not transformed into another product;

- **NON-RECYCLABLE / NON-REUSABLE:** (Generally) All material or substance disposed during the production process or other company activity, which may not be reused or recycled;
  - **SWEEPING WASTE (NON-RECYCLABLE):** (Generally) All material or substance disposed during the production process or other company activity, as well as dust accumulated to which the process of waste sorting for recycling is practically non-viable, as it may expose humans to diseases, by causing the proliferation of vectors in the environment or not having restrictions of disposal in sanitary landfills;
  - **INCINERABLE WASTE:** Waste with final disposal other than the ones mentioned above. In general, it means the hazardous and/or contaminated waste, however, it may be associated to the waste that the company still does not have any other mean of disposal.
  - **WASTE SORTING:** The process of waste sorting, storage, categorization, packaging and storage according to specific instructions, with the purpose of being disposed in a secure way mitigating environmental impact (pursuant to legislation in force). Identification of containers by color is an important fact, but we will focus on the identification of containers, so that the Organization may comply with the provisions in law.
- 3.9 **HEALTHCARE WASTE (RSS):** Waste from hospital (medical waste), drugstores, medical and dental offices, clinical analysis labs, among other establishments providing similar services. Transire Eletrônicos only generates Group D waste, the Healthcare Waste Management Plan shall be prepared as soon as the company provides human medical care, as per guidance of the competent authority. Other generated waste shall receive the same treatment provided for common waste.
- 3.10 **SOLID WASTE MANAGEMENT PLAN - PGRS:** Plan shall include the name of the waste, department who generated the waste, storage at source, transportation to the storage location, person in charge of collection, storage for final destination, final disposal and person in charge of final disposal.
- 3.11 **WASTE TRANSPORTATION MANIFEST - MTR:** Legal document, provided by technical norm ABNT (NBR 13221), required for the transportation of class I solid waste.
- 3.12 **IPAAM:** Amazonas Environmental Protection Institute. Environmental Authority of the State of Amazonas. Its purpose is to enforce the State Environmental Policies for the State of Amazonas.
- 3.13 **SEMMAS:** Local Office of Environment and Sustainability;
- 3.14 **IBAMA:** Brazilian Institute of Environment and Renewable Natural Resources. Transire Eletrônicos is responsible for following up on the Annual Report and payments of IBAMA's Environmental Control Fee;
- 3.15 **DISPOSAL CERTIFICATE** Legal document required by IPAAM as proof of destruction; disposal; incorporation of class I solid waste, and any class II solid waste defined by NBR 10.004, without prejudice of other documents required by tax or sanitary law;
- 3.16 **DEBRIS WASTE:** Debris is the waste from activities related to civil construction, comprised by fragments or rest of bricks, mortar, steel, wood, tiles, concrete, ceramic block, sacks and package box of the input used during the works etc. Do not consider containers' color;
- 3.17 **ENVIRONMENTAL ASPECT:** Element of the activities, products or services of an organization that interacts or may interact with the environment;
- 3.18 **MATERIAL ENVIRONMENTAL ASPECT:** All actual or potential impact that may present itself in a material level;
- 3.19 **ENVIRONMENTAL IMPACT:** Any adverse or beneficial change to the environment partially or exclusively resulted from environmental aspects and risks of the organization;

**3.20. POLLUTION PREVENTION:** The use of processes, practices, techniques, materials, services or energy to prevent, reduce or control (individually or jointly) the generation, emission or discharge of any type of pollutant or tailing, in order to mitigate the adverse environmental impact;

**Note 1:** Pollution prevention may include the mitigation or elimination of pollution sources, change of processes, products or services, efficient use of resources, materials and replacement of energy, reuse, recovery, recycling, regeneration and treatment.

**3.21. STAKEHOLDER:** Person or group interested or impacted by the SGA (Environmental Management System).

**3.22. THIRD-PARTY VENDOR:** Environmental service provider or supplier.

**3.23. CTF: Certificates**

#### 4. REFERENCES (ASSOCIATED DOCUMENTS)

4.1. NBR ISO 14001:2015

4.2. NBR 10004:2004

#### 5. RESPONSIBILITIES

##### 5.1. MAINTENANCE/PROPERTY SECURITY

- To ensure that there will be a specific location to store the waste, before its final disposal, pursuant to Local, State and Federal environmental norms and regulations;
- To ensure the safe and pre-established disposal of the waste, instructing its team during the internal handling through the Waste Center for future disposal;
- To verify the content of the material from the production and/or materials in order to ensure that good material is not mistakenly turned into waste;
- To ensure that all materials and/or products, when turned into waste, are duly labeled and stored in proper containers before they are sent to the Waste Center to be destroyed, and the subsequent waste must be stored according to its characteristics;
- All waste must be sent to the Waste Center and be stored according to its specific characteristics;
- The Waste Center is coordinated by the Maintenance department, which instructs the contracted companies on the internal handling of waste generated by Transire;
- Whenever a future generation or a new type of waste is detected, it must be reported to the Maintenance department, so that it can decide through the technical report the best form to manage it.

##### 5.2. DEPARTMENTS

- To ensure that the handling of waste in their respective departments is always carried out with proper PPE suited for the work;
- To ensure that the waste labeling is made effectively and, from time to time, and to verify the cleaning conditions, organization and conservation of the areas where the waste is stored; To correct any deviations found;
- The departments are responsible for the awareness of their employees regarding its environmental aspects, as well as waste generated, instructing on the positive effects (compliance with rules), as well as the negative effects that may cause an environmental impact;

- The departments must ensure that there are enough containers to store the waste in their respective departments, and that the containers are duly labeled and in perfect condition, thus preventing the generated waste from causing any environmental impact;
- To verify the information in the labels with respect to the material considered waste;

### 5.3 CTF (Federal Technical Registration)

- To keep Form FO-PR-038.A1 - Waste Matrix up to date;
- To coordinate the management of waste from its generation to the final disposal or destruction, pursuant to applicable law; To issue Waste Management Control; To promote improvement plans and prioritize environmental awareness;
- To assess legal requirements in force on waste management and keep associated departments informed;
- To verify if the pick-up and internal transportation of waste generated in the plants are performed properly, pursuant to the legal instructions;
- To ensure that all waste labeled as hazardous - class I (NBR 10004:2004), is transported with the due authorization from the competent environment authority, through MTR - Hazardous Waste Transportation Manifest;
- As a supplementary stage to the maintenance of its Certification, technical inspections will be carried out once a year in the facilities of companies where environmental services are directly or indirectly provided, there also will be issued a technical report and official approval of the third-party vendor.
- To ensure that the contracted company is complying with the laws and norms in force, as well as with each item included in this procedure;
- To exercise the control needed on the final disposal of all waste generated within the company, ensuring that such disposal is carried out in compliance with the laws in force and rules of environmental protection authorities regarding the final disposal of industrial disposal.
- To keep record of all certificates of the waste final disposal with the quantities and respective location of disposal, submitted by the contracted companies for the proper disposal of waste.
- To control environmental legal documents required for Transire Eletrônicos to comply with the Environment Management System.

### 5.4 CONTRACTED COMPANIES

- To ensure the existence of metal containers of various sizes, sufficient for the proper waste storage according to its types, to keep them in good condition and to move the containers whenever they are full or whenever needed;
- To prevent any use/sell of chemical product packaging waste from Transire Eletrônicos, without its express consent to do so;
- To handle the waste while duly protected wearing the required PPE;
- To dispose the waste into the proper containers, covered by protection canvas, chest or in any other way that may be needed, as well as to ensure the proper conditions of the transportation vehicles and their employees;
- To keep the Waste Center area always organized, so that the waste can be safely stored according to their labeling;
- To submit on a monthly basis the waste disposal certificate, as well as all legal documents required from Transire, including the documents of the locations where the waste will be disposed.

## 6. DEVELOPMENT

### 6.1 GENERAL PROVISIONS

The Maintenance department schedules the collection in advance so that the vendor can issue the certificate in two counterparts, where 01 shall remain with Transire and the other one with the vendor. After the collection, the vendor must submit the weight control of the waste removed from Transire.

The Maintenance department must submit the certificate to SGC, request the weight control from the vendor and include the waste weight in the Form FO-PR-38- A2 - TRANSIRE Industrial Solid Waste Control and Management.

The tax department must monthly provide the copy of the Invoice for verification of the waste removed from Transire, in order to include the Invoice information in the Form FO-PR-38- A2 - TRANSIRE Industrial Solid Waste Control and Management.

The disposal of waste from all processes of Transire Eletrônico must be made through labeled containers (color/description), according to each type of waste or when the labeling needs to be made by the department in charge.

**Note 2:** All of Transire's processes must provide to its departments containers in the standard colors. In case there are no colored containers, use available identification.

If the containers located outside the company cannot be identified through colors, they must have a label placed on them.

The waste is generally removed from the production at the end of each shift, where it is stored in containers according to its characteristics. The containers and location for waste disposal must be duly identified.

### 6.2 SPECIFICS

#### 6.2.1 PAPER/CARDBOARD

**Example:** newspapers and magazines, notebook paper, boxes, paper trimmings, envelopes, writing paper, old posters, fax paper and paper packaging.

#### 6.2.2 PLASTIC

**Example:** plastic cups, sacks/bags, lids, containers, straws and PVC pipe, polystyrene, or any other waste characterized as plastic.

#### 6.2.3 GLASS

**Example:** Glass bottles, medical flasks, jars, glass doors, glass containers. Glass waste requires a special storage in order to prevent injuries.

#### 6.2.4 METAL

**Example:** cans, canned goods, hardware, wire, metal plates, nails, copper, aluminum and any other ferrous or non-ferrous metal.

#### 6.2.5 HAZARDOUS WASTE

**Example:** PPE (ear plugs, boots, gloves, masks), gloves and rags contaminated with oil and paint, contaminated liquids, markers, spalter brush, empty package of hazardous products, paint roller, etc.

**Note 3:** Batteries generated within the departments shall be stored in specific container for final disposal.

**6.2.6 HEALTHCARE WASTE**

Transire Eletrônicos does not perform any type of ambulatory services involving syringes, needles, contaminated material, etc. Only medical consultation is provided. Waste of that room is disposed into specific container.

**6.2.7 ORGANIC WASTE**

Leftovers generated in the Kitchen, meaning the food waste and offcuts (peels, seeds and bones) and other leftovers, must be stored in a cold environment.

**6.2.8 USED COOKING OIL WASTE**

Waste from used cooking oil, generated in the Kitchen, must be stored in proper containers visibly labeled. The person in charge of the Kitchen must request the Disposal Certificate from the service provider for the used kitchen oil. That certificate must be submitted to the CTF department every time a disposal occurs and it must be in compliance with all environmental legal requirements in force.

**Note 4:** The person in charge of the Kitchen must request the Disposal Certificate from the service provider for the used kitchen oil and organic waste. That certificate must be submitted to the CTF department.

**6.2.9 WASTE THAT CANNOT BE SORTED (INCINERATION)**

**Example:** Sweeping waste, leaves and trim of trees, dirty paper, stickers, A4 paper (paper with plastic), tissues and contaminated paper napkins.

**6.2.10 WASTE SPECIFIC FROM PRODUCTION PROCESSES**

The department who generates that waste must sort and destroy the material according to its characteristics (plastic, metal, sludge and components) and submit it to the Waste Center, where it shall be stored in proper containers until its final recycling and/or incineration.

**Note 5:** Other forms of storage may be adopted, in order to facilitate the final disposal, as requested by the vendor, provided that no legal environmental requirement in force is breached.

**6.2.11 LUBRICANT, HYDRAULIC AND/OR CONTAMINATED OIL WASTE**

When the waste is generated by Transire Eletrônicos (eventually), the department responsible for generating it must send the waste to the Waste Center, where it will be destroyed and stored in proper containers, and collected by the vendor for final disposal. Used oil and sand must be safely stored, in a location accessible for collection, in proper and leakage-proof containers.

The handling of the product must only be performed by duly authorized persons who were trained for the service, using Personal Protective Equipment (PPE), when needed. Complying with all legal environmental requirements in force, which may change any storage rule.

**6.2.12 METALLIC WASTE**

It means the metallic waste from the process, for example: Aluminum, Iron and/or Welding Sludge must be stored in the containers available within the departments and its disposal must comply with the options available with the licensed vendors.



**6.2.13 UNSERVICEABLE TIRES**

When of the generation of tires (eventually), resulted from the change of tires from the vehicles, they must be submitted to the care of the department of Maintenance/Property Security, where the waste will be stored and collected by the vendor in charge of final disposal.

**6.2.14 REUSABLE PACKAGING**

Reusable packaging must be set apart and controlled to be returned to the vendors. Examples: Printer cartridge/toner, etc.

**6.3. ENVIRONMENTAL AWARENESS**

All of Transire's employees and workers are made aware and responsible, within their relevant qualifications, so that the performance of their activities does not impact the environment.

Vendors performing activities causing an environmental impact must be made aware on the internal procedures of waste management.

**7. PROCESS FLOW (Optional)**

N/A

**8. EXHIBITS**

FO-PR-038.A1 – WASTE MATRIX

FO-PR-038.A2 – Management and Control of TRANSIRE Industrial Solid Waste. FO-PR-038.A3 – Hazardous Waste Transportation Manifest – MTR

**9. CONTROL OF CHANGES**

Revision No.	Date of revision	Requirement	Revision Description
00	[*****]		Initial version
01	[*****]		General revision for adjustment into NBR ISO 14001:2015
02	[*****]	3.9	General revision of content, adjustment of item 3.9 and ambulatory waste management.
03	[*****]		General revision, change of initials SGI to SGC.
04	[*****]		Revision of entire content without changes
05	[*****]		General revision, change of initials SGI to CTF and SGI

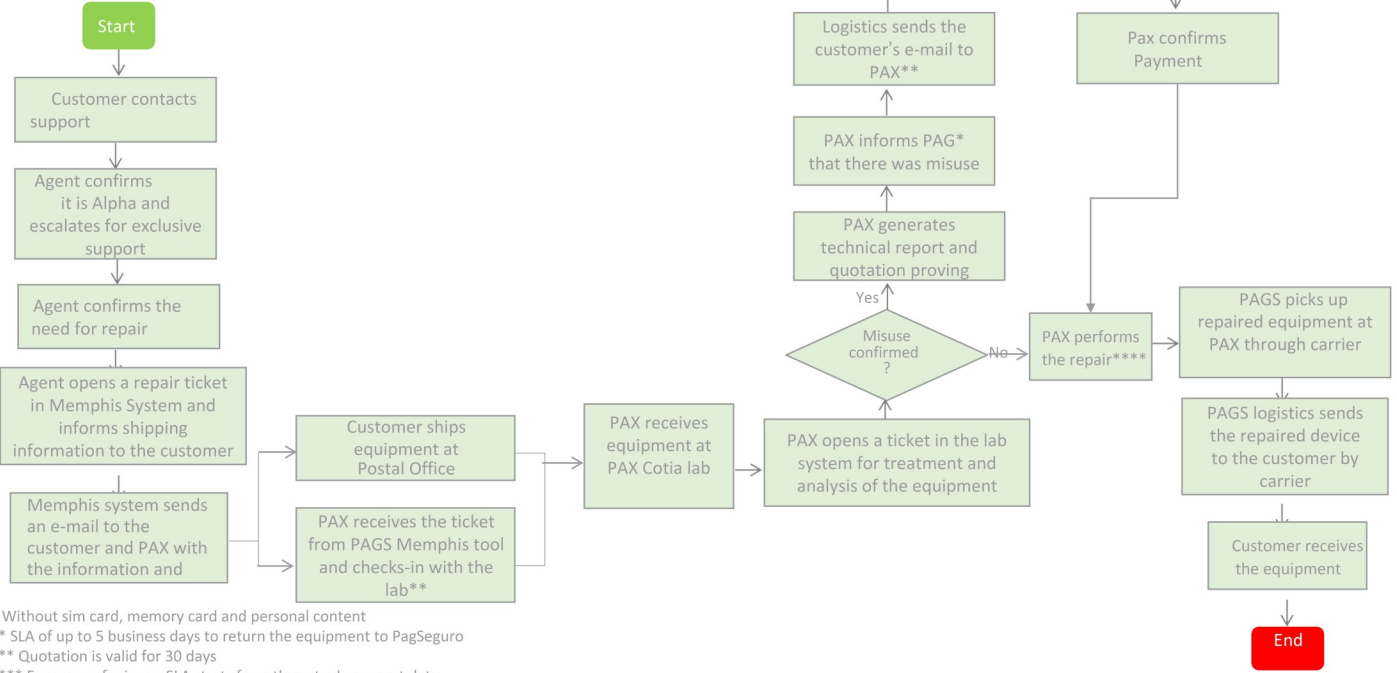


## PagPhone 04/19

Support flow

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## Flow - Customer paying PAX



\* Without sim card, memory card and personal content  
 \*\* SLA of up to 5 business days to return the equipment to PagSeguro  
 \*\*\* Quotation is valid for 30 days  
 \*\*\*\* For cases of misuse, SLA starts from the actual payment date

**File exchange - logistics processes**

E-mail for submission and receipt of files: [\*\*\*\*\*]

File layout and ticket status

Date	Serial	Color/E-ticket	Status	
04/19	11111	Blue / AAAAAAA	Received for repair	➔ D + 5 business days
04/19	22222	Grey / BBBBB	Undue receipt - pick up	➔ Return e-ticket
04/19	33333	Golden / CCCCC	Repaired under warranty - pick up	
04/19	44444	Grey / DDDDD	Out of warranty period - information request	
04/19	55555	Grey / EEEEE	Out of warranty period - no return	➔ [*****]
04/19	66666	Blue / FFFFF	Out of warranty period - repaired / pick up	

For cases of misuse with status **Out of warranty period - information request**, the name and e-mail of customer shall be informed for the submission of technical report and quotation.



Completion Certificate

Envelope ID: [\*\*\*\*\*]
Status: Completed Subject: DocuSign: Acrobat\_Document.pdf, Assistencia\_Alpha\_1904\_AFROVADO.pptx.pdf,
Proposta\_Comercial\_-\_...
Source Envelope:
Document Pages: 39
Certificate Pages: 9
AutoNav: Enabled
Enveloped Stamping (ID Stamping): Enabled
Time Zone: (UTC-08:00) Pacific Time (US & Canada)

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Signatures: 12
Initials: 6

Envelope Sent by:
[\*\*\*\*\*] SP: 01452-002
[\*\*\*\*\*]Endereço IP: [\*\*\*\*\*]

Record Tracking

Status: Original
3/22/2022 6:35:38 AM
Holder: [\*\*\*\*\*]
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Location: DocuSign

Signer Events

Paulo Rodrigo Dantas de Carvalho Dias
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Signature

Signature adoption: Signature image loaded
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Timestamp

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Viewed: 3/22/2022 7:18:31 AM
Signed: 3/22/2022 7:19:00 AM

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Security Level: E-mail, Account Authentication (None)



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Using IP Address [\*\*\*\*\*]

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Viewed: 3/22/2022 7:21:53 AM
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Electronic Record and Signature Disclosure:

Accepted: 11/10/2020 10:25:58 AM
ID: [\*\*\*\*\*]

Klaus Gottsfritz
[\*\*\*\*\*]
Security Level: E-mail, Account Authentication (None)



Signature adoption: Pre-set style
Signed through URL link sent to [\*\*\*\*\*]
Using IP Address: [\*\*\*\*\*]

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Resent: 3/23/2022 7:07:54 AM
Viewed: 3/28/2022 7:13:14 AM
Signed: 3/28/2022 7:14:46 AM

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Accepted: 4/5/2021 4:24:51 AM
ID: [\*\*\*\*\*]

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<p>Artur Gaulke Schunck [*****] Chief Financial Officer Security Level: E-mail, Account Authentication (None)</p> <p><b>Electronic Record and Signature Disclosure:</b> Accepted: 11/24/2020 12:09:02 PM ID: [*****] Clayton Xavier Ribeiro [*****] Security Level: E-mail, Account Authentication (None)</p> <p><b>Electronic Record and Signature Disclosure:</b> Accepted: 8/13/2018 6:54:30 AM ID: [*****] Flavio Domingos Goncalves [*****] Security Level: E-mail, Account Authentication (None)</p> <p><b>Electronic Record and Signature Disclosure:</b> Accepted: 3/28/2022 11:20:19 AM ID: [*****] Leandro Roberto Rodrigues [*****] Treasury Officer Pagseguro Security Level: E-mail, Account Authentication (None)</p> <p><b>Electronic Record and Signature Disclosure:</b> Accepted: 3/9/2020 11:29:35 AM ID: [*****] Rogildo Torquato Landim [*****] CEO UOLDIVEO CEO Security Level: E-mail, Account Authentication (None)</p>	<p>DocuSigned by: <i>Artur Gaulke Schunck</i> 1DBFAC8CF0D14C9...</p> <p>Signature established by: Pre-set style Signed through URL link sent to [*****] Using IP Address: [*****]</p> <p>DocuSigned by: <i>Clayton Xavier Ribeiro</i> 6A06C757B2D0340D...</p> <p>Signature adoption: Pre-set style Signed through URL link sent to [*****] Using IP Address: [*****]</p> <p>DocuSigned by: <i>Flavio Domingos Goncalves</i> 50B7CEE020564AE...</p> <p>Signature adoption: Pre-set style Signed through URL link sent to [*****] Using IP Address: [*****]</p> <p>DocuSigned by: <i>Leandro Roberto Rodrigues</i> C63022B1306E4C4...</p> <p>Signature adoption: Pre-set style Signed through URL link sent to [*****] Using IP Address: [*****]</p> <p>DocuSigned by: <i>Rogildo Torquato Landim</i> 01973DA31A1B48F...</p> <p>Signature adoption: Pre-set style Signed through URL link sent to [*****] Using IP Address: [*****]</p>	<p>Sent: 3/28/2022 7:14:52 AM Viewed: 3/28/2022 7:16:37 AM Signed: 3/28/2022 7:16:44 AM</p> <p>Sent: 3/28/2022 7:14:54 AM Resent: 3/29/2022 12:34:58 PM Viewed: 3/29/2022 2:14:18 PM Signed: 3/29/2022 2:42:21 PM</p> <p>Sent: 3/28/2022 7:14:52 AM Viewed: 3/28/2022 11:20:19 AM Signed: 3/28/2022 11:20:44 AM</p> <p>Sent: 3/28/2022 7:14:52 AM Viewed: 3/28/2022 7:22:08 AM Signed: 3/28/2022 7:22:14 AM</p> <p>Sent: 3/28/2022 7:14:53 AM Viewed: 3/28/2022 9:08:22 AM Signed: 3/28/2022 9:08:39 AM</p>

Signer Events	Signature	Timestamp
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Electronic Record and Signature Disclosure:  
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 ID: [\*\*\*\*\*]

Tiago Cabral  
 [\*\*\*\*\*]  
 Commercial Services  
 Officer  
 Security Level: E-mail, Account Authentication  
 (None)



Signature established by: Pre-set style  
 Signed through URL link sent to  
 [\*\*\*\*\*]  
 Using IP Address: [\*\*\*\*\*]  
 Signed using cellphone

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 Signed: 4/7/2022 11:36:56 AM

Electronic Record and Signature Disclosure:  
 Accepted: 8/14/2020 10:54:21 AM  
 ID: [\*\*\*\*\*]

In Person Signer Events	Signature	Timestamp
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Editor Delivery Events	Status	Timestamp
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Agent Delivery Events	Status	Timestamp
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Intermediary Delivery Events	Status	Timestamp
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Certified Delivery Events	Status	Timestamp
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Carbon Copy Events	Status	Timestamp
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Certified delivery	Security checked	4/7/2022 11:36:27 AM
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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
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<p><b>Services Performed By:</b> Mastercard Brasil Soluções de Pagamento Ltda. ("Mastercard") Av. Nações Unidas, 14171, Crystal Tower, 20th floor São Paulo, Brazil</p> <p><b>Services Performed For:</b> PagSeguro Internet S.A. ("PagSeguro" or "Client") Avenida Brigadeiro Faria Lima, no 1384, Andar 4 - Parte a São Paulo, São Paulo, Brazil</p>	<p><b>Serviços Prestados Por:</b> Mastercard Brasil Soluções de Pagamento Ltda. ("Mastercard") Av. Nações Unidas, 14171, Crystal Tower, 20º andar São Paulo, Brazil</p> <p><b>Serviços Prestados Para:</b> PagSeguro Internet S.A. ("PagSeguro" ou "Cliente") Avenida Brigadeiro Faria Lima, no 1384, Andar 4 - Parte a São Paulo, São Paulo, Brazil</p>
<p>This Statement of Work ("SOW") is entered into by and between Mastercard and Client and is hereby incorporated into and made a part of the Master Terms and Conditions dated as of [*****] entered by and between Mastercard and Client (the "Agreement"). Capitalized terms used but not defined shall have the meanings assigned to such terms in the Agreement.</p> <p>This document details the following:</p> <ol style="list-style-type: none"><li>1. Background and Introduction</li><li>2. Project Goal(s) and Objectives</li><li>3. Detailed project scope</li><li>4. Project deliverables</li><li>5. Project Team/Staff</li><li>6. Project Fees</li><li>7. Other Terms and Conditions</li></ol>	<p>Esta Descrição de Serviços ("SOW") é celebrada entre a Mastercard e o Cliente e é neste ato incorporada aos e tomada parte integrante dos Termos e Condições Principais, datado de [*****], celebrado entre Mastercard e o Cliente (o "Contrato"). Os termos em letras maiúsculas usados no presente SOW mas não definidos aqui terão os significados atribuídos a esses termos no Contrato.</p> <p>Este documento detalha o seguinte:</p> <ol style="list-style-type: none"><li>1. Histórico e Introdução</li><li>2. Metas e objetivos</li><li>3. Escopo detalhado do projeto</li><li>4. Entregáveis do projeto</li><li>5. Pessoal/equipe do projeto</li><li>6. Honorários dos Projetos</li><li>7. Outros Termos e Condições</li></ol>
<p><b>1. Background and Introduction</b></p> <p>After launching the issuance operations, PagSeguro has significantly grown its portfolio of customers and products, offering an increasingly robust digital experience.</p> <p>In this context, PagSeguro seeks support from Mastercard in identifying opportunities to increase customer engagement with the prepaid card, as well as opportunities to improve the performance of self-employment and fraud in this portfolio.</p>	<p><b>1. Histórico e Introdução</b></p> <p>Após lançamento das operações de emissão, o PagSeguro tem crescido significativamente seu portfólio de clientes e produtos, oferecendo uma experiência digital cada vez mais robusta.</p> <p>Neste contexto, o PagSeguro busca suporte da Mastercard na identificação de oportunidades de aumento do engajamento dos clientes com o cartão pré-pago, e também oportunidades de melhoria na performance de autorizações e fraudes deste portfólio.</p>

## 2. Project Goal(s) and Objectives

The objectives of this project are:

### 5. STEPS

- Seek optimization of Pagseguro's PJ debit card base through:
  - Card activation
  - Creation of a usage habit
  - Profitability of the high-use base

### PRE-PAID AUTHORIZATIONS AND FRAUDS REVIEW

- Review the performance of Authorizations and Fraud
- Find anomalies in the process
- Propose recommendations to optimize acceptance, considering the bank's risk appetite, and at the same time, reduce fraud rates
- Prioritize these recommendations based on the impact and ease of implementation

## 3. Detailed Project Scope

The Mastercard team will support the Client in the following key activities:

### 5. STEPS

#### 1. Diagnosis of the current situation

- Interview key project stakeholders to:
  - Understand the bank's current strategy in relation to corporate debt
  - Raise the actions taken and planned
  - Understand the main challenges of each area
  - Understand the main concerns and expectations of stakeholders regarding the project
- Receive and analyze internal bank materials related to current customer segmentation
- Mapping Pagseguro's current and planned actions in relation to encouraging the use of corporate debt

## 2. Meta(s) e Objetivos do Projeto

Os objetivos deste projeto são:

### 5. STEPS

- Buscar a otimização da base de cartões de débito PJ do PagsSguro por meio de:
  - Ativação de cartões
  - Criação de hábito de uso
  - Rentabilização da base de alto uso

### REVISÃO DE AUTORIZAÇÕES E FRAUDES EM PRÉ-PAGOS

- Revisar o desempenho de Autorizações e Fraudes
- Encontrar anomalias no processo
- Propor recomendações para otimizar a aceitação, considerando o apetite de risco do banco, e ao mesmo tempo, reduzir os índices de fraude
- Priorizar estas recomendações em base ao impacto e facilidade de implementação

## 3. Escopo Detalhado do Projeto

A equipe da Mastercard apoiará o Cliente nas seguintes atividades-chave:

### 5. STEPS

#### 1. Diagnóstico da situação atual

- Entrevistar os principais stakeholders do projeto para:
  - Entender a estratégia atual do banco em relação ao débito PJ
  - Levantar as ações realizadas e planejadas
  - Entender os principais desafios de cada área
  - Entender as principais preocupações e expectativas dos stakeholders em relação ao projeto
- Receber e analisar materiais internos do banco relacionados à segmentação atual de clientes
- Mapear as ações atuais e planejadas do PagSeguro em relação ao incentivo do uso de débito PJ





## 2. Customer Segmentation

- Segment the customer base according to the steps of the 5-step methodology
- Analyze payment-related behavior such as withdrawals, debits, customer segments, usage segments, etc.
- Compare the result with the segmentations of other markets, but consider the specifics of local performance
- Analyze customer migration in each of the steps
- Identify customer profiles at each step for the survey

## 3. Identification of Opportunities

- Analyze 5-step analysis results
- Map the actions needed to change the step client, in each step
- Develop a list of general and specific recommendations for each step
- Detail the communication rules applicable to each Step
- Design the campaign plan for priority steps

## 4. Implementation Plan

- Prioritize and characterize the recommendations in quick wins, medium-term and long-term actions
- Create an ideal roadmap for implementing actions

## PRE-PAID AUTHORIZATIONS AND FRAUD REVIEW

### 1. Diagnosis

- Understand the management practices and operational model of Authorizations and Fraud
- Evaluate the rules and parameters of Authorizations and Fraud
- Analyze transactional data and understand the main reasons for declination
- Understand exception rules, Credit and Fraud policies that affect the approval decision
- Understand technological capabilities

## 2. Segmentação de Clientes

- Segmentar a base de clientes de acordo com os passos da metodologia de 5-steps
- Analisar o comportamento relacionado a pagamentos, como saques, débito, segmentos de clientes, segmentos de uso, etc.
- Comparar resultado com as segmentações de outros mercados, mas considerar as especificidades de desempenho local
- Analisar a migração de clientes em cada um dos steps
- Identificar os perfis de clientes em cada step para a pesquisa

## 3. Identificação de Oportunidades

- Analisar os resultados da análise de 5-steps
- Mapear as ações necessárias para mudar o cliente de step, em cada step
- Desenvolver uma lista de recomendações gerais e específicas para cada step
- Detalhar as réguas de comunicação aplicáveis a cada Step
- Desenhar o plano de campanhas para os steps prioritários

## 4. Plano de Implementação

- Priorizar e caracterizar as recomendações em ações quick wins, de médio prazo e de longo prazo
- Criar um roadmap ideal para a implementação das ações

## REVISÃO DE AUTORIZAÇÕES E FRAUDES EM PRÉ-PAGOS

### 1. Diagnóstico

- Entender as práticas de gestão e modelo operacional de Autorizações e Fraudes
- Avaliar as regras e parâmetros de Autorizações e Fraudes
- Analisar dados transacionais e entender os principais motivos de declinação
- Entender regras de exceções, políticas de Créditos e Fraudes que afetam a decisão de aprovação
- Entender as capacidades tecnológicas



## 2. Opportunity Analysis

- Validate the list of potential gaps and vulnerabilities
- Define actions to reduce the impacts of these gaps
- Design recommendations to improve the performance and efficiency of Authorization management
- Estimate the potential benefit of the recommendations

## 3. Action Plan

- Prioritize the actions identified based on the potential benefit versus ease of implementation
- Design the final vision of the recommendations
- Present an action plan to arrive at the expected operational and performance model
- Propose a list of KPIs and processes to monitor the performance of the area

**IMPORTANT: This proposal does not include efforts to execute the action plan nor the initiatives identified in this SOW. However, Mastercard and client may agree in writing and under a separate proposal the most effective support to potentially execute such action plan and initiatives identified hereunder.**

### PagSeguro Responsibilities:

- Appoint one or more contact persons to coordinate with Mastercard with respect to the Services. Assign personnel with relevant training and experience to work as part of a project team when requested by Mastercard.
- Provide adequate resources and access to Client personnel in accordance with this SOW to participate in, or facilitate the performance of the Services, including by participating in meetings on a timely basis.
- Provide Mastercard, in a timely fashion, with information requested by Mastercard for the performance of the Services subjected to previous authorization.
- Approve or reject Deliverables provided to Client by Mastercard within [\*\*\*\*\*] days of receipt (and if not rejected in writing within such period, such Deliverables will be deemed accepted).

## 2. Análise de Oportunidades

- Validar a lista de potenciais gaps e vulnerabilidades
- Definir ações para reduzir impactos destes gaps
- Desenhar recomendações para melhorar o desempenho e a eficiência da gestão de Autorizações
- Estimar o potencial benefício das recomendações

## 3. Plano de Ação

- Priorizar as ações identificadas em base ao benefício potencial versus facilidade de implementação
- Desenhar a visão final das recomendações
- Apresentar um plano de ação para chegar ao modelo operacional e de desempenho esperado
- Propor uma lista de KPIs e processos para monitorar o desempenho da área

**IMPORTANTE: Essa proposta não inclui os esforços de execução do plano de ação nem das iniciativas identificadas nesta SOW. Entretanto, a Mastercard e o Cliente podem acordar, por escrito, e através de uma proposta em separado, o suporte efetivo para potencialmente executar tal plano de ação e as iniciativas aqui identificadas.**

### Responsabilidades da PagSeguro:

- Designar uma ou mais pessoas de contato para coordenar junto com a Mastercard a entrega dos Serviços. Atribuir pessoal com formação e experiência relevante para trabalhar como parte da equipe de projeto quando solicitado pela Mastercard.
- Fornecer os recursos adequados e acesso ao pessoal do Cliente, de acordo com esta SOW para participar ou facilitar a execução dos Serviços, incluindo a participação em reuniões de forma esporádica.
- Fornecer à Mastercard, em tempo hábil, as informações solicitadas (desde que permitidas de serem passadas) pela Mastercard para a execução dos Serviços.
- Aprovar ou rejeitar os Entregáveis fornecidas ao Cliente pela Mastercard no prazo de [\*\*\*\*\*] dias, a contar da recepção (e se não for rejeitado, por escrito, dentro desse prazo, tais Entregáveis serão considerados aceitos).

#### 4. Project Deliverables

This project will deliver:

##### 5. STEPS

###### 1. Diagnosis of the current situation

- Alignment of stakeholder expectations regarding the project
- Understanding of Pagseguro's current debt product strategy
- Mapping of current segmentation and current and planned actions for the debit product
- Understanding the differentials in the behavior of business cards in the use of debit cards

###### 2. Customer Segmentation

- Segmentation of the customer base according to the 5- steps methodology
- Customer behavior at each step
- Customer profiles at each step

###### 3. Identification of Opportunities

- Action plan to migrate the client from step to step
- List of general and specific recommendations by step
- Communication Rules by Step
- Campaign design (briefing level) for subsequent execution (execution outside the scope of this proposal)

###### 4. Implementation Plan

- Action roadmap

##### PRE-PAID AUTHORIZATIONS AND FRAUD REVIEW

###### 1. Diagnosis

- Diagnosis of the current situation of the customer's capabilities and performance
- Comparison with market practices

###### 2. Opportunity Analysis

- List of potential recommendations
- Analysis of financial benefits
- "Quick Wins" identification

###### 3. Action Plan

- Action plan to implement the recommendations
- Scorecard for performance measurement
- Governance proposal for agreed actions

#### 4. Entregáveis do Projeto

Esse projeto entregará:

##### 5. STEPS

###### 1. Diagnóstico da situação atual

- Alinhamento de expectativas dos stakeholders em relação ao projeto
- Entendimento da estratégia atual do produto de débito no PagSeguro
- Mapeamento da segmentação atual e das ações atuais e planejadas para o produto débito
- Entendimento dos diferenciais do comportamento dos cartões business no uso de cartões de Débito

###### 2. Segmentação de Clientes

- Segmentação da base de clientes de acordo com a metodologia 5-steps
- Comportamento do cliente em cada step
- Perfis dos clientes em cada step

###### 3. Identificação de Oportunidades

- Plano de ação para migrar o cliente de step em step
- Lista de recomendações gerais e específicas por step
- Réguas de Comunicação por Step
- Desenho de campanhas (nível briefing) para posterior execução (execução fora do escopo desta proposta)

###### 4. Plano de Implementação

- Roadmap de ações

##### REVISÃO DE AUTORIZAÇÕES E FRAUDES EM PRÉ-PAGOS

###### 1. Diagnóstico

- Diagnóstico da situação atual das capacidades e desempenho do cliente
- Comparação com as práticas de mercado

###### 2. Análise de Oportunidades

- Lista de potenciais recomendações
- Análise de benefício financeiros
- Identificação de "Quick Wins"

###### 3. Plano de Ação

- Plano de ação para implementação das recomendações
- Scorecard para medição de desempenho
- Proposta de governança das ações acordadas

## 5. Project Team/Staff

Mastercard will have an internal team to execute this project as planned. Additional support will be provided, as needed, by Mastercard internal and external resources, as may be determined by Mastercard in its sole discretion and liability. If necessary, Mastercard shall be responsible for hiring and managing the services of any third parties providing any services within this SOW, as well as responsible for the obligations provided for in this SOW. Mastercard will be solely and exclusively responsible for complying with the labor, tax and administrative obligations related to the third-party Vendor.

## 6. Project Fees

The total fees to execute this project will be two million five hundred one thousand [\*\*\*\*] (the "Fees"). This amount includes all the expenses and disbursements related to the project.

The Client acknowledges that the Fees will be compensated as follows:

- BRL [\*\*\*\*] of the amount described in Section 2.e. "Incentive for Consulting Services with Mastercard Advisors" in the "Strategic Alliance Agreement and Incentive Program", signed by Mastercard and the Client on [\*\*\*\*\*] ("Strategic Alliance Agreement and Incentive Program") for the provision of services by Mastercard.
- R\$ [\*\*\*\*] of the amounts described in the Syndicated Agreement to be signed by Mastercard and the Customer ("Agreement") for the provision of services by Mastercard. However, in the event that said Agreement is not signed within [\*\*\*\*] of the execution of the SOW, the Client will be responsible for the direct payment of R\$ [\*\*\*\*] and applicable taxes.

However, the terms of this SOW govern only the provision of services by Mastercard, and not the Agreement for the use of Mastercard Advisors Consulting Services.

## 5. Pessoal/Equipe do Projeto

A Mastercard utilizará uma equipe interna para a execução do projeto conforme previsto. Será fornecido suporte adicional, conforme necessário, pela Mastercard, com recursos internos e externos, a ser determinado pela Mastercard, a seu exclusivo critério e sob sua integral e exclusiva responsabilidade. Caso seja necessário, a Mastercard será responsável pela contratação e gerenciamento de quaisquer fornecedores terceirizados contratados para prestar quaisquer serviços no âmbito dessa SOW, responsabilizando-se integralmente pelo cumprimento das obrigações previstas nesta SOW. Da mesma maneira, a Mastercard será a única e exclusiva responsável pelo cumprimento das obrigações trabalhistas, tributárias e administrativas que decorrerem desta terceirização.

## 6. Honorários do Projeto

O total de honorários para a execução deste projeto será de [\*\*\*\*] (os "Honorários"). Este valor inclui todas as despesas e desembolsos associados à execução do projeto.

O Cliente reconhece que os Honorários serão compensados da seguinte forma:

- R\$ [\*\*\*\*] do montante descrito na Seção 2.e. "Incentivo para Serviços de Consultoria com Mastercard Advisors" no "Contrato de Aliança Estratégica e Programa de Incentivos", assinado pela Mastercard e pelo Cliente em [\*\*\*\*\*] ("Contrato de Aliança Estratégica e Programa de Incentivos") para a prestação de serviços por Mastercard.
- R\$ [\*\*\*\*] do montante descrito do Syndicated Agreement a ser assinado pela Mastercard e pelo Cliente ("Acordo") para a prestação de serviços por Mastercard. No entanto, no caso de o referido Acordo não ser assinado dentro de [\*\*\*\*] dias da execução da SOW, o Cliente será responsável pelo pagamento direto dos R\$ [\*\*\*\*] e tributos aplicáveis.

Não obstante, os termos desta SOW regem unicamente a prestação dos serviços por parte da Mastercard, e não o Acordo para utilização de Serviços de Consultoria Mastercard Advisors.

In addition, the Client acknowledges and agrees that, in the event that the Fees described in this SOW that refer to the aforementioned Agreement for the use of Mastercard Advisors Consulting Services exceed the amount remaining under said agreement, for any reason, the Client will be previously notified of this increase in value, and must approve it to be responsible for the direct payment of such amounts to Mastercard.

Mastercard undertakes to keep the Client always informed if it understands that there is a possibility that the Fees may be exceeded. Mastercard will bill such excess amounts to Customer via the Mastercard Consolidated Billing System ("MCBS"), and both Mastercard and Customer will comply with standard billing policies and procedures via MCBS, settlement and dispute resolution, as amended from time to time times.

In the event of cancellation or withdrawal in relation to one or more items of the project, the parties must, together and in good faith, reach an agreement on the possibility of refunding the amounts used for this project and, if the refund is approved, discuss the best way to allocate these resources to other complementary activities

Fees are exclusive of any applicable taxes. Client will be responsible for any taxes that may be levied on the provision of the services described herein, except for any taxes that apply to Mastercard's income.

Any modification to the scope of services described in this document, whether as a result of revised Customer goals or objectives, changes in law, schedule delays, requested additional services, or other events beyond the reasonable control of the parties, may require revisions to Fees, calendar of performance and/or other stipulated terms, as determined and as mutually agreed in good faith between the parties. Such revisions will be formalized through a written amendment to this SOW, which will define the terms to be changed.

Além disso, o Cliente reconhece e concorda que, no caso dos Honorários descritos na presente SOW que se referem ao supramencionado Acordo para utilização de Serviços de Consultoria Mastercard Advisors excederem a quantidade restante no âmbito do referido contrato, por qualquer razão, o Cliente será previamente notificado acerca desse incremento no valor, bem como deverá aprová-lo para que seja responsável pelo pagamento direto de tais valores para a Mastercard.

A Mastercard se compromete a manter o Cliente sempre informado caso entenda que existe a possibilidade dos Honorários serem excedidos. A Mastercard faturará esses valores excedentes ao Cliente através do Mastercard Consolidated Billing System ("MCBS"), e tanto a Mastercard quanto o Cliente irão cumprir com as políticas e procedimentos de faturamento padrão via MCBS, liquidação e resolução de disputas, conforme alterada de tempos em tempos.

Caso haja o cancelamento ou desistência em relação a um ou mais itens do projeto, as partes deverão, em conjunto e de boa fé, chegar a um acordo acerca da possibilidade de reembolso dos valores usados para este projeto e, caso o reembolso seja aprovado, discutir a melhor forma de alocar esses recursos em outras atividades complementares

Os Honorários são exclusivos de quaisquer impostos aplicáveis. O Cliente será responsável por quaisquer impostos que possam vir a ser cobrados sobre a prestação dos serviços aqui descritos, exceto por quaisquer impostos que incidam sobre a renda da Mastercard.

Qualquer modificação no escopo dos serviços descritos neste documento, seja como resultado de metas ou objetivos revistos do Cliente, mudanças na lei, atrasos de cronograma, serviços adicionais solicitados, ou outros eventos fora do controle razoável das partes, poderá requerer revisões dos Honorários, calendário de desempenho e/ou outros termos estipulados, conforme determinado e conforme mutuamente acordado de boa-fé entre as partes. Tais revisões serão formalizadas através de um aditamento por escrito à esta SOW, o qual definirá os termos a serem alterados.

## 7. Other Terms and Conditions

Client acknowledges that Mastercard or its hired parties will not provide legal, finance or tax advice to Client. Client acknowledges and agrees to seek the advice of its legal department for any legal questions it may have relating to business terms, compliance with applicable laws, provisions, negotiations, contractual documents, financial or tax structure of the business structure.

Client acknowledges that Mastercard or Mastercard Supplier will not provide legal, finance advice to Client. Client acknowledges and agrees that Mastercard is acting solely as a consultant and in an advisory capacity only in with respect to all aspects of this project. Client understands and agrees that the entire process described herein will be conducted by the Client in accordance with its own policies as well as all local applicable laws and regulations, and that Client will be liable for any actions resulting from the recommendations provided hereunder. Client acknowledges and agrees to seek the advice of its legal department for any legal questions it may have relating to selection and hiring of outside resources, personnel and/or third parties, business terms, compliance with applicable laws, provisions, negotiations, contractual documents, financial structure of the commercial proposal.

**IMPORTANT:** Mastercard may provide certain proposed materials and make certain recommendations in connection with this project. Client is responsible for reviewing and evaluating the appropriateness of these same materials and recommendations, as well as any decisions made, or actions taken by Client in response to such proposed materials and recommendations against Client's own risk-tolerances and/or other criteria. Furthermore, any reliance upon any forecasts, revenue projections or indications of financial opportunities provided or identified by Mastercard hereunder, shall be made or undertaken entirely at Client's own discretion and determination, after Client's own, thorough review and consideration of all risks involved.

Mastercard and Client will each use commercially reasonable efforts to achieve the goals and objectives of the project to which the services and/or deliverables relate to, provided, however, that Client acknowledges that Mastercard does not guarantee the achievement of such goals and objectives and will not be liable if such goals and objectives are not achieved.

## 7. Outros Termos e Condições

O Cliente reconhece que a Mastercard não irá fornecer recomendações legais, financeiras ou tributárias para o Cliente. O Cliente reconhece e concorda em procurar o conselho de seu departamento jurídico para todas as perguntas legais que possa vir a ter relativas aos termos do negócio, cumprimento das leis, disposições, negociações, documentos contratuais aplicáveis, estrutura financeira ou fiscal da estrutura empresarial.

O Cliente reconhece que a Mastercard não fornecerá consultoria jurídica, financeira ao Cliente. O Cliente reconhece e concorda que a Mastercard está atuando apenas como consultor e em uma capacidade de consultoria apenas em relação a todos os aspectos deste projeto. O Cliente entende e concorda que todo o processo descrito neste documento será conduzido pelo Cliente de acordo com suas próprias políticas, bem como todas as leis e regulamentos locais aplicáveis, e que o Cliente será responsável por quaisquer ações resultantes das recomendações fornecidas abaixo. O cliente reconhece e concorda em buscar aconselhamento de seu departamento jurídico para quaisquer questões jurídicas que possa ter relacionadas à seleção e contratação de recursos externos, pessoal e / ou terceiros, termos de negócios, conformidade com as leis aplicáveis, disposições, negociações, documentos contratuais, estrutura financeira da proposta comercial.

**IMPORTANTE:** A Mastercard poderá fornecer determinados materiais propostos e fazer algumas recomendações em relação a este projeto. O Cliente é responsável por revisar e avaliar a adequação destes mesmos materiais e recomendações, bem como quaisquer decisões ou ações tomadas pelo Cliente em resposta a tais materiais, propostas e recomendações contra as tolerâncias de risco do próprio Cliente e/ou outros critérios. Além disso, qualquer confiança sobre quaisquer previsões, projeções de receita ou indicações de oportunidades financeiras fornecidas ou identificadas pela Mastercard neste instrumento, será feita ou realizada inteiramente a critério e determinação do Cliente e determinação, depois da revisão completa e consideração, pelo Cliente, de todos os riscos envolvidos.

A Mastercard e o Cliente usarão esforços comercialmente razoáveis para atingir as metas e objetivos do projeto aos quais os Serviços e/ou os Entregáveis se relacionam, sendo certo que, no entanto, o Cliente reconhece que a Mastercard não garante a consecução de tais metas e objetivos e não será responsável se tais metas e objetivos não forem alcançados.

The Parties acknowledge and agree that the analyses and data included in the Deliverables shall be subject to all relevant laws and regulations for each applicable country, as well as Mastercard's contractual obligations and internal confidentiality, privacy, and data analytics guidelines and policies ("Applicable Standards"). In no event will Mastercard be obligated to supply or share any information or data which Mastercard determines, in its sole discretion, would cause Mastercard to be in violation of any such Applicable Standards. Mastercard reserves the right, in its sole discretion, to apply adjustments in order to achieve conformance with such Applicable Standards.

In case the analysis of Client's own transactional data is necessary, Client is the Data Controller and acknowledges and agrees that it is instructing Mastercard, as the Data Processor, to use transaction data from Client's customers for the purposes outlined in this SOW. In this regard, Client represents and warrants that it has valid legal basis to share transaction data with Mastercard and to instruct Mastercard to use the transaction data for purposes outlined in this SOW. Client is responsible for obtaining all required consents and authorizations from the individual data subjects for the use of their Personal Data in relation to the Services. The parties, to the extent applicable, shall comply with: (1) all applicable international, federal, state, provincial and local laws, rules, regulations, directives and governmental requirements relating in any way to the privacy, confidentiality or security of Personal Data, including, without limitation, the EU General Data Protection Regulation 2016/679 (GDPR), Law No. 13,709, of August 14, 2018 (Brazilian General Data Protection Act), the Gramm-Leach-Bliley Act, laws regulating unsolicited email communications, security breach notification laws, laws imposing minimum security requirements, laws requiring the secure disposal of records containing certain Personal Data, and all other similar international, federal, state, provincial, and local requirements, except in case of divergences or omissions between international and national laws, when Brazilian law shall prevail; and (2) the Payment Card Industry Data Security Standards. "Personal Data" means any information relating to an identified or identifiable individual, regardless of the media in which it is contained.

As Partes reconhecem e concordam que as análises e os dados contidos nos Entregáveis estarão sujeitos a todas as leis e regulamentos relevantes de todos os países aplicáveis, bem como às obrigações contratuais da Mastercard e às diretrizes e políticas internas de confidencialidade, privacidade e análise de dados ("Padrões Aplicáveis"). Em nenhum caso a Mastercard será obrigada a fornecer ou compartilhar quaisquer informações ou dados que a Mastercard determine, a seu exclusivo critério, que levariam a Mastercard a violar esses Padrões Aplicáveis. A Mastercard reserva-se ao direito, a seu exclusivo critério, de aplicar ajustes para alcançar a conformidade com esses Padrões Aplicáveis.

Caso seja necessária a realização de qualquer análise de dados transacionais do próprio Cliente, o Cliente é o Controlador de Dados e reconhece e concorda que está instruindo a Mastercard, como Processadora de Dados, a usar dados de transações dos clientes do Cliente para os fins descritos nesta SOW. Nesse sentido, o Cliente declara e garante que possui base legal válida para compartilhar dados de transação com a Mastercard e instruir a Mastercard a usar os dados de transação para os fins descritos nesta SOW. O Cliente é responsável por obter todos os consentimentos e autorizações legais necessárias dos indivíduos detentores dos dados para o uso de seus Dados Pessoais em relação aos Serviços. As partes, na medida em que lhes seja aplicável, deverão cumprir com: (1) todas as leis, regras, regulamentos, diretivas e requerimentos governamentais internacionais, federais, estaduais e municipais relacionados de qualquer maneira à privacidade, confidencialidade e segurança de Dados Pessoais, incluindo, mas não se limitando a, o EU General Data Protection Regulation 2016/679 (GDPR), a Lei nº 13.709, de 14 de agosto de 2018 (Lei Geral de Proteção de Dados), a Gramm-Leach-Bliley Act, leis regulamentando comunicações por e-mail não solicitadas, leis de notificação de falhas de segurança, leis impondo requisitos mínimos de segurança, leis requerendo a disposição segura de registros contendo certos Dados Pessoais, e todos os requerimentos internacionais, federais, estaduais e municipais similares, exceto em caso de divergências ou omissões entre as leis internacionais e nacionais, quando deverá prevalecer a legislação brasileira; e (2) os Padrões de Segurança de Dados da Indústria de Cartões de Pagamento. "Dados Pessoais" significam quaisquer informações relativas a um indivíduo identificado ou identificável, independentemente da mídia em que estiverem contidas.

Mastercard may request transactional information from Client at an account level about Client's current customers for the specific purpose to support the implementation of this project. Client shall be responsible for anonymizing said information, and use disguised or masked identification numbers for such customers to avoid Mastercard handling confidential and sensitive information and/or personal data protected by the applicable laws and regulations. Client shall not provide Mastercard with personally identifiable information. The data that is provided under this agreement by Client to Mastercard shall comply with the terms of the applicable laws and regulations.

Any reference to transfers of personal data or other information of individuals do not involve any exchange of information or personal data in violation of the applicable banking secrecy rules. Client shall always remain as the sole controller of all any personal data. If any personal data is disclosed by Client without observing the abovementioned conditions, Mastercard and/or any selected third-party shall immediately notify Client without undue delay of such disclosure. For purposes of this paragraph, "immediately" is defined as within [\*\*\*\*\*] of discovery, and Mastercard IT department shall immediately address with Client the security measures that will be taken.

A Mastercard poderá solicitar dados transacionais relacionados às contas dos clientes atuais elaborada com o fim específico de possibilitar a execução do projeto. O Cliente será responsável por anonimizar tais informações, fornecendo os dados de identificação pessoal trancados ou mascarados impossibilitando que a Mastercard tenha acesso aos dados confidenciais e sensíveis, e/ou dados pessoais protegidos pela legislação aplicável. O fornecimento de dados nos termos do presente instrumento pelo Cliente à Mastercard, ocorrerá sempre de acordo com os termos da legislação aplicável.

Qualquer referência a transferências de dados pessoais ou a outras informações de indivíduos, não implicam qualquer troca de informações ou de dados pessoais, em desacordo com as normas de sigilo bancário aplicáveis. O Cliente permanecerá como único controlador de quaisquer dados pessoais. Se eventuais dados pessoais forem divulgados pelo Cliente sem respeitar as condições supracitadas, a Mastercard e/ou qualquer terceiro por esta selecionado deverá notificar imediatamente o Cliente de tal divulgação. Para efeitos do presente parágrafo, "imediatamente" é definido como um prazo de [\*\*\*\*\*] após a descoberta, e o departamento de TI da Mastercard deverá abordar imediatamente com o Cliente as medidas de segurança a serem tomadas.



**Compliance with Anti-Bribery and Anti-Corruption Laws.** The Parties shall comply and shall ensure that each of its employees complies with all applicable anti-bribery and corruption laws applicable to business dealings and any implementing regulations in respect of any such laws. The Parties warrants to endeavor the best efforts to guarantee that each of its employees, and personnel has not and shall not, in connection with the activities contemplated herein, in an SOW or in connection with any other business activities involving Mastercard: (i) make, promise or offer to make any payment or transfer of anything of value or any other advantage directly or indirectly through a representative, intermediary agent or otherwise to any government official (as defined below) or to any other person for the purpose of improperly influencing any act, omission to act or decision of such official or individual or securing an improper advantage to assist the Parties in obtaining or retaining business; or (ii) accept anything of value from any third party seeking to influence any act or decision of Client or in order to secure an improper advantage to that third party. "Government official" is defined as any employee or officer of a government of a country, state or region, including any federal, regional or local government or department, agency, enterprise owned or controlled by the such government, any official of a political party, any official or employee of a public international organization, any person acting in an official capacity for, or on behalf of, such entities, and any candidate for political office. Violation of this clause will constitute a material breach of this SOW and Agreement. The parties hereby agree to be responsible and in compliance with the provisions described herein for all the subcontractors that may be engaged in the activities detailed in this agreement or in an SOW.

**Language.** This SOW is executed in English and Portuguese versions. Notwithstanding anything herein to the contrary, the parties agree that the English version of this SOW is provided for informational purposes only and further agree that the Portuguese version shall exclusively control when interpreting or enforcing this SOW.

The information contained in this SOW is confidential and its disclosure is subject to the confidentiality provisions as set out in the Agreement.

**Cumprimento com as Leis Antissuborno e Anticorrupção.** As partes deverão cumprir e garantir que cada um de seus funcionários cumpram todas as leis antissuborno e anticorrupção aplicáveis às relações de negócios, bem como quaisquer regulamentos relacionados a qualquer uma das referidas leis. As Partes declaram que emendam os melhores esforços para garantir que cada um de seus funcionários e pessoal, no que diz respeito às atividades contempladas neste instrumento, em uma SOW ou em relação a quaisquer outras atividades de negócios envolvendo a Mastercard: (i) não efetuar, prometer ou oferecer qualquer pagamento ou transferência de qualquer valor ou qualquer outra vantagem, direta ou indiretamente, por meio de representante, agente intermediário ou de outra forma, a qualquer funcionário público (conforme definido abaixo) ou a qualquer outra pessoa com o objetivo de influenciar indevidamente qualquer ação, omissão de ação ou decisão do referido funcionário público ou indivíduo, ou garantir uma vantagem indevida para ajudar as Partes na obtenção ou retenção de negócios; ou (ii) não aceitar qualquer coisa de valor de qualquer terceiro que busque influenciar qualquer ação ou decisão do Cliente ou que tenha como objetivo garantir vantagem indevida ao referido terceiro. "Funcionário público" é definido como qualquer funcionário ou oficial do governo de um país, estado ou região, incluindo qualquer governo, departamento, órgão ou empresa federal, regional ou municipal de propriedade ou controlado por tal governo, qualquer funcionário de um partido político, qualquer oficial ou funcionário de uma empresa pública internacional, qualquer pessoa atuando na função de funcionário para ou em nome de qualquer entidade desse tipo e qualquer candidato a um cargo político. A violação desta cláusula constituirá uma violação substancial desta SOW e do Contrato. As partes declaram-se responsáveis pelo cumprimento das disposições aqui contidas por eventuais subcontratados que exerçam as atividades contempladas neste instrumento.

**Idioma.** Este SOW é celebrado em inglês e português. Não obstante qualquer disposição em contrário, as partes concordam que a versão em inglês desta SOW é fornecida apenas para fins informativos e concorda ainda que a versão em português deverá prevalecer na interpretação ou aplicação desta SOW.

As informações contidas nesta SOW são confidenciais e sua divulgação está sujeita às disposições de confidencialidade estabelecidos no Contrato.

When executed by duly authorized representatives of each of Mastercard and Client, this SOW, together with the Agreement, will constitute the binding agreement between Mastercard and Client, dated as of the last signature below.

Quando executada por representantes devidamente autorizados do Cliente e da Mastercard, esta SOW, juntamente com o Contrato, constituirá o acordo vinculativo entre a Mastercard e o Cliente, datado a partir da última assinatura abaixo.

**Accepted and Agreed as of the latest date signed below.**

**Aceita e aprovada na data mais recente assinada abaixo.**

**MASTERCARD BRASIL SOLUÇÕES DE PAGAMENTO LTDA.**

**PAGSEGURO INTERNET S/A**

DocuSigned by:  
*Paulo Frossard*  
221A7F21F17E475...

DocuSigned by:  
*Leandro Roberto Rodrigues*  
709911AD02D145E...

Name / Nome: Paulo Frossard  
Title / Cargo: Vice President  
Date / Data: 01 de dezembro de 2021 | 12:59:47 PST

Name / Nome: Leandro Roberto Rodrigues  
Title / Cargo: Diretor de Tesouraria  
Date / Data: 01 December 2021 | 13:36:51 PST

DocuSigned by:  
*Mauricio Fernandes*  
7207A793D2BA43A...

DocuSigned by:  
*Artur Galke Schunck*  
1DBF8C8FC014C9...

Name / Nome: Mauricio Fernandes  
Title / Cargo: VP Finance  
Date / Data: 03 December 2021 | 03:52:23 PST

Name / Nome: Artur Galke Schunck  
Title / Cargo: Diretor Financeiro  
Date / Data: 02 de dezembro de 2021 | 04:39:39 PST

**WITNESSES / TESTEMUNHAS:**

DocuSigned by:  
*Deborah Barros*  
95FE416BFE574A9...

DocuSigned by:  
*Carolina Magalhaes Fomer*  
A4951896D91446C...

Name / Nome: Deborah Barros  
ID / RG: [\*\*\*\*\*]  
Date / Data: 01 de dezembro de 2021 | 12:23:06 PST

Name / Nome: Carolina Magalhaes Fomer  
ID / RG: [\*\*\*\*\*]  
Date / Data: 01 December 2021 | 12:51:39 PST



**FIRST AMENDMENT TO THE TRADE AND INCENTIVE AGREEMENT**

By this instrument, the Parties:

ELO SERVIÇOS S.A., private corporation, headquartered in the City of Barueri, State of São Paulo, at Alameda Xingu, No. 512, 5º e 6º andares, Alphaville, CEP 06455-030, enrolled with the Corporate Taxpayers' Agreement ("CNPJ/MF") under No. 09.227.084/0001-75, herein represented pursuant to its Bylaws, and hereinafter referred to as "Elo", and

PAGSEGURO INTERNET S.A., a corporation duly incorporated and operating under the laws of the Federative Republic of Brazil, headquartered at Avenida Brigadeiro Faria Lima, nº 1.384, 4º andar (Parte A), City of São Paulo, State of São Paulo, CEP 01451-001 and enrolled with CNPJ/MF under No. 08.561.701/0001-01 ("PagSeguro or Partner").

Individually referred to as "Party", and, jointly, as "Parties". WHEREAS:

(i) on [\*\*\*\*\*], the Parties entered into the Trade and Incentive Agreement ("Agreement"), with the purpose of promoting promotional actions, advertisement of the brand and/or incentive pursuant to the Exhibits ("Incentive Actions").

(ii) due to the provisions in item "II. Incentive for the development of new products and services" of Exhibit I of the Agreement, the Partner has partially performed the provisions in sub-item iii, upon the completion of the development stage. Thus, in [\*\*\*\*\*], Elo paid PagSeguro the amount of [\*\*\*\*\*] under the conditions provided herein.

(iii) the Parties decide to formalize the First Amendment to the Agreement ("First Amendment") with the purpose of changing the other conditions described in item ii of "II. Incentive for the development of new products and services" of Exhibit I of the Agreement, as well as to include Exhibit A, and also extend the effective term of the Agreement, allowing for the performance of new promotional actions between the Parties.

The Parties hereby decide to enter into this First Amendment, as follows:

**SECTION ONE - PURPOSE**

1.1. The purpose of this First Amendment is to change the conditions described in item "II. Incentive for the development of new products and services", of Exhibit I of the Agreement, and to include Exhibit A, as well as to extend the effective term of the Agreement.

**SECTION TWO - AMENDMENTS**

2.1. Item "II. Incentive for the development of new products and services", of Exhibit I of the Agreement, has been modified and shall be effective with the following wording:

*"The Partner undertakes:*



(i) To submit, until [\*\*\*\*\*], an action plan, pursuant to the premises described below ("Plan"), of E-commerce Commercial Establishments for the solution 3DS 2.0, implemented for the Debit and Credit products with Elo in 2020. Whereas, the amounts of the incentives described below shall be granted by Elo, subject to the obligation to perform the Plan by PagSeguro, until [\*\*\*\*\*].

Plan:

- The plan must cover pilot actions and rollout both for the Debit and Credit function;
- In order to detect the implementation of the feature by the clients, as well as the Development of the API and Implementation of the Check-out for our selected clients, Elo must access PagSeguro's integration.

Upon evidence of the delivery of the Plan until [\*\*\*\*\*], Elo undertakes to invest the amount of [\*\*\*\*\*] ("Amount 2"), to foster promotional actions of the Parties' common interest, and [\*\*\*\*\*] % of said amount shall be directly paid to PagSeguro, namely, [\*\*\*\*\*] through payment method defined in item III. PAYMENT PRICE, PERIOD AND METHOD of the Agreement, until [\*\*\*\*\*], to be invested in promotional actions aligned between the Parties. The other [\*\*\*\*\*] of the amount, namely, the remaining [\*\*\*\*\*] shall remain with Elo and will also be used for investment in promotional actions of the Parties' common interest.

(ii) perform implementation to the active terminals (POS/TEF), enabled to operate and with the technological infrastructure to allow for contactless transaction (NFC/Contactless) for other card brands, for Elo Purchase Transactions. In order to support the streamlining of the upgrade of version of Elo's priority clients, a pilot and rollout plan agreed between the Parties will be performed, as described in the items below and for clarification purposes, the clients deemed priority were identified by Elo and previously informed to PagSeguro.

- Upgrade and/or replacement of PPC930 equipment of the Commercial Establishments considered at the Top 20 in billing and number of national transactions;
- There must be a parity in merchant acceptance of Elo contactless transactions with the other card brands;
- For Commercial Establishments considered Top 20, the form must be monthly filled indicating the Commercial Establishments (TOP 20) with the capacity of capturing NFC/Contactless transactions ("NFC Form"), as per the template included in Exhibit A hereof, in order to follow up on the progress concerning the exchange and upgrade of terminals so that they are capable of accepting NFC TEF.
- Upgrade/replacement so that all equipment at PagSeguro's inventory (PAs and CDs) can be delivered to the field enabled to capture Elo contactless transactions;
- Terminals with firmware supporting certified D-PAS or kernel C-6 must be upgraded if they are organically reversed for equipment maintenance for the regular process of repair and software upgrade;
- The rollout plan must follow the order set by Elo, provided that the clients agree with the exchange terms and order, concerning its understanding of priority in the list of Commercial Establishments that will be previously informed to PagSeguro (As described in Exhibit A hereof);



1.1 Thus, Elo undertakes to invest the amount of [\*\*\*\*\*] ("Amount 3"). Part of said amount will be allocated to the costs of replacing the terminal model Gertec PPC 930 v2.03, and the remaining balance will be allocated to promotional shares of the Parties' common interest, as specified in items below.

1.1.1 For Commercial Establishments who have the terminal model Gertec PPC 930 v2.03, which shall require a replacement, Elo will invest, by using the budget of Amount 3, the amount of [\*\*\*\*\*] per each replaced terminal Gertec PPC 930 v2.03, which shall be granted after the implementation and evidence of full delivery of the agreed pilot and rollout plan. The amount to be invested is limited to [\*\*\*\*\*]. The payment method and period shall follow the same standards provided in item III. PAYMENT PRICE, PERIOD AND METHOD of the Agreement;

1.1.2 As evidence of the pilot and rollout plan delivery, according to the provisions above, PagSeguro must: a) fill out 'Elo Acceptance Mapping Form', as per the template in Exhibit A hereof, with first submission until November 5, 2021 and second submission until December 1, 2021, concerning the TEF (PinPads); b) submit the NFC Form with the Commercial Establishments (TOP 20) that are already capable of capturing Elo contactless transactions until December 1, 2021; and c) ensure the shipment of the termination and solution version capable of accepting Elo NFC/Contactless transactions.

1.1.3 Elo undertakes to invest the remaining balance of Amount 3, which shall be duly presented by Elo to PagSeguro, to foster promotional actions of the Parties' common interest, and [\*\*\*\*\*]% of such remaining balance of the Amount 3 will be used to pay PagSeguro, through a payment method set forth in item III. PAYMENT PRICE, PERIOD AND METHOD of the Agreement, until December 30, 2021, to be invested in promotional actions of the Parties' common interest. The remaining [\*\*\*\*\*] % shall remain with Elo and it will also be invested in promotional actions of the Parties' common interest.

(iii) To develop and implement Elo features of tokenized transaction, covering the Token e-commerce products and digital wallets, where the card number of the holder is replaced by a number randomly generated, and in the flow that number is referred to as token. The token has a format similar to the credit or debit card and offers flexibility to support purchase transactions, recurring payment, payment of saved account, cancellation, fraud and chargeback reports. That technology allows for the replacement of confidential information of the card, such as the PAN (FPAN), by tokens (DPAN), in order to protect the holder's information. Those tokens are managed by a safe vault, the Token Service Provider (TSP). Only the TSP, which generated a token, may map it back to its corresponding physical card. Those features may be used in online transactions (secure payments in websites and e-commerce), in-store (physical stores through NFC technology, via contactless method and the use of Elo QR Code reading) and in transactions with authentication In-App (mobile applications or website through: payment by digital wallets and QR Code reading). For the E-Commerce Token feature, PagSeguro shall perform the integration of its payment gateway solution with Elo APIs of the e-commerce token, working as a token requestor, according to the development documentation of the product provided by Elo at <https://dev.elo.com.br/documentacao/tokenizacao-merchant> and included in Elo Tokenization Platform Guide V01, including:

- Procurement: e-token generation and management;
- Life cycle: e-token update, deletion and renewal;
- Transactional: authorization, capture and cancellation with e-token;



1.2. That will require the start of an e-commerce token implementation project. For informational purposes, the implementation shall include, but is not limited to:

- *Planning: Project charter; Partner's delivery plan; Assignment of squads to the project; Alignment on fraud prevention;*
- *Development: Infrastructure (Connectivity between the Partner and Elo); Information Security (exchange of Keys); Partner's Setup (Access to Elo tokenization platform); Development of APIs (Procurement; Life Cycle); Self-test made by the Acquirer through tool provided by Elo.*
- *Formal approval: Certification (Procurement and Life Cycle); Operational Setup (Registration, Incident Management; Monitoring);*
- *Activation: Migration of the application into production, Operation process readiness*
- *Controlled Production: Production tests by the Partner (Procurement, Life Cycle, Transaction, Incident Management and Monitoring) with follow up and validation by Elo quality team;*
- *Expansion: Communication of release, Release for client base.*

1.3. For transactions with in-app authentication, PagSeguro must provide in its integration with the commercial establishment and Elo QR Code HUB the identification of transaction with in-app authentication, the CAVV cryptogram related to the in-app authentication and the formatting of Elo messenger, which was authorized pursuant to the authorization guide. PagSeguro shall also provide the submission of the settlement file considering the proper treatment for the tokenized transaction with in-app authentication. This type of authentication may be performed in transactions made with digital wallets originated from Mobile or Website applications, in addition to QR Code transactions. The following deliveries shall be provided by PagSeguro:

- *Transactional: authorization, capture and cancellation transaction with in-app authentication, including QR Code transaction and online transaction (mobile or website) with in-app authentication;*
- *Settlement: generation and handling of settlement files considering the proper treatment for the tokenized transaction;*
- *Implementation: support to implementation process defined by Elo, going through the planning, development, formal approval, activation and controlled production (pilot) phases;*

1.4. After the implementation of the solution with due certification by Elo, PagSeguro shall provide the e-commerce token solution to all establishments using its payment gateway, who have interest in using said features, and in any other forms of use, such as in their own digital wallet for Card on File of Elo cards, always following the parity with other brands. Improvements and upgrades of the e-commerce token service that may be released in the future by Elo will be assessed and, if feasible, they shall be carried out by PagSeguro to keep the proper operation of the solution.

1.5. For transactions with digital wallet, PagSeguro shall implement a feature for the commercial establishment to identify if the transaction was originated with the in-app authentication and to provide the content related to the cryptogram (CAVV) to be inserted in Elo authorization message. As for Elo QR Code transactions, PagSeguro shall implement a feature to receive such information through Elo HUB QR Code Elo. For both cases, PagSeguro shall implement the submission of the authorization and settlement messenger following the format provided by Elo for transactions with in-app authentication.



1.6. As evidence of delivery described in item iii above, PagSeguro shall perform production test with validation of the result by Elo's quality department, create a formal document, to be validated by Elo, describing in details the date of implementation and rollout of the solution, in addition to the Commercial Establishments who will use the new feature, including their Corporate Name, Doing Business As and CNPJ. PagSeguro shall submit to Elo, through December 1, 2021, the action plan for the tokenization product, provided that the product must be available in production through December 30, 2021.

1.6.1. For Elo to consider the delivery, the rollout will have to be performed in at least one Commercial Establishment, which is active and chosen by PagSeguro, among the TOP 50 e-commerce Commercial Establishments. For purposes of clarification, the TOP 50 establishments have been identified by PagSeguro and will be informed to Elo.

1.6.2. Upon evidence of the delivery of the action plan, Elo undertakes to invest the amount of [\*\*\*\*\*] ("Amount 4"), to foster promotional actions of the Parties' common interest, and fifty percent [\*\*\*\*\*]% of said Amount 4 shall be directly paid to PagSeguro, namely, [\*\*\*\*\*] through payment method defined in item III. PAYMENT PRICE, PERIOD AND METHOD of the Agreement, until December 30, 2021, to be invested in promotional actions aligned between the Parties. The other [\*\*\*\*\*]% of the amount, namely, the remaining [\*\*\*\*\*] shall remain with Elo Serviços and will also be used for investment in promotional actions of the Parties' common interest.

1.7. This Trade Agreement does not exempt PagSeguro from any obligations set forth in the "Contactless Payment Acceptance Instrument".

2.2. The Parties hereby decide to change item II Effective Term, which shall be governed by the following wording:

*"This Agreement shall become effective on the date of execution and shall remain effective until all obligations provided in it and its Exhibit(s) are met and/or delivered, with end date expected for 12/31/2022."*

### SECTION THREE - GENERAL PROVISIONS

3.1. This Amendment becomes effective on the date of its execution, and its effects shall relate back to 12/16/2020, with all acts practiced starting from that date being ratified.

3.2. All other clauses, terms and conditions of the Agreement that were not amended and/or expressly changed by this First Amendment are hereby ratified by the Parties, remaining in full effect and force.

3.3. 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.

3.4. This First Amendment binds the Parties and their successors, at any title, on an irrevocable and irreversible basis for all legal intents and purposes.



3.5. The Parties hereby acknowledge and agree that this Amendment may be electronically signed upon electronic signature submitted through tool and/or system agreed between the Parties. The Parties' electronic signatures shall be considered as an original signature for all legal intents and purposes.

IN WITNESS WHEREOF, the Parties have executed this Amendment in two (02) counterparts, same in form and content, in the presence of two (02) undersigned witnesses.

São Paulo, December 2, 2021.

\_\_\_\_\_  
[signature] ELO SERVIÇOS S.A. [signature]

\_\_\_\_\_  
[signature] PAGSEGURO INTERNET S.A [signature]

Witnesses:

_____ [signature]	_____ [signature]
Name:	Name:
ID:	ID:
CPF/MF No.	CPF/MF No.





EXHIBIT A

I – NFC FORM

Updated 11/30/2021					
	Client	# CNPJs	Total of terminals delivered, installed and upgraded	Status	Note
Ex	[****]	[****]	46	7 – Completed	-
Ex	[****]	[****]	0	7 – Completed	The chain does not have ppc930.
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			
	[****]	[****]			



I - Elo Acceptance Mapping Form

Participant Information  
 Corporate Name  
 Doing Business As  
 CNPJ

1.a – Acceptance Chart

Form of Capture	Billing share per form of capture	Representation in pool where Elo NFC is accepted	Representation in pool where it uses kernel C-6
POS	[*****]	[*****]	[*****]
MPOS	[*****]	[*****]	[*****]
POS/TEF	[*****]	[*****]	[*****]
PINPAD (TEF)	[*****]	[*****]	[*****]

1.b Kernel Bypass Implementation Chart

TEF Houses	Billing share per TEF House	Is Kernel Bypass solution enabled?	Penetration of Kernel Bypass in commercial establishments
Auttar	[*****]	[*****]	[*****]
Linx	[*****]	[*****]	[*****]
NCR	[*****]	[*****]	[*****]
Paygo	[*****]	[*****]	[*****]
Software Express	[*****]	[*****]	[*****]
VBI	[*****]	[*****]	[*****]
Other. Which? E.g., Tefway	[*****]	[*****]	[*****]



INSTALLED POOL

2.a – Installed terminal pool chart

Form of Capture (FOS, mFOS, Pinpad, FOS TEF)	Terminal Model installed in production	Version of shared library	Terminal with support to Kernel NFC C3 and/or C6	Eo Certification performed on Kernel NFC C3 and/or C6	Number of terminals in distribution line	Number of terminals installed in production
Pinpad	[****]	[****]	[****]	[****]	[****]	[****]
Pinpad	[****]	[****]	[****]	[****]	[****]	[****]
Pinpad	[****]	[****]	[****]	[****]	[****]	[****]
Pinpad	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]
mFOS	[****]	[****]	[****]	[****]	[****]	[****]
mFOS	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]
POS	[****]	[****]	[****]	[****]	[****]	[****]

REPLACEMENT

3.a – Terminal replacement chart

Model of idle terminal	Commencement date of replacement or upgrade	Final date of replacement or upgrade

**Completion Certificate**

[\*\*\*\*\*]  
Subject: Use DocuSign service: ELO - Aditamento ao Acordo de Incentivo - 01DEZ21\_VF.docx  
Source Envelope:  
Document Pages: 9  
Certificate Pages: 3  
AutoNav: Enabled  
Enveloped Stamping (ID Stamping): Enabled Time  
Zone: (UTC-03:00) Brasilia

Status: Completed  
  
Envelope Sent by:  
[\*\*\*\*\*]  
Alameda Xingu, 512 – 5o andar – Edifício  
Evolution Barueri, Barueri 06455-030  
[\*\*\*\*\*]  
IP Address:[\*\*\*\*\*]

**Record Tracking**

Status: Original  
12/2/2021 6:11:42  
PM

Holder: Fulvio Gabriel Cunha Contra Nato  
[\*\*\*\*\*]

Location: DocuSign

**Signer Events**

Legal  
Departamentjuridicoelo  
[\*\*\*\*\*]  
Serviços S.A.  
Security Level: E-mail, Account Authentication  
(None)

**Signature**



Signature established by: Signature image  
loaded  
Using IP Address: [\*\*\*\*\*]

**Timestamp**

Sent: 12/2/2021 7:07:26 PM  
Viewed: 12/3/2021 10:02:50 AM  
Signed: 12/3/2021 11:21:24 AM

**Electronic Record and Signature Disclosure:**

Not offered via DocuSign  
Fabio de Souza Batista  
[\*\*\*\*\*]  
[\*\*\*\*\*]  
Elo Serviços S.A.  
Security Level: E-mail, Account Authentication  
(None)



Signature adoption: Pre-selected Style IP  
Address: [\*\*\*\*\*]

Sent: 12/3/2021 11:21:28 AM  
Viewed: 12/3/2021 3:34:02 PM  
Signed: 12/3/2021 3:34:24 PM

**Electronic Record and Signature Disclosure:**

Not offered via DocuSign  
Fulvio Gabriel Cunha Contra Nato  
[\*\*\*\*\*]  
Business Development Coordinator Elo  
Serviços  
Security Level: E-mail, Account Authentication  
(None)



Signature adoption: Pre-selected Style IP  
Address: [\*\*\*\*\*]

Sent: 12/3/2021 11:21:28 AM  
Viewed: 12/3/2021 11:26:52 AM  
Signed: 12/3/2021 11:27:03 AM





**Electronic Record and Signature Disclosure:**

Not offered via DocuSign  
Liza Alcazar  
[\*\*\*\*\*]  
UCL - UNIVERSO ONLINE S/A  
Security Level: E-mail, Account Authentication  
(None)



Signature established by: Signature image  
loaded  
Using IP Address: [\*\*\*\*\*]

Sent: 12/3/2021 11:21:28 AM  
Viewed: 12/3/2021 11:34:42 AM  
Signed: 12/3/2021 11:39:41 AM

Signer Events	Signature	Timestamp
<b>Electronic Record and Signature Disclosure:</b> Not offered via DocuSign ARTUR GAULKE SCHUNK [*****] Chief Financial Officer Security Level: E-mail, Account Authentication (None)	 DocuSigned by: ARTUR GAULKE SCHUNK 67A8FA8E32D483... Signature established by: Pre-set style Using IP Address: [*****]	Sent: 12/3/2021 3:34:27 PM Viewed: 12/3/2021 4:34:22 PM Signed: 12/3/2021 4:34:33 PM
<b>Electronic Record and Signature Disclosure:</b> Not offered via DocuSign Gabriel Ramirez Coelho [*****] Chief Financial and Strategic Planning Officer Eo Serviços S.A. Security Level: E-mail, Account Authentication (None)	 DocuSigned by: Gabriel Ramirez Coelho 27F608F98021429... Signature adoption: Pre-selected Style IP Address: [*****]	Sent: 12/3/2021 3:34:28 PM Viewed: 12/3/2021 3:46:54 PM Signed: 12/21/2021 3:57:35 PM
<b>Electronic Record and Signature Disclosure:</b> Not offered via DocuSign Jaco Ferreira da Silva [*****] Business Officer Eo Serviços S.A. Security Level: E-mail, Account Authentication (None)	 DocuSigned by: Jaco Ferreira da Silva ACF86A1C4CEFACF... Signature adoption: Pre-selected Style IP Address: [*****]	Sent: 12/3/2021 3:34:27 PM Viewed: 12/3/2021 3:39:30 PM Signed: 12/3/2021 4:53:04 PM
<b>Electronic Record and Signature Disclosure:</b> Not offered via DocuSign Leandro Roberto Rodrigues [*****] Treasury Officer Security Level: E-mail, Account Authentication (None)	 DocuSigned by: Leandro Roberto Rodrigues 709911AD02D145E... Signature adoption: Pre-selected Style IP Address: [*****]	Sent: 12/3/2021 3:34:28 PM Viewed: 12/3/2021 4:07:34 PM Signed: 12/3/2021 4:07:50 PM
<b>Electronic Record and Signature Disclosure:</b> Not offered via DocuSign		
<b>In Person Signer Events</b>	<b>Signature</b>	<b>Timestamp</b>
<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>
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Certified delivery	Security checked	12/3/2021 4:07:34 PM

**Envelope Summary Events**Signing complete  
Completed**Status**Security checked  
Security checked**Timestamp**12/3/2021 4:07:50 PM  
12/21/2021 3:57:35 PM**Payment Events****Status****Timestamp**

## Service Agreement

**Client:** PAGSEGURO INTERNET S.A  
**Service Provider:** COMPASSO TECNOLOGIA LTDA.  
**Project:** OpenBanking 02  
**Agreement:** 2735/19

**CNPJ:** 08.561.701/0001-01  
**CNPJ:** 07.654.824/0001-24

**SA No.** 55

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.

The detailed scope of the services, as well as the items outside the scope, are described in the **Technical-Business Proposal OpenBanking 02**, which was signed with the initials of the Parties and becomes an inseparable Exhibit hereto.

### COMPENSATION

a) **Monthly non-cumulative baseline** equivalent to [\*\*\*\*\*] hours of work during business hours: [\*\*\*\*\*]

o Baseline is accounted for regardless of the monthly consumption, thus ensuring the availability of capacity for the project.

Baseline from November/21 to June/22				
Employee Profile	# of Employees	Hours/Month	Rate/Hour	Monthly Investment (Baseline)
Senior Back-end Dev	[*****]	[*****]	[*****]	[*****]
* Amounts in Reais (R\$)	[*****]	[*****]		[*****]

b) **Additional hours to the baseline** shall be measured and charged as per the ratecard shown below:

Baseline		Overtime Rate				Additional Rates on the Rate/Hour			
Employee Profile	Amount/Hour	Not on call	Overtime Hour	Night shift (10 pm to 6 am)	Night shift overtime	Not on call	Overtime Hour	Night shift (10 pm to 6 am)	Night shift overtime
Senior Back-end Dev	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
* Amounts in Reais (R\$)									



compassuol.com.br

**PREMISES AND REQUIREMENTS**

All premises and requirements applicable are included in the above-mentioned Technical Business Proposal.

**LOCATION OF SERVICE PROVISION**

The activities will be performed remotely. In specific occasions and as applicable, the activities may also be performed in person 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 (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 the policies described below.

Travel expenses refer to transportation, meals, insurance, and accommodation, as established below:

<b>Travel Expense Policy – PAGSEGURO Client</b>	
Amount for meals – PAGSEGURO Client	Non-cumulative daily amount on business days [****] Limit per meal (lunch and dinner) on non-business days
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 or authorization from PagSeguro Manager for third-party use Intermunicipal bus when needed
Trips/Commuting during business hours	
**In case of change to the daily meal	





#### PAYMENT CONDITIONS

- Baselines shall be issued until the [\*\*\*\*\*]th business 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 [\*\*\*\*\*] days from its issuance date.

#### NOTES

- All levied taxes are included in the above-mentioned rates, namely: taxes on services of any nature (ISSQN) [\*\*\*\*\*], social integration program (PIS) [\*\*\*\*\*], and contribution to social security financing (COFINS) [\*\*\*\*\*], for invoices billed in Brazil;
- All transactions concerning this Agreement shall be billed in Brazilian currency (BRL).
- 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;
- 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 - OpenBanking 02**

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:**

**Type of project:**

[compassuol.com.br](http://compassuol.com.br)

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, Thursday, October 28, 2021.

**PARTIES:**

**PAGSEGURO INTERNET S.A**

[signature] \_\_\_\_\_ [signature] \_\_\_\_\_

By:  
Title:

By:  
Title:

**COMPASSO TECNOLOGIA LTDA.**

[signature] \_\_\_\_\_ [signature] \_\_\_\_\_

By:  
Title:

By:  
Title:

**Witnesses:**

[signature] \_\_\_\_\_ [signature] \_\_\_\_\_

By:  
Title:

By:





# PagSeguro – New Squad OpenBanking

TECHNICAL | BUSINESS PROPOSAL

GABRIEL FERNANDES > DELIVERY MANAGER > TRIBO INTERCOMPANY

OCTOBER, 2021

## Initial provisions

- All information herein about products, services, images, graphic layouts and intellectual content are owned by Compasso UOL 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 UOL 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 UOL, 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 UOL 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 UOL.





# A Compasso UOL

---

# What we do:

We build digital experiences that enable companies' growth and improve people's lives.

We help organizations in different industries:

## Telco



Meu Vivo App Platform & others

## Loyalty



Loyalty Marketplace Platform

## Retail



CSF Financial Services App Platform

## Consumer Goods



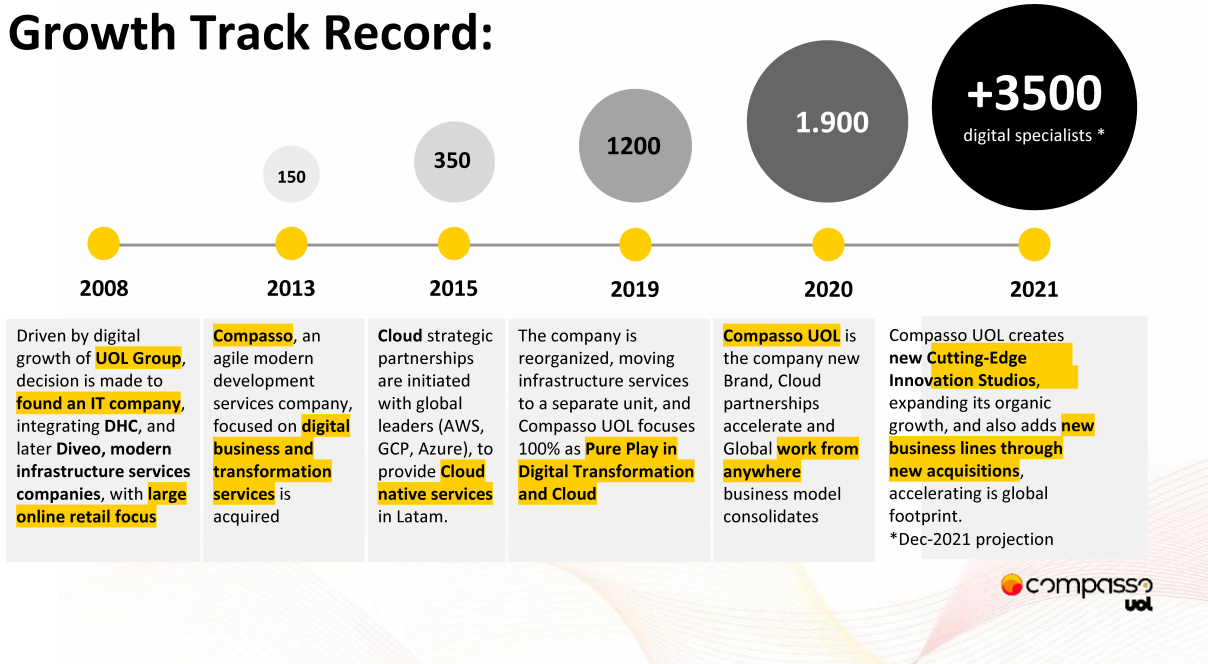
Espaço Digital Natura Commerce Platform

## Financial



Esfera Marketplace Platform

# Growth Track Record:



# Digital Transformation

We build the best experiences to drive innovation to the market and help our customers rethink and reinvent their business continuously.



Digital Commerce



Payment Solutions



Mobile Apps



Cognitive Computing



Games & Real-Time 3D



User Experience



Quality & Testing Automation



Integration & Microservices



Cyber Security



Cloud & DevSecOps



Hyperautomation (RPA)



Data & Analytics



Salesforce



Agile Transformation



Application Modernization



# Infrastructure Services



Infrastructure,  
Hybrid & Private Cloud



Agile  
Governance

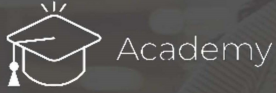


SAP Services



Managed Services  
Anywhere

# Knowledge to generate value:



We believe knowledge is key  
and that developing and sharing  
are  
the best ways to grow.

## Innovative Scholarship and Certification Program

In partnership with colleges and universities, we select students with outstanding academic performance to learn agile methods and technological knowledge. The Certification Program enables the constant knowledge improvement on the hype technologies and platforms from AWS, Google, Microsoft, Oracle, Salesforce, VMWare, and other of our strategic partners.

## Career Evolution Fast-Track

Compasso Fast-Track Program accelerates the cutting-edge technologies skills development process for seasoned, mature, and experienced professionals that search for modernizing their career direction/roadmap.



# Collaborative culture:

With an ecosystem driven by innovation



+



+



+



=



Universities &  
Compasso  
Academy

Global  
Technology  
Leaders

R&D Next-Gen  
Technologies &  
Tech  
Communities

Innovation  
Labs

Customer  
Innovation

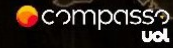
## Sustainable Growth:

The investment in supporting and stimulating our professionals' continuous search for skills and excellence turns into added value to our local and global customers. This process also generates sustainability and development opportunities for the communities where we locate our Development and Innovation Centers.

### World-Class Execution & Global Deployments

We run a global delivery model that combines processes, **methodologies, knowledge structures, and quality**, with skills and talents available worldwide. Our customers can now **maximize the value of their business processes** and information technology investments, optimizing costs, and accelerating their time to market. Our nearshore model strategy combines **world-class execution and global proximity**.

● Delivery Centers  
● Global Reach



# With whom we innovate:

## Who trusts Compasso UOL



## Partners



# Sustainability, Diversity and Inclusion:

## Sustainability

Compasso UOL has been investing for more than a decade in building the sustainability of its business model through numerous initiatives. Our core belief is founded on the idea of sharing knowledge to build talent hubs out of the mainstream cities. These initiatives have created development ecosystems in these regions, which deliver opportunities that impact positively people's lives and help develop local economies in demanding communities.

### Giving Back do Society.

Our sustainable talent hubs development partners:



## Diversity and Inclusion

At Compasso UOL we work to ensure the representation of diverse talent. We welcome advancing diverse talent into all levels of operational, technical, leadership, management and executive roles. We strengthen the inclusive-leadership capabilities of our managers, executives and leaders, and of all of our team, emphatically engaging and holding leadership accountable for our progress on I&D. We uphold a zero-tolerance policy for discriminatory behavior, such as bullying and harassment, and actively help managers and staff to identify and address all kind of misconducts. We establish norms for open, welcoming behavior and ask leaders and employees to assess each other on how they are living up to that standard.



## Our Scalable Growth Model:

We have built our sustainable, scalable growth model based on a combination of a series of foundations. We ideate and design transformational initiatives that kick-off new business growth opportunities to our customers from our innovation studios. Our Accelerators help to reduce innovation delivery time-to-market; packaging our next-generation technologies knowledge into open-source frameworks, we deliver more rapidly and more efficiently.

Our Talent@Scale programs allow us to build talent to fulfill the never-ending knowledge gap of this new world. They connect to our "work from anywhere" model and enable us to deliver multi-disciplinary innovation teams for new projects with scale and speed. And finally, we succeed connecting the dots on every one of these foundations by leveraging the new global integrated digital transformation's never-ending demand inflow for digital transformation specialized services.

Accelerators

Innovation Studios

Talent @Scale

Work from Anywhere

Global Customer's Demand



# What makes us different?

## Building and scaling talent development

In a competitive market, we make outstanding investments in skill development to create exceptional professionals

## Developing efficient and sustainable innovation centers

Our delivery and innovation centers are strategically located in small and medium-sized cities, close to the well-recognized regional universities, building sustainability and growth for these local communities.

## Enabling value stream mapping to accelerate growth

VSM (Value Stream Mapping) approach materializes our agile culture and transforms our customers' business, generating value for all stakeholders.

## Prioritizing people-Centric technology connections

The combination of our people-centric culture, where opportunities to develop knowledge on cutting-edge technologies flourish every day, is the key to keep our turnover rate under the market average.

## Extensively investing on R&D Labs

Co-designing cutting edge initiatives with and for our customers in our Labs is the key to building new business and influencing their ability to transform the organization.

## Empowering the agile business organization

Our decentralized, self-organizing team organization allows our business to scale and expand, matching the ever-growing speed of our customer demands.

## Integrating a knowledge ecosystem

Our partnership with the global technology leaders and local universities allows Compasso to build the bridge to accelerate its innovation adoption cycle.





The image is a cover for a technical proposal. It features a black background on the left side where the text is located. On the right side, there is a decorative graphic consisting of numerous thin, curved lines in shades of yellow, orange, and red, creating a sense of motion and depth. The lines are more densely packed and brighter in the lower right corner, fading out towards the top and left.

# Technical Proposal

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# Job Description

## Senior Back-end Development Person

### Duties and responsibilities

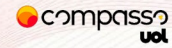
- Experience working with development of APIs RESTful and microservices;
- Experience working with microservices architecture;
- Experience working with agile methodologies;
- Skilled in distributed, resilient, scalable and high-performance architectures;
- Experience working with the best practices of quality of software. E.g., automated tests, security, monitoring and technical documentation;

### Requirements

- Programming Language: Java, Spring Boot and Kotlin;
- Monitoring tool: New Relic and Splunk;
- Comfortable with Unix environment (Linux);
- Skilled in Public APIs;
- Amazon Web Services: EC2 - S3 - VPC - ELB – RedShift;
- Skilled in SQL;
- Unit Tests; Junit;
- Versioning: Stash and Github;
- Experience working with security and unit and integrated tests;

### Desirable Skills

- Experience working with and/or interaction with PIX and OpenBanking projects.





# Business Proposal

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## Scope of Service

- The scope of this proposal provides for the **allocation of a squad of employees**, 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 employee 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/Service Manager, who shall organize the team's shift schedule, pursuant to the Brazilian Labor Laws (CLT);
- The period from 7 am to 7 pm (except weekends and 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 provisions herein;
- The allocated squad will be working remotely, under the category of Remote Work - Contingency;
- The employees will be assigned within 45 days as from the approval of the business proposal.
- The employees have a weekly work load of 40 hours.

# Investment

- We present below the business proposal based on the profile of the employees who will be assigned and considered as monthly baseline, as well as the rates for any overtime worked outside the baseline herein contracted:

Employee Profile	Baseline from [REDACTED]			Monthly Investment (Baseline)	Overtime Rate			
	# of Employees	Location	Hours/Month		Rate/Hour	Not on call	Overtime Hour	Night shift (10 pm to 6 am)
Senior Back-end Dev	[REDACTED]	DC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
				Total	[REDACTED]			

**CONSIDERATIONS:**

- The amounts are presented in Reais;
- All taxes are included in the above-mentioned rates, namely: taxes on services of any nature (ISSQN) ([REDACTED]), social integration program (PIS) ([REDACTED]), and contribution to social security financing (COFINS) ([REDACTED]);
- The rates above take into account the assignment of the those profiles for [REDACTED]. If PagSeguro ceases the activities, Compasso UOL shall be notified with [REDACTED] in advance.
- Upon the end of the effective term, the parties will negotiate the possibility to extend this agreement.

## Critical Factors for Success

- Provision of accesses and VPN for remote access to the project's environment;
- Provision of at least 3 environments for Development, Testing and Production of the components needed for the project deliveries;
- Provision of infrastructure for the creation of automated delivery pipeline;
- Clarity in methodology used as model for the project conduction;
- Focal points of the client, who is responsible for facilitating the communication of Compasso UOL squad.



## Business Conditions

- This proposal does not take into consideration the assessment of hours worked per employee; the cost per employee assigned will have a fixed baseline, calculated through the multiplication of the employee's rate per hour by 176.
- The volume of 176 monthly hours is used exclusively as a parameter for calculation of the monthly fixed baseline to be charged, by employee assigned, not limiting the employee's work hours. This means that, for months with regular hours with volume higher than 176 hours, there will be no additional charges, and months with volume lower than 176 hours, there will be no discounts;
- The billing for the monthly fixed baseline per employee, presented herein, shall be performed monthly by the CNPJ of Compasso Tecnologia Ltda, issuing the Invoice until the fifth (5th) business day of the month following the provision of services;
- Hours worked outside the regular hours, will be considered overtime and will be additionally charged as provided in this proposal and billed with the regular hours as described in item above;
- The availability scheduled as "on-call" will be additionally charged, as provided in the ratecard described in this proposal and billed with the with the regular hours as described in item above;
- The periods of absence for reason of vacation or non-allocation of the employee will result in a pro-rata discount in the bill;
- Payment shall be due within 30 days as from the issuance of Invoice;
- 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 UOL'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 PagSeguro's Expense Policies;
- The hardware provided by Compasso UOL to its employees has the following specifications:
  - Latitude 5400: Intel(R) Core(TM) i7-8665U CPU @ 1.90GHz [4 core(s) x64] – 512GB – RAM 16GB; or
  - Latitude 5410: Intel(R) Core(TM) i7-10610U CPU @ 1.80GHz [4 core(s) x64] – 512GB – RAM 16GB; or
  - Latitude 5420: 11th Gen Intel(R) Core(TM) i7-1185G7 @ 3.00GHz [4 core(s) x64] – 512GB – RAM 16GB
- The client must point out the specific requirements of the project when the adjustment of hardware is needed. The upgrade shall have its investment covered by the client;
- 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.



## Travel Expenses

- Allocation of employees involving travel expenses shall always be previously aligned by e-mail authorizing the reallocation and acknowledging the associated expenses;
- For reimbursement of expenses, the assessment will be carried out after the trip is made and the collection occurs upon report and approval of PagSeguro, following the rules presented below:
  - Meals: on business days, considering the use of the meal voucher for lunch [REDACTED], the amount to be reimbursed for dinner will be of [REDACTED]; and for the non-business days, each meal will be reimbursed with [REDACTED] (lunch and dinner). For both situations, where the hotel does not offer breakfast, [REDACTED] will be added to that expense. In case one of the meals does not occur, the amount may be accumulated for the next meal on the same day;
  - **Accommodation:** Accommodation daily rate must comply with the limits established for all employees of Grupo UOL, which is [REDACTED] for hotels in Brazil;
  - **Trips/Commuting:** for commuting from and to airport, office and hotel, Uber shall be used, which shall be previously registered by a PagSeguro manager requesting the use by third parties.





Completion Certificate

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Document Pages: 26
Certificate Pages: 9
AutoNav: Enabled
Enveloped Stamping (ID Stamping): Enabled
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Status:

Envelope Sent by:
Isabela Paco Riquetto
Av. Brigadeiro Faria Lima, 1.384 SP, 01452-002
[\*\*\*\*\*]Using IP Address: [\*\*\*\*\*]

Record Tracking

Status: Original
Holder: Isabela Paco Riquetto
Location: DocuSign
11/16/2021 6:39:22 AM [\*\*\*\*\*]

Signer Events

Saedio Dias de Souza Filho
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UNIVERSO ONLINE S.A.
Security Level: E-mail, Account Authentication (None)

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ARTUR GAULKE SCHUNCK
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Chief Financial Officer
Security Level: E-mail, Account Authentication (None)

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Cleyton de Almeida Ferreira
[\*\*\*\*\*]
Products Director
UOL DIVEO
Security Level: E-mail, Account Authentication (None)

Electronic Record and Signature Disclosure:
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Cristina Ely
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UOL - UNIVERSO ONLINE S/A
Security Level: E-mail, Account Authentication (None)

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Signature

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Signature established by: Pre-set style
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Signer Events	Signature	
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<p>Renato Bertozzo Duarte [*****] HEAD OF UNIVERSO ONLINE LEGAL DEPARTMENT Security Level: E-mail, Account Authentication (None)</p> <p><b>Electronic Record and Signature Disclosure:</b> Not offered via DocuSign</p>	<p>DocuSigned by: <i>Renato Bertozzo Duarte</i> 777C90E110EFAA...</p> <p>Signature adoption: Signature image loaded Using IP Address [*****]</p>	<p>Sent: 11/16/2021 6:43:35 AM Viewed: 11/16/2021 7:01:55 AM Signed: 11/16/2021 7:02:00 AM</p>
<p>Thiago Melo Bezerra [*****] Security Level: E-mail, Account Authentication (None)</p> <p><b>Electronic Record and Signature Disclosure:</b> Accepted: 11/16/2021 6:52:35 AM ID: [*****]</p>	<p>DocuSigned by: <i>Thiago Melo Bezerra</i> 0F340A52956CE...</p> <p>Signature adoption: Pre-selected Style IP Address [*****]</p>	<p>Sent: 11/16/2021 6:43:34 AM Viewed: 11/16/2021 6:52:35 AM Signed: 11/17/2021 3:42:29 AM</p>

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Payment Events	Status	Timestamp
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**Electronic Record and Signature Disclosure**

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## **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.

### **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.

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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.

**How to contact us:**

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 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.

**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.

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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

\*\* 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.
-

## **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, 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.

### **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: [Inogueira@uolinc.com](mailto:Inogueira@uolinc.com)

To contact us by email send messages to: UOL - UNIVERSO ONLINE S/A

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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 [lnogueira@uolinc.com](mailto:lnogueira@uolinc.com) 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 [lnogueira@uolinc.com](mailto:lnogueira@uolinc.com) 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 [lnogueira@uolinc.com](mailto:lnogueira@uolinc.com) 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.

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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 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.

## Service Agreement

**Client:** PAGSEGURO INTERNET S.A.  
**Service Provider:** COMPASSO TECNOLOGIA LTDA.  
**Project:** Commercial BU Planning  
**Agreement:** 2735/19

**CNPJ:** 08.561.701/0001-01  
**CNPJ:** 07.654.824/0001-24  
**SA No.** 61

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.

The detailed scope of the services, as well as the items outside the scope, are described in the **Technical Proposal - Commercial BU Planning**, which was signed with the initials of the Parties and becomes an inseparable Exhibit hereto.

### COMPENSATION

- a) **Monthly non-cumulative baseline** equivalent to [\*\*\*\*\*] in the period from November/21 and June/22 during business hours: [\*\*\*\*\*]

- o Baseline is accounted for regardless of the monthly consumption, thus ensuring the availability of capacity for the project.

Employee Profile	# of Employees	Baseline from November/21 to June/22		
		Hours/Month	Rate/Hour	Monthly Investment (Baseline)
Senior D&A Engineer	[*****]	[*****]	[*****]	[*****]
Full (Pleno) D&A Engineer	[*****]	[*****]	[*****]	[*****]
Full (Pleno) Agile Master	[*****]	[*****]	[*****]	[*****]
	[*****]	[*****]	[*****]	[*****]
		Commercial discount [*****]%		[*****]
				[*****]



b) **Monthly non-cumulative baseline** equivalent to [\*\*\*\*\*] in the period from July/22 and October/22 during business hours: R\$ [\*\*\*\*\*].

Baseline from July/22 to October/22				
Employee Profile	# of Employees	Hours/Month	Rate/Hour	Monthly Investment (Baseline)
Senior D&A Engineer	[*****]	[*****]	[*****]	[*****]
Full (Pleno) D&A Engineer	[*****]	[*****]	[*****]	[*****]
Full (Pleno) Agile Master	[*****]	[*****]	[*****]	[*****]
		Commercial discount [*****]%		[*****]
* Amounts in Reais (R\$) [*****]				[*****]

c) **Additional hours to the baseline** shall be measured and charged as per the ratecard shown below:

Employee Profile	Baseline		Overtime Rate				Additional Rates on the Rate/Hour			
	Amount/Hour	Not on call	Overtime Hour	Night shift (10 pm to 6 am)	Night shift overtime	Not on call	Overtime Hour	Night shift (10 pm to 6 am)	Night shift overtime	
Senior D&A Engineer	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]%	[*****]%	[*****]%	[*****]%	
Full (Pleno) D&A Engineer	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]%	[*****]%	[*****]%	[*****]%	
Full (Pleno) Agile Master	[*****]	[*****]	[*****]	[*****]	[*****]	[*****]%	[*****]%	[*****]%	[*****]%	
* Amounts in Reais (R\$)										

**PREMISES AND REQUIREMENTS**

All premises and requirements applicable are included in the above-mentioned Technical Business Proposal.

**LOCATION OF SERVICE PROVISION**

The activities will be performed remotely. In specific occasions and as applicable, the activities may also be performed in person 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 (Brasilia Time Zone) from Monday to Friday, except holidays.

vertime 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 the policies described below.

Travel expenses refer to transportation, meals, insurance, and accommodation, as established below:

Travel Expense Policy – PAGSEGURO Client	
Amount for meals – PAGSEGURO Client	R\$ [*****] Non-cumulative daily amount on business days Limit per meal (lunch and dinner) on non-business days
Hotel - 3 Star Executive Category	R\$ [*****]
Air tickets - Cheapest ticket at the determined time	
Insurance - For trips abroad	
Commuting by land	Corporate taxi/Uber rate upon receipt or authorization from PagSeguro Manager for third-party use 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.

## PAYMENT CONDITIONS

- Baselines shall be issued until the [\*\*\*\*\*]th 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 [\*\*\*\*\*] days from its issuance date.

## NOTES

- All levied taxes are included in the above-mentioned rates, namely: taxes on services of any nature (ISSQN) ([\*\*\*\*\*]%), social integration program (PIS) ([\*\*\*\*\*]%), and contribution to social security financing (COFINS) ([\*\*\*\*\*]%), for invoices billed in Brazil;
- All transactions concerning this Agreement shall be billed in Brazilian currency (BRL).
- 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

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: 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 Proposal - Commercial BU Planning**

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.

<b>Commencement of Activities:</b>	01Nov21	<b>Effectiveness:</b>	a)	[*****]
<b>Type of project:</b>	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, Saturday, November 27, 2021.

**PARTIES:**

**PAGSEGURO INTERNET S.A**

[signature] \_\_\_\_\_

[signature] \_\_\_\_\_

By:  
Title:

By:  
Title:

**COMPASSO TECNOLOGIA LTDA.**

[signature] \_\_\_\_\_

[signature] \_\_\_\_\_

By:  
Title:

By:  
Title:



Witnesses:

[signature] \_\_\_\_\_

[signature] \_\_\_\_\_

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# PagSeguro – COMMERCIAL BU PLANNING

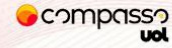
TECHNICAL | BUSINESS PROPOSAL

ABNER BORINATO

11/26/2021

# Initial provisions

- All information herein about products, services, images, graphic layouts and intellectual content are owned by Compasso UOL 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 UOL 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 UOL, 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 UOL 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 UOL.





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# About Compasso UOL

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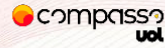
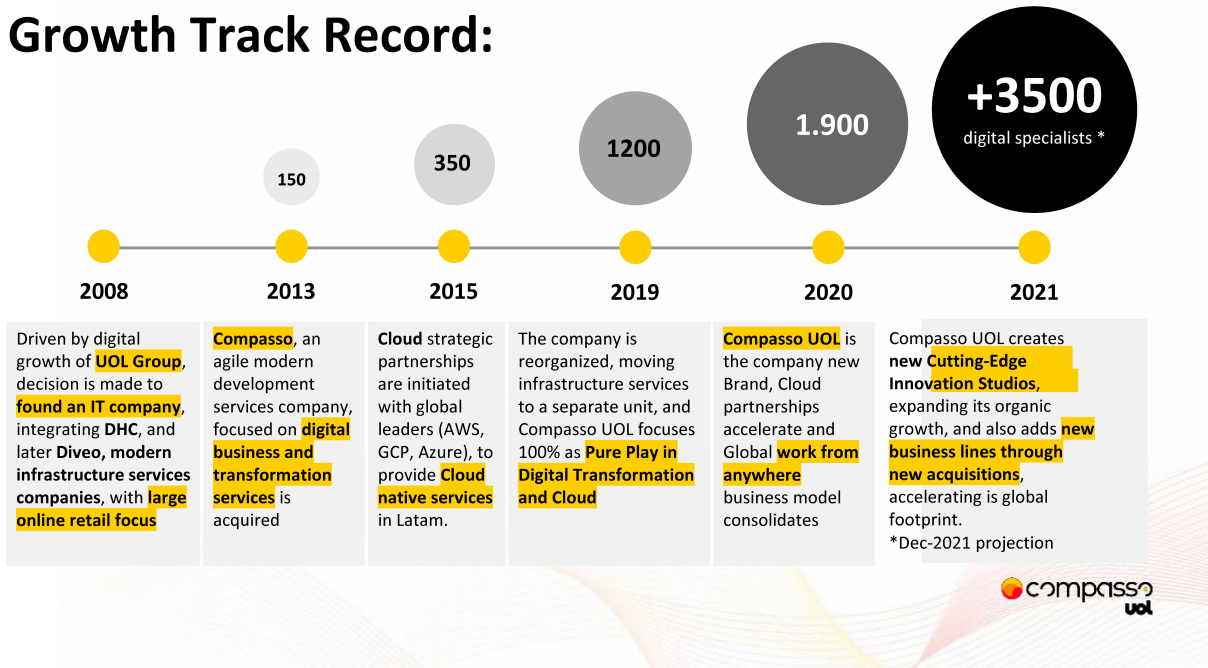
# What we do:

We build digital experiences that enable companies' growth and improve people's lives.

We help organizations in different industries:

Telco	Loyalty	Retail	Consumer Goods	Financial
				
Meu Vivo App Platform & others	Loyalty Marketplace Platform	CSF Financial Services App Platform	Espaço Digital Natura Commerce Platform	Esfera Marketplace Platform

# Growth Track Record:



# Digital Transformation

We build the best experiences to drive innovation to the market and help our customers rethink and reinvent their business continuously.



Digital Commerce



Payment Solutions



Mobile Apps



Cognitive Computing



Games & Real-Time 3D



User Experience



Quality & Testing Automation



Integration & Microservices



Cyber Security



Cloud & DevSecOps



Hyperautomation (RPA)



Data & Analytics



Salesforce



Agile Transformation



Application Modernization

# Infrastructure Services



Infrastructure,  
Hybrid & Private Cloud



Agile  
Governance



SAP Services



Managed Services  
Anywhere

# Knowledge to generate value:



We believe knowledge is key and that **developing** and **sharing** are the best ways to grow.

## Innovative Scholarship and Certification Program

In partnership with colleges and universities, we select students with outstanding academic performance to learn agile methods and technological knowledge. The Certification Program enables the constant knowledge improvement on the hype technologies and platforms from AWS, Google, Microsoft, Oracle, Salesforce, VMWare, and other of our strategic partners.

## Career Evolution Fast-Track

Compasso Fast-Track Program accelerates the cutting-edge technologies skills development process for seasoned, mature, and experienced professionals that search for modernizing their career direction/roadmap.



# Collaborative culture:

With an ecosystem driven by innovation



+



+



+



=



Universities &  
Compasso  
Academy

Global  
Technology  
Leaders

R&D Next-Gen  
Technologies &  
Tech  
Communities

Innovation  
Labs

Customer  
Innovation

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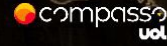
## Sustainable Growth:

The investment in supporting and stimulating our professionals' continuous search for skills and excellence turns into added value to our local and global customers. This process also generates sustainability and development opportunities for the communities where we locate our Development and Innovation Centers.

### World-Class Execution & Global Deployments

We run a global delivery model that combines processes, **methodologies, knowledge structures, and quality**, with skills and talents available worldwide. Our customers can now **maximize the value of their business processes** and information technology investments, optimizing costs, and accelerating their time to market. Our nearshore model strategy combines **world-class execution and global proximity**.

● Delivery Centers  
● Global Reach





# With whom we innovate:

## Who trusts Compasso UOL

## Partners



# Sustainability, Diversity and Inclusion:

## Sustainability

Compasso UOL has been investing for more than a decade in building the sustainability of its business model through numerous initiatives. Our core belief is founded on the idea of sharing knowledge to build talent hubs out of the mainstream cities. These initiatives have created development ecosystems in these regions, which deliver opportunities that impact positively people's lives and help develop local economies in demanding communities.

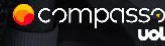
### Giving Back do Society.

#### Our sustainable talent hubs development partners:



## Diversity and Inclusion

At Compasso UOL we work to ensure the representation of diverse talent. We welcome advancing diverse talent into all levels of operational, technical, leadership, management and executive roles. We strengthen the inclusive-leadership capabilities of our managers, executives and leaders, and of all of our team, emphatically engaging and holding leadership accountable for our progress on I&D. We uphold a zero-tolerance policy for discriminatory behavior, such as bullying and harassment, and actively help managers and staff to identify and address all kind of misconducts. We establish norms for open, welcoming behavior and ask leaders and employees to assess each other on how they are living up to that standard.



## Our Scalable Growth Model:

We have built our sustainable, scalable growth model based on a combination of a series of foundations. We ideate and design transformational initiatives that kick-off new business growth opportunities to our customers from our innovation studios. Our Accelerators help to reduce innovation delivery time-to-market: packaging our next-generation technologies knowledge into open-source frameworks, we deliver more rapidly and more efficiently.

Our Talent@Scale programs allow us to build talent to fulfill the never-ending knowledge gap of this new world. They connect to our "work from anywhere" model and enable us to deliver multi-disciplinary innovation teams for new projects with scale and speed. And finally, we succeed connecting the dots on every one of these foundations by leveraging the new global integrated digital transformation's never-ending demand inflow for digital transformation specialized services.

Accelerators

Innovation Studios

Talent @Scale

Work from Anywhere

Global Customer's Demand



# What makes us **different?**

## **Building and scaling talent development**

In a competitive market, we make outstanding investments in skill development to create exceptional professionals

## **Developing efficient and sustainable innovation centers**

Our delivery and innovation centers are strategically located in small and medium-sized cities, close to the well-recognized regional universities, building sustainability and growth for these local communities.

## **Enabling value stream mapping to accelerate growth**

VSM (Value Stream Mapping) approach materializes our agile culture and transforms our customers' business, generating value for all stakeholders.

## **Prioritizing people-Centric technology connections**

The combination of our people-centric culture, where opportunities to develop knowledge on cutting-edge technologies flourish every day, is the key to keep our turnover rate under the market average.

## **Extensively investing on R&D Labs**

Co-designing cutting edge initiatives with and for our customers in our Labs is the key to building new business and influencing their ability to transform the organization.

## **Empowering the agile business organization**

Our decentralized, self-organizing team organization allows our business to scale and expand, matching the ever-growing speed of our customer

## **Integrating a knowledge ecosystem**

Our partnership with the global technology leaders and local universities allows Compasso to build the bridge to accelerate its innovation adoption cycle.



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# Business Proposal

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## Scope of Service

- The scope of this proposal provides for the **allocation of squad**, working in an agile dynamic, as per the work model used by PagSeguro.
- The employees allocated will be working full time;
- The allocation of employees is made on business hours, from Monday to Friday;
- Deliveries made outside business hours, may be made upon agreement with the project's Scrum Master/AM/Service Manager, who shall organize the team's shift schedule, pursuant to the Brazilian Labor Laws (CLT);
- The period from 7 am to 7 pm (except weekends and 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 provisions herein;
- The allocated squad will be working remotely, under the category of Remote Work - Contingency;
- The employees will be assigned within 45 days as from the approval of the business proposal.
- The employees have a weekly work load of 40 hours.



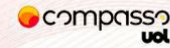
# Investment

- We present below the business proposal based on the profile of the employees who will be assigned and considered as monthly baseline, as well as the rates for any overtime worked outside the baseline herein contracted:

Employee Profile	# of Employees	Location	Hours/Month	Rate/Hour	Monthly Investment (Baseline)	Overtime Rate			
						Not on call	Overtime Hour	Night shift (10 pm to 6 am)	Night shift overtime
Senior D&A Engineer		DC							
Full (Pleno) D&A Engineer		DC							
Subtotal									
Commercial Discount									
Subtotal with commercial discount									
Full (Pleno) Agile Master		DC							
Total									
						% of Hour Rate		Additional Charge on Hour Rate	
						Not on call	Overtime Hour	Night shift (10 pm to 6 am)	Night shift overtime

**CONSIDERATIONS:**

- The amounts are presented in Reais;
- All taxes are included in the above-mentioned rates, namely: taxes on services of any nature (ISSQN) [REDACTED], social integration program (PIS) [REDACTED], and contribution to social security financing (COFINS) [REDACTED];
- The rates above take into account the assignment of [REDACTED] for [REDACTED];
- If PagSeguro ceases the activities, Compasso UOL shall be notified with [REDACTED] in advance.
- Upon the end of the effective term, the parties will negotiate the possibility to extend this agreement.



# Investment

- We present below the business proposal based on the profile of the employees who will be assigned and considered as monthly baseline, as well as the rates for any overtime worked outside the baseline herein contracted:

Employee Profile	# of Employees	Baseline from			Monthly Investment (Baseline)	Overtime Rate			
		Location	Hours/Month	Rate/Hour		Not on call	Overtime Hour	Night shift (10 pm to 6 am)	Night shift overtime
Senior D&A Engineer	█	DC	█	█	█	█	█	█	█
Full (Pleno) D&A Engineer	█	DC	█	█	█	█	█	█	█
Subtotal									
Commercial Discount									
Subtotal with commercial discount									
Full (Pleno) Agile Master	█	DC	█	█	█	█	█	█	█
Total									
						% of Hour Rate		Additional Charge on Hour Rate	
						Not on call	Overtime Hour	Night shift (10 pm to 6 am)	Night shift overtime
						█	█	█	█

## CONSIDERATIONS:

- The amounts are presented in Reals;
- All taxes are included in the above-mentioned rates, namely: taxes on services of any nature (ISSQN) (█), social integration program (PIS) (█), and contribution to social security financing (COFINS) (█);
- The rates above take into account the assignment of █ for █;
- If PagSeguro ceases the activities, Compasso UOL shall be notified with █ in advance.
- Upon the end of the effective term, the parties will negotiate the possibility to extend this agreement.



## Critical Factors for Success

- Provision of accesses and VPN for remote access to the project's environment;
- Provision of at least 3 environments for Development, Testing and Production of the components needed for the project deliveries;
- Provision of infrastructure for the creation of automated delivery pipeline;
- Clarity in methodology used as model for the project conduction;
- Focal points of the client, who is responsible for facilitating the communication of Compasso UOL squad.



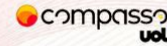
# Business Conditions

- This proposal does not take into consideration the assessment of hours worked per employee; the cost per employee assigned will have a fixed baseline, calculated through the multiplication of the employee's rate per hour by [REDACTED].
- The volume of [REDACTED] monthly hours is used exclusively as a parameter for calculation of the monthly fixed baseline to be charged, by employee assigned, not limiting the employee's work hours. This means that, for months with regular hours with volume higher than [REDACTED], there will be no additional charges, and months with volume lower than [REDACTED], there will be no discounts;
- The billing for the monthly fixed baseline per employee, presented herein, shall be performed monthly by the CNPJ of Compasso Tecnologia Ltda., issuing the Invoice until [REDACTED] business day of the month following the provision of services;
- Hours worked outside the regular hours, will be considered overtime and will be additionally charged as provided in this proposal and billed with the regular hours as described in item above;
- The availability scheduled as "on-call" will be additionally charged, as provided in the ratecard described in this proposal and billed with the with the regular hours as described in item above;
- The periods of absence for reason of vacation or non-allocation of the employee will result in a pro-rata discount in the bill;
- Payment shall be due within [REDACTED] as from the issuance of invoice;
- The rates presented herein are effective for [REDACTED], and they shall be annually adjusted based on the IPCA accumulated for the period. The baseline of [REDACTED] will be applied until [REDACTED] and the baseline of [REDACTED] will be applied starting from [REDACTED], as established in the scope;
- Logistics expenses for the work of Compasso's employees (assigned at Compasso UOL'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 PagSeguro's Expense Policies;
- The hardware provided by Compasso UOL to its employees has the following specifications:
  - Latitude 5400: Intel(R) Core(TM) i7-8665U CPU @ 1.90GHz [4 core(s) x64] – 512GB – RAM 16GB; or
  - Latitude 5410: Intel(R) Core(TM) i7-10610U CPU @ 1.80GHz [4 core(s) x64] – 512GB – RAM 16GB; or
  - Latitude 5420: 11th Gen Intel(R) Core(TM) i7-1185G7 @ 3.00GHz [4 core(s) x64] – 512GB – RAM 16GB
- The client must point out the specific requirements of the project when the adjustment of hardware is needed. The upgrade shall have its investment covered by the client;
- Ratification shall be performed through the execution of a service agreement linked to the master agreement between the parties;
- This proposal is effective for [REDACTED] as from its date of issuance.



# Travel Expenses

- Allocation of employees involving travel expenses shall always be previously aligned by e-mail authorizing the reallocation and acknowledging the associated expenses;
- For reimbursement of expenses, the assessment will be carried out after the trip is made and the collection occurs upon report and approval of PagSeguro, following the rules presented below:
  - Meals: on business days, considering the use of the meal voucher for lunch [REDACTED], the amount to be reimbursed for dinner will be of [REDACTED]; and for the non-business days, each meal will be reimbursed with [REDACTED] (lunch and dinner). For both situations, where the hotel does not offer breakfast, [REDACTED] will be added to that expense. In case one of the meals does not occur, the amount may be accumulated for the next meal on the same day;
  - **Accommodation:** Accommodation daily rate must comply with the limits established for all employees of Grupo UOL, which is [REDACTED] for hotels in Brazil;
  - **Trips/commuting:** for commuting from and to airport, office and hotel, Uber shall be used, which shall be previously registered by a PagSeguro manager requesting the use by third parties.



**Completion Certificate**

Envelope ID: [\*\*\*\*\*]  
 Status: Completed Subject: DocuSign: PagSeguro\_Minuta AS61 BU Planejamento Comercial\_.docx, PagSeguro - PC Compasso - BU ...  
 Source Envelope:  
 Document Pages: 26  
 Certificate Pages: 9  
 AutoNav: Enabled  
 Enveloped Stamping (ID Stamping): Enabled  
 Time Zone: (UTC-08:00) Pacific Time (US & Canada)

Signatures: 6  
 Initials: 2

Envelope Sent by:  
 Isabela Paco Riquetto  
 Av. Brigadeiro Faria Lima, 1.384  
 SP, 01452-002  
 [\*\*\*\*\*]  
 Using IP Address:  
 [\*\*\*\*\*]

**Record Tracking**

Status: Original  
 12/29/2021 12:03:02 PM

Holder: Isabela Paco Riquetto  
 [\*\*\*\*\*]

Location: DocuSign

**Signer Events**

Saedio Dias de Souza Filho  
 [\*\*\*\*\*]  
 LAWYER  
 UNIVERSO ONLINE S.A.  
 Security Level: E-mail, Account  
 Authentication (None)

**Signature**

Signature adoption: Signature image loaded  
 Using IP Address: [\*\*\*\*\*]

**Timestamp**

Sent: 12/29/2021 12:05:55 PM  
 Viewed: 12/29/2021 2:01:18 PM  
 Signed: 12/29/2021 2:01:26 PM

**Electronic Record and Signature Disclosure:**

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Ana Cristina Aoki  
 [\*\*\*\*\*]  
 Security Level: E-mail, Account Authentication (None)



Signature adoption: Drawn on device Using IP  
 Address: [\*\*\*\*\*]

Sent: 12/29/2021 2:01:28 PM  
 Viewed: 1/3/2022 4:39:23 AM  
 Signed: 1/3/2022 4:40:38 AM

**Electronic Record and Signature Disclosure:**

Accepted: 12/8/2021 7:23:52 AM  
 ID: [\*\*\*\*\*]  
 Artur Gaulke Schunck  
 [\*\*\*\*\*]



Signature established by: Pre-set style  
 Using IP Address: [\*\*\*\*\*]

Sent: 12/29/2021 2:01:29 PM  
 Viewed: 12/30/2021 3:27:16 AM  
 Signed: 12/30/2021 3:27:20 AM

**Electronic Record and Signature Disclosure:**

Accepted: 5/1/2021 3:19:10 AM  
ID: [\*\*\*\*\*]  
Cleyton de Almeida Ferreira  
[\*\*\*\*\*]  
Products Director  
UOL DIVEO



Sent: 12/29/2021 2:01:29 PM  
Viewed: 12/30/2021 4:58:18 AM  
Signed: 12/30/2021 4:58:29 AM

Security Level: E-mail, Account Authentication (None)

Signature adoption: Drawn on device Using IP Address: [\*\*\*\*\*]

**Signer Events** **Signature** **Timestamp**

Cristina Ely  
[\*\*\*\*\*]  
[\*\*\*\*\*]  
UOL - UNIVERSO ONLINE S/A



Sent: 12/29/2021 2:01:30 PM  
Viewed: 12/30/2021 4:02:53 AM  
Signed: 12/30/2021 4:03:07 AM

Security Level: E-mail, Account Authentication (None)

Signature adoption: Pre-selected Style IP Address: [\*\*\*\*\*]

**Electronic Record and Signature Disclosure:**  
Not offered via DocuSign

Marcelo haldo da Silva  
[\*\*\*\*\*]  
Finance Direct  
Finance Director



Sent: 12/29/2021 2:01:30 PM  
Viewed: 12/31/2021 7:41:01 AM  
Signed: 12/31/2021 7:41:10 AM

Security Level: E-mail, Account Authentication (None)

Signature adoption: Pre-selected Style IP Address: [\*\*\*\*\*]

**Electronic Record and Signature Disclosure:**  
Accepted: 3/7/2018 4:02:50 AM  
ID: [\*\*\*\*\*]

Renato Bertozzo Duarte  
[\*\*\*\*\*]  
HEAD OF UNIVERSO  
ONLINE LEGAL DEPARTMENT



Sent: 12/29/2021 2:01:31 PM  
Viewed: 12/29/2021 2:19:55 PM  
Signed: 12/29/2021 2:19:59 PM

Security level: E-mail, Account Authentication (none)

Signature adoption: Signature image loaded  
Using IP Address: [\*\*\*\*\*]  
Signed using cellphone

**Electronic Record and Signature Disclosure:**  
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**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

Raphaella Queiroz da Costa  
[\*\*\*\*\*]  
Security Level: E-mail, Account Authentication (None)

**Copied**

Sent: 12/29/2021 2:01:30 PM  
Viewed: 12/30/2021 3:55:42 AM

**Electronic Record and Signature Disclosure:**  
Accepted: 6/15/2021 4:47:01 AM  
ID: [\*\*\*\*\*]

Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamp
Envelope sent	Hashed/Encrypted	12/29/2021 12:05:55 PM
Certified delivery	Security checked	12/29/2021 2:19:55 PM
Signing complete	Security checked	12/29/2021 2:19:59 PM

Envelope Summary Events	Status	Timestamp
Completed	Security checked	1/3/2022 4:40:38 AM

Payment Events	Status	Timestamp
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**Electronic Record and Signature Disclosure**

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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

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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

\*\* 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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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.

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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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- (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

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## CORRESPONDENT BANK AGREEMENT

**PRINCIPAL**

**SOCINAL S.A. - CRÉDITO, FINANCIAMENTO E INVESTIMENTO**, financial institution duly incorporated and validly existing pursuant to the Brazilian laws, headquartered in the City of Araruama, State of Rio de Janeiro, at Av. John Kennedy n. 150, sala 241, Centro, CEP 28979-123, enrolled with the Corporate Taxpayer's Registry ("CNPJ/MF") under No. 03.881.423/0001-56, herein represented by its undersigned legal representatives ("**SOCINAL**" or "**PRINCIPAL**");

**CORRESPONDENT**

**PAGSEGURO INTERNET S.A.**, duly enrolled with the CNPJ under No. 08.561.701/0001-01, headquartered in the city of São Paulo, State of São Paulo, at Av. Brigadeiro Faria Lima, nº 1.384, 4º andar, CEP 01451-001, herein represented pursuant to its Bylaws ("**CORRESPONDENT**")

**CORRESPONDENT**

The parties qualified above ("Parties"), by this instrument and in the best form of law, enter into this Correspondent Service Agreement ("Agreement"), upon the following clauses and conditions mutually granted and accepted, by themselves and their successors on any account.

**1 - PURPOSE**

1.1. The purpose of this Agreement is the provision of services by the **CORRESPONDENT**, under the guidelines established by the National Monetary Council, pursuant to article 2 of Resolution 3954/2011, performing activities of support, aiming the provision, to the **PRINCIPAL**'s customers and users ("Customer(s)"), for the following services and products: (i) receipt and routing of transaction offers of (a) loan transactions ("Loan Transactions") and (b) financing and/or leasing transactions ("Financing Transactions/AM"), both are considered transactions by article 8, item V of Resolution 3954/2011 and jointly referred to as "Products", (ii) supplementary services of collection of registration information and documentation, as well as data processing and control; and

(iii) any other services and products offered by the **PRINCIPAL** that may be agreed by the Parties.

1.2. The **CORRESPONDENT** may fully or partially delegate this Agreement, on a single level, upon the express consent of the **PRINCIPAL**.

1.2.1. In the event of delegation, all rights and obligations arising from this Agreement must be applicable to the subagent, and the **CORRESPONDENT** must execute a Delegation Agreement.

1.3. The Delegation Agreement referred in item 1.2.1 above shall be also signed by the **PRINCIPAL**, as intervening consenting party.

1.4. The specific conditions of the service provision will be handled by formal agreement, which upon execution by the Parties shall be an integral part of this document, upon dated and numbered exhibits ("Exhibit").

**2 - CORRESPONDENT'S RESPONSIBILITIES**

2.1. The **CORRESPONDENT**'s responsibilities are as follows:

2.1.1. To disclose to the public its condition as service provider for the **PRINCIPAL**, identified by its commercial name, with description of the Products and services offered and the **PRINCIPAL**'s support service and ombudsman telephone number, at the homepage of its online platform, and in other forms if required for public clarification;

2.1.2. To perform financial settlements with the **PRINCIPAL**, at most, every two business days;



2.1.3. To exclusively use the standards, operational norms and charts established by the **PRINCIPAL**, including at the proposition or application of fees, interest rates, calculation of the Total Actual Cost (CET) and any amounts calculated or due by the Customer, arising from the **PRINCIPAL**'s Products and procurement services;

2.1.4. To provide support to Customers in relation to demands involving questions, collection of documents, releases, complaints and other matters concerning the Products and services provided, which shall be immediately forwarded to the **PRINCIPAL** if they are not solved by the **CORRESPONDENT** within the term established by regulation in force;

2.1.5. To allow the Brazilian Central Bank to access the agreements entered into within the regulation of correspondents in force in Brazil, the documentation and information related to the Products and services provided, as well as to its facilities and the relevant documents with respect to corporate acts, records, registration and licenses required by law;

2.1.6. To comply with the support quality control plan established and disclosed by the **PRINCIPAL**, which considers, among other factors, the demands and complaints of the Customers, as well as the administrative measures to be adopted by the **PRINCIPAL** if any breach or non-compliance with the established standards is verified, including the possibility of interruption of the support provided to the public and the early termination of this Agreement in the events deemed as critical by the **PRINCIPAL**.

2.1.7. To present to the Customer, during the support provided to Loan and Financing/AM Transactions related to goods and services provided by the **CORRESPONDENT**, the plans offered by the **PRINCIPAL** and other financial institutions to which it provides the services subject matter hereof;

2.1.8. To ensure the use of badge by the members of its team that provides support to the Loan and Financing/AM Transactions, visibly showing to the Customer the members' title, name and Individual Registry Number (CPF), if applicable;

2.1.9. To submit the identification of the **CORRESPONDENT**'s team member, including their name and CPF number, attached to the documentation to be submitted to the **PRINCIPAL** for the decision on the approval of the transaction claimed, specifying (a) for transactions related to goods and services provided by the **CORRESPONDENT**, the identification of the certified person, who is responsible, before the **PRINCIPAL**, for the support provided where the loan offer forwarded to the **PRINCIPAL** was collected; and (b) for other transactions, the identification of the certified person who carried out the support with the **PRINCIPAL**'s Customer;

2.1.10. To ensure that the team members providing support to Loan and Financing/AM Transactions are qualified by a certification test organized by entity renowned for its technical capacity, covering at least the technical aspects of the transactions, applicable regulation, Consumer Protection Code, ethics and ombudsman;

(i) For the **CORRESPONDENT** and provider of leased or financed goods and services, the certification of one person per point of support is accepted, person who shall be responsible, before the **PRINCIPAL**, for the support provided to the Customers.

(ii) The **CORRESPONDENT** must keep all of its team members mentioned in the head of the article, which is continuously updated, registered. Including all data on the certification process, with unrestricted access for consultation by the **PRINCIPALS** at any time.

2.1.11. To perform, on behalf of and as ordered by the **PRINCIPAL**, the release of funds to the beneficiary, for personal loan, or to the supply company, for financing or lease, provided that the total amount of payments, on a daily basis, will be the same as the amount of the funds received by the **PRINCIPAL** for said purpose;

2.1.12. To act on behalf and under the guidelines of the **PRINCIPAL**, ensuring the integrity, reliability, security and confidentiality of the transactions performed, as well as the compliance with laws and regulations concerning those transaction;

2.1.13. Before execution of the loan, financing and/or lease, to present to the Customer detailed information on the Total Actual Cost - CET of the transaction to be performed, through a spreadsheet breaking down all calculations;



- 2.1.14. To provide the expert workforce required to perform and supervise the services subject matter hereof;
- 2.1.15. To submit all documentation required to formalize the Products to the **PRINCIPAL**, including registration form, and being responsible for the accurate filing.
- 2.1.16. To be liable for acts performed by its team and any damages caused by its team, whether to the **PRINCIPAL** or its Customers.
- 2.1.17. To be liable before the **PRINCIPAL** and reimburse the **PRINCIPAL** for all and any losses, damages, penalties and expenses (including attorneys' fees and judicial costs and deposits) arising from any claim, complaint, demand, lawsuit or administrative proceeding filed by third parties against the **PRINCIPAL**, plus legal interests and adjustment to inflation, from the disbursement by the **PRINCIPAL** until the actual reimbursement by the **CORRESPONDENT**, due to act, omission, negligence or unskillfulness, duly proven, of the **CORRESPONDENT** and/or subagents, including errors in the filling of registration forms and remittance to the **PRINCIPAL** and other documents in relation to the services provided by the **CORRESPONDENT** hereunder;
- 2.1.18. To remedy any non-compliance in the formalization of the transactions as soon as it is detected within ten (10) business days. If the non-compliance is not remedied within the term established above, the **CORRESPONDENT** shall be subject to having the payment of its compensation interrupted until said remediation is performed, without prejudice to other applicable legal and contractual fines, as well as to reimburse the **PRINCIPAL** with the full amount of the transaction performed if the non-compliance is not remedied, without prejudice to the application of any fines provided by law;
- 2.1.19. To assemble a structure allowing for the promotion and offering of the **PRINCIPAL**'s Products, and to use its best efforts to develop and ensure good level of acquisition of prospects;
- 2.1.20. To be liable for the proper use of codes and passwords to access the systems provided by the **PRINCIPAL** for the performance of the services subject matter of the Agreement, undertaking to not transfer them to third parties and keep them in confidentiality, as all other information obtained from said systems.
- 2.1.21. To allow the **PRINCIPAL** to access, directly or using hired third parties, its facilities and documents related to the services provided in the Agreement, whenever requested at least [\*\*\*\*] days in advance, and such permission does not exempt the **CORRESPONDENT** from complying with its obligations;
- 2.1.22. To inform the **PRINCIPAL** in writing about any modification to its corporate structure resulting in changes to its shareholding control, and submitting the relevant documents if requested by the **PRINCIPAL**.
- 2.2. Considering that the provision of services is restricted to the provisions herein, the **CORRESPONDENT** is hereby expressly and strictly forbidden, on its own account or on the account of its team, from practicing the following acts:
- 2.2.1. To use physical or virtual facilities with architecture setting, logo and indicative signs similar to the ones adopted by the **PRINCIPAL**;
- 2.2.2. To issue notes or bonds, to its favor, related to the transactions performed or to perform the collection, on any account, of amount related to the Products and services provided by the **PRINCIPAL**;
- 2.2.3. To perform the advanced payment to the Customer for the funds to be released by the **PRINCIPAL**;
- 2.2.4. To provide any type of guarantee, including joint obligation, in the transactions subject matter hereof;
- 2.2.5. To promote any type or form of advertisement of the Products, without the prior and express consent from the **PRINCIPAL**;
- 2.2.6. To condition the provision of the services or the offering of Products to any other products, whether they are owned by the **PRINCIPAL** or not;
- 2.2.7. To disclose, reveal, reproduce or inform third parties about any data, material, information, document, technical, business or scientific specifications, and innovation or improvement known by reason of this



Agreement, undertaking to use the received information exclusively for the performance of the activity herein agreed during and after the effectiveness of this Agreement; and

2.2.8. To receive any type of judicial or extrajudicial letter, notice, summons on behalf of the **PRINCIPAL**.

2.2.9. Whenever requested by the **PRINCIPAL**, the **CORRESPONDENT** undertakes to provide any information and/or documents proving the good standing of the activities performed, particularly concerning the compliance with the obligations subject matter hereof.

### 3 - **PRINCIPAL'S RESPONSIBILITIES**

3.1. The **PRINCIPAL's** responsibilities are as follows:

3.1.1. To release funds from the transactions into the current account or payment account held by the Customer for loans, or held by the merchant/service provider for financing and leasing;

3.1.2. To provide the **CORRESPONDENT** with all the proper technical documentation and information, as well as to keep a permanent communication channel in order to clarify all questions about its Products, pursuant to regulation in force;

3.1.3. To suggest or restrict its Product line for the **CORRESPONDENT's** operation, upon written notice, pursuant to item 6.4;

3.1.4. To establish the quality control plan to the services provided herein, which shall guide the performance of the **CORRESPONDENT**, including, among other factors, meeting the Customer's requirements and providing support to the Customer's complaints;

3.1.5. To analyze the offers concerning the Products, within the best technical standards;

3.1.6. To define the charges applicable to the Products, such as interest rates, index for any monetary adjustment, fees and conditions of the transactions, providing the **CORRESPONDENT** with the charts for calculation of the installments and amortization or settlement of the debt, for Customer's information and assessment.

3.1.7. To fully undertake the responsibility for the services provided by the **CORRESPONDENT**, including in the event of delegation of the Agreement. This provision refers to the **PRINCIPAL's** responsibilities before third parties, and it does not hold the **CORRESPONDENT** harmless from its responsibilities with the **PRINCIPAL**; and

3.1.8. To notify the **CORRESPONDENT** about any change to the bank regulation concerning Correspondents in Brazil.

### 4 - **COMPENSATION**

4.1. The **CORRESPONDENT's** compensation shall be calculated according to the types of Product offered by the **CORRESPONDENT**, pursuant to this item 4.

4.2. Credit Transactions. The compensation of the **CORRESPONDENT**, who will, on behalf of the **PRINCIPAL**, offer Loan Transactions, shall be equivalent to a percentage levied on the amount of the loan that was actually released by the **PRINCIPAL**, provided that such percentage is previously informed to the **CORRESPONDENT** and confirmed in daily reports submitted by the **PRINCIPAL** to the **CORRESPONDENT**, pursuant to item 6.4.

4.2.1. Compensation payment shall comply with the rules of CMN Resolution No. 3.954 and its subsequent amendments, as follows: a) at the transaction hire: payment at sight, related to the efforts used to win the customer when of the origination of the transaction; and b) throughout the operation: pro-rata payment throughout the agreement, concerning other services provided after the origination.

4.1.1.1. With regard to the provisions in item 4.2.1., sub-item "a", the amount paid at the transaction hire shall represent: at most [\*\*\*\*] % of the amount of the submitted, renegotiated or renewed Loan Transaction.



Paragraph Two: In the event of cancellation of a Loan Transaction, the **CORRESPONDENT** shall return to the **PRINCIPAL** the compensation amount that was received and hereby authorizes the **PRINCIPAL** to proceed with the deduction of the relevant amount from the future compensation. Paragraph Three: Other events where payment of the compensation mentioned in sub-item "b" of item 4.2.1 above may be ceased shall be agreed between the parties and formalized pursuant to item 6.4.

4.3. The compensation shall be paid within [\*\*\*\*] days from the formalization of the Loan Transaction, upon credit in the current account held by the **CORRESPONDENT**, and its information shall be provided pursuant to item 6.4, upon the submission of service invoice, bill or receipt ("Tax Documents") with respect to the services provided by the **CORRESPONDENT**.

4.3.1 If the receipt is submitted, in addition to the amounts charged, it shall include at least the description of the parties and the reason of issuance, and it shall not replace the Invoice when applicable local legislation requires said document.

4.3.2. The issuance of Tax Documents by the **CORRESPONDENT** shall confirm its consent to the amounts due by the **PRINCIPAL** as compensation for the services provided, and no additional amounts shall be claimed in the reference period included in the Tax Documents.

4.3.3. Until the actual delivery of the Tax Documents' original counterparts to the **PRINCIPAL**, with reference to item 4.3, which shall within the date pre-established by the **PRINCIPAL** and subsequent to the date when the Loan Transactions were processed, the **CORRESPONDENT** represents to be aware of and to agree with its condition as trustee of such tax documents, pursuant to legislation in force.

4.3.4 If the **CORRESPONDENT** does not perform the obligation provided in item 4.3.3, the **PRINCIPAL** may interrupt future payment of compensation, resuming it only after the provision in that item is performed.

4.3.5. The wire transfer receipt is valid as proof of full, general and unrestricted discharge, and no other charge may be claimed, on any account, in relation to the purpose hereof.

4.3.6. The **CORRESPONDENT** shall reimburse the **PRINCIPAL** for the amounts paid as compensation related to Loan Transactions of financing or lease agreements that have been canceled due to (i) the exercise of the waiver right by the Customer; or (ii) the annulment of the purchase and sale agreement; or (iii) the impossibility of disposal or lease of the good in favor of the **PRINCIPAL**; or (iv) any other type of contractual defect resulting in its termination.

4.4. The issuance of invoice to the **PRINCIPAL** shall comply with the following rules, as applicable:

(i) for services provided in the city of São Paulo by companies headquartered in other city shall inform in the body of the invoice, together with the description of the service, their registration number with the City of São Paulo Registry (Municipal Decree No. 46.598 - São Paulo). If the issuer of the invoice is not registered, the amount equivalent to the ISS (Taxes on Services) and its collection to the Public Administration of the city of São Paulo shall be withheld at source.

(ii) for services provided outside the city of São Paulo, invoices shall be issued to the branch where the service was provided, subject to the procedures described in item (1);

(iii) for services provided in the city of São Paulo headquartered in the same city, there will be no specification for the issuance of the invoice.

4.5. The **CORRESPONDENT** must be enrolled with tax regime suitable to the provision of the services subject matter hereof and the taxes collection shall occur pursuant to legislation in force.

## 5 – EFFECTIVENESS

5.1. This Agreement becomes effective on the date of its execution, and shall remain in full force for [\*\*\*\*] months. The Term may be extended upon amendment duly executed by the Parties.



5.2. Any of the Parties may lawfully terminate this agreement, without prior written notice, in the event of adjudication of bankruptcy, filing of judicial recovery, judicial or extrajudicial liquidation of the other Party (or also intervention or submission to the Temporary Management System - RAET, by the Brazilian Central Bank), as well as in the event of new supervening laws and/or regulation, acts of God or events of force majeure lasting over [\*\*\*\*\*] days and which may hinder the provision of services.

5.3. The Parties may also terminate this Agreement, without cause, upon prior notice submitted [\*\*\*\*\*] days in advance. In that case, the obligations and rights arising from this Agreement shall remain in force until the actual terminal.

5.4. Whenever the reason of termination or rescission hereof allows, the Parties hereby agree to jointly and in good faith establish and implement a transition plan, and its execution shall have the guarantee of compliance with all active services and conditions, in order to mitigate the negative impacts on the transaction subject matter hereof. The transition plan shall have the maximum period of [\*\*\*\*\*] days from the termination or rescission hereof.

5.5. During the execution of the transition plan, each of the Parties shall fully comply with and perform all activities assigned and all the rights guaranteed during the regular provision of services, and no reduction to the activity and/or right will be allowed.

## 6 – GENERAL PROVISIONS

6.1. For the performance of its duties, the **CORRESPONDENT** represents and acknowledges that:

(i) the **PRINCIPAL**, at the execution or extension of this Agreement, must verify if there are any facts, at its discretion, that would discredit the **CORRESPONDENT** or its managers, setting preventive or remedial measures to be adopted in the event of confirmation, at any time, of such facts, including the interruption of the support provided to the public and termination hereof;

(ii) the performance, on its account, of transactions considered exclusive of financial institutions or other transactions prohibited by legislation in force, shall subject the **CORRESPONDENT** to the penalties provided in Laws No. 4.595 and No. 7.492/86;

(iii) it will comply with the provisions set forth by legislation in force, with respect to bank confidentiality and security, as well as with to prevent and fight activities related to the crimes provided in Law No. 9.613, of 03/03/1998, pursuant to Article 3 of Circular No. 2.987, of 04/19/2000 and its amendments;

(iv) the **PRINCIPAL**, within the term set forth by rules governing the activity of correspondent in Brazil, shall provide on its website, by e-mail or any other means that may be required by the Brazilian Central Bank and/or the National Monetary Council, its identification as company hired to provide the services subject matter hereof, including the following information: corporate name, doing business as (if any), headquarters' address, CNPJ/MF number and the activities performed by the **CORRESPONDENT** provided herein; and

(v) it is a company duly incorporated pursuant to the Brazilian legislation and regulation by the Brazilian Central Bank and/or the National Monetary Council governing the activities of correspondent in Brazil;

(vi) it acknowledges all terms of Law 12.846, of August 1, 2013, and that it does not perform, and it will not perform, as well as it warrants that its employees and representatives do not practice, and they will not perform, the conducts provided therein; it adopts internal mechanisms and procedures related to integrity, audit and incentive of whistleblowing irregularities and conducts described in said legislation.

6.1.1. Measures mentioned in item 6.1(i) may be adopted by the **PRINCIPAL** or by the Brazilian Central Bank, and said agency may establish procedures to be added to the controls provided in item 6.1(i). Also, as an alternative and on cumulative basis, the Brazilian Central Bank may: (a) determine the adoption of additional procedures and controls, establishing a term for their implementation, if the control performed by the **PRINCIPAL** over the **CORRESPONDENT** is proven to be improper; and/or (b) recommend the interruption of the support provided to the public or the termination of this Agreement.





6.2. The **CORRESPONDENT** shall keep a formalized relationship, upon employment or other type of contractual bond, with the individuals members of its team, involved in the performance of this Agreement.

6.2.1. The **CORRESPONDENT** acknowledges that there is no employment bond between the persons described in the item above and the **PRINCIPAL**. The **CORRESPONDENT** must, exclusively and on its own account, bear any and all expenses, charges or legal obligations related to any labor, social security, tax, civil or any other legal nature, even if not pecuniary. Such liability shall survive the recognition of employment bond of any of its workers with the **PRINCIPAL** and/or companies under the same economic group. Moreover, the **PRINCIPAL** acknowledges that there is no employment bond between its employees and the **CORRESPONDENT**, undertaking the same obligations as to its employees.

6.2.2. The **PRINCIPAL** must notify the **CORRESPONDENT** on any actions filed by the **CORRESPONDENT**'s personnel, if the action has been filed exclusively against the **PRINCIPAL**, and the **CORRESPONDENT** undertakes to provide all necessary documents for the **PRINCIPAL**'s defense. Moreover, the **CORRESPONDENT** must notify the **PRINCIPAL** on any actions filed by the **PRINCIPAL**'s personnel, if the action has been filed exclusively against the **CORRESPONDENT**, and the **PRINCIPAL** undertakes to provide all necessary documents for the **CORRESPONDENT**'s defense. The notice to inform the fact mentioned in this section, whenever possible, shall occur within five (5) business days before the hearing.

6.2.3. Any amounts disbursed or deposited by the **PRINCIPAL** related to such court actions, for defense, appeal or to execute the award, are hereby acknowledged by the **CORRESPONDENT** as its own net, indisputable and enforceable debt for all legal purposes and effects. For that reason, the **CORRESPONDENT** undertakes to reimburse the **PRINCIPAL** for said amounts that have been provenly disbursed, within five (5) days after the notice. For deposits reimbursed by the **CORRESPONDENT**, in the event of full or partial recovery, the **PRINCIPAL** shall pay the recovered amount to the **CORRESPONDENT**. Moreover, if any of the **PRINCIPAL**'s employee files any labor claim against the **CORRESPONDENT**, with reference to this Agreement, the amounts disbursed or deposited by the **CORRESPONDENT** related to such court actions, for defense, appeal or to execute the award, are hereby acknowledged by the **PRINCIPAL** as its own net, indisputable and enforceable debt for all legal purposes and effects. For that reason, the **PRINCIPAL** undertakes to reimburse the **CORRESPONDENT** for said amounts that have been provenly disbursed, within five (5) days after the notice.

For deposits reimbursed by the **CORRESPONDENT**, in the event of full or partial recovery, the **PRINCIPAL** shall pay the recovered amount to the **PRINCIPAL**.

6.3. The Parties hereby choose the e-mail as main form of communication for:

(i) qualification/authorization to act on a certain Product and service; (ii) bank information to credit the amounts arising from the Loan Transaction; and (iii) other material information for the performance of this Agreement.

6.3.1. Messages submitted by the **PRINCIPAL** originated from the e-mail addresses with the domain "@socinal.com.br" to the e-mail address(es) indicated by the **CORRESPONDENT** for the purpose set forth in this item shall be deemed received and accepted after the submission, becoming an integral part of this Agreement as exhibit. As evidence, those messages must be printed and attached to the Agreement, as an integral part of it.

6.4. Any changes to the Agreement must be formalized in writing and signed by all Parties referred in the preamble, under penalty of being void by operation of law.

6.5. The collection of information by illegal means, such as purchase of direct mail or any other form available in the market, with the purpose of offering the **PRINCIPAL**'s Products is prohibited, and the **CORRESPONDENT** and its team are responsible for preventing such practice.

6.6. The Parties represent to not employ individuals under eighteen years of age at nights, in harmful or hazardous work, and they do not employ individuals under sixteen years of age, except as apprentice, starting from the age of fourteen, pursuant to Article 7, XXXIII of the Brazilian Constitution.

6.7. This Agreement shall prevail and supersede any oral or written negotiation, obligation or agreement between the Parties before the date hereof, with purpose similar to the one herein. The Parties grant full, public, general, unchangeable and irrevocable release to the subsequent amendments, at any time and on any account.



6.8. This instrument shall be governed by the norms published by the National Monetary Council, particularly the Resolution No. 3.954 of 02/24/2011 and its amendments, with its terms fully applicable to the Parties, even if they are not transcribed herein. In the event of any conflict between the provisions herein and the provisions in the Partnership Agreement executed between the PARTIES on [\*\*\*\*\*] ("Partnership Agreement"), the provisions in the Partnership Agreement shall prevail.

The Parties hereby elect the courts Central of the judicial district of São Paulo, State of São Paulo to settle any disputes arising out hereof.

IN WITNESS WHEREOF, the Parties have executed this Agreement in two (2) counterparts, same in form and content, in the presence of two undersigned witnesses.

São Paulo, December 13, 2021.

[signature] [signature]  
SOCINAL S/A – CRÉDITO, FINANCIAMENTO E INVESTIMENTO

[signature] [signature]  
PAGSEGURO INTERNET S.A.

Witnesses:

Name: Cesar Moretti de Souza  
CPF: [signature]

Name: Anderson Ramos Viana  
CPF: [signature]



**VISA DO BRASIL PARTICIPATION AGREEMENT  
DOMICILE INSTITUTION**



[All pages of the agreement initialed via DocuSign]

Exhibit 4.42

**1 - Corporate Name:**

**BancoSeguro S.A**

**2 - Trade Name:**

BancoSeguro

**3 - Address (main headquarters):**

Av Brig. Faria Lima, 1384 4º Andar - Jardim Paulistano

**4 - Corporate Taxpayers' Registry of the Ministry of Finance - CNPJ/MF:**

10.264.663/0001-77

**5 - City/State:**

São Paulo

**6 - CEP (Postal Code):**

01451-001

**7 - Telephone (with area code/DDD):**

11 3092-6453

**8 - Person in charge of commercial contact:** Carlos Fernando Ferreira de Souza

**9 - Commercial contact email:** [\*\*\*\*\*]

**10 - Position/Area of the commercial contact:** Officer / Products

**11 - Company organized and in operation under the laws of (State or country of organization):**

Brazil

VISA DO BRASIL PARTICIPATION AGREEMENT  
DOMICILE INSTITUTION



Summary of the business, with a detailed description of applicant

12 - Corporate purpose:

Domicile Institution modality Multiple Bank duly authorized by the Central Bank of Brazil.

13 - Payment Volume in [\*\*\*\*] months:

From [\*\*\*\*]

From [\*\*\*\*]

Over [\*\*\*\*]

14 - Applicant's corporate structure and its economic group, with specification of ownership interest:

Full Name	CPF/CNPJ	Interest (%)
BS HOLDING FINANCEIRA LTDA.	28.506.388/0001-39	1 - [****]

15 - Statements and documents (Exhibit) evidencing that all Bylaws-appointed Officers, as well as the managers responsible for Governance - risk, compliance, Transactions and IT systems, financing -, have experience of at least [\*\*\*\*] years in their respective duties, and that Applicant's Board of Directors has sufficient knowledge about the business proposal, including aspects related to the market dynamics, considering risk management.

16 - List of the total capital composition and loans:

We do not have loans

17 - Market opportunities justifying the business:

Consolidation of domicile to receipt sales originated in credit and debit card and collection of credit generated with guarantee on receivables.

18 - Specify the activities and services currently provided by applicant or to be provided in the next five [\*\*\*\*] years:

Services of Domicile Institution, credit, investment, insurance, among others.

19 - Geographic Market:

[\*\*\*\*] Region

[\*\*\*\*] Region

[\*\*\*\*] Region

[\*\*\*\*] Region

[\*\*\*\*] Region

20 - Client Profile:

Mostly long tail, with majority of CPF (Individual Taxpayers' Register) with income lower than [\*\*\*\*], but with participation in the retail portfolios and companies with revenue lower than [\*\*\*\*]

21 - Technology to be adopted, for instance, POS, M-POS, electronic commerce, among others, and, if applicable, the specific/innovative technology:

YES

NO

22 - Additional services (for instance, if the company supplies services like Payment/account reconciliation, inventory control for electronic commerce companies; credit line for working capital bound to sales):

Reconciliation, credit, investment, account payment, transfers, among others.

VISA DO BRASIL PARTICIPATION AGREEMENT  
DOMICILE INSTITUTION



Prevention against money laundering (PLD) and terrorism financing (FT)

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23 - Does your institution have policies and/or procedures aimed at preventing money laundering and terrorism financing?

YES

NO

24 - Is there an executive responsible for Compliance and PLD/FT?

YES

Full Name: [\*\*\*\*\*]

Title: Compliance Officer

Email: [\*\*\*\*\*]

Telephone: [\*\*\*\*\*]

NO

Justification:

25 - Is there an independent review (internal or external audit or internal controls report) including the PLD/FT policies and/or procedures?

YES

NO

26 - KYC (Know your Client) Yes

27 - KYE (Know your Employee) Yes

28 - Transaction Monitoring Yes

Risks and Fraud Prevention

---

29 - Do you have a Risks and/or fraud prevention area?

YES

NO

30 - How many people are part of the Risk team?

There are [\*\*\*\*\*] (active) workers.

31 - Are there plans for team training?

YES

NO

32 - Do you have a fraud monitoring and prevention tool?

YES - WHICH ONE: Pulse (Feedzai) and Falcon (FICO)

NO

33 - Does your tool allow you to deny a request or purchase from a merchant before the transaction is submitted for capture/authorization?

YES

NO

34 - Do you have fraud indexes?

YES

NO

35 - Monthly follow-up on quantity and amounts of frauds and withdrawal/cancellations vs quantity and amount of sales (total and per commercial establishment)?

YES

NO

36 - Follow-up on quantity and amounts of chargeback vs quantity and amount of sales (total and per commercial establishment)?

YES

NO

37 - Do you have PCI-DSS certification?

YES

Issued by which QSA? Cipher

What is the expiration date? June 30, 2022

NO – Justification:

38 - Do you have a validation policy (KYC) for new commercial establishments? Do you rely on outsourced companies for the analyses to validate new commercial establishments? Explain the capture and activation flow for new commercial establishments, stating the controls and verifications (CNPJ, CNAE, etc.) in each step, including third parties and service suppliers (i.e., bureaus, lists, etc.) operating in the flow.

**VISA DO BRASIL PARTICIPATION AGREEMENT  
DOMICILE INSTITUTION**



**YES Description:**

Regarding the KYC carried out by the company, it is an automated process performed in PagSeguro's onboarding, where the client goes through validations, for instance, verification of status before the Federal Revenue Office (CPF and CNPJ), opening of the ownership structure of the Legal Entity accounts via Burea.

**NO**

**39 - Do you have a risk policy in order to allow/forbid operation fields (MCC) in your business? Which ones are forbidden?**

**YES - Which ones:**

MCCs= 7995(Betting, including Lottery Tickets, Casino Gaming Chips, Off-Track Betting, and Wagers at Race Tracks), 7801(Government-Licensed online casinos (online gambling)[Specific Countries]) and 7802(Government-Licensed horse/dog racing [Specific Countries])

**NO**

**40 - Do you have a commerce cancellation policy? Describe the criteria supporting it.**

**YES - Description:**

**NO**

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I/we hereby certify, as legal representative(s) of the Institution, and not personally, that: (i) I/we am/are responsible for drafting this document on behalf of Participant and that I/we employed due diligence to assess this information based on our records and data and that, to my/our best knowledge, the information included in this document is accurate and complete.

[All pages of the agreement initialed via DocuSign]

**Visa Payment Arrangements Participation Agreement  
DOMICILE INSTITUTION**

THIS PARTICIPATION AGREEMENT ("Agreement") is entered into between **VISA DO BRASIL EMPREENDIMENTOS LTDA.**, a company organized and in operation under the laws of Brazil, with its headquarters in São Paulo/SP, at Av. Pres. Juscelino Kubitschek, 1909/3º andar, Torre Norte, Brazil, enrolled in the CNPJ/MF under No. 31.551.765/0001-43 ("VISA") and

Applicant name (hereinafter named "Domicile Institution"): <b>BANCOSEGURO S.A</b>			
CNPJ: <b>10.264.663/0001-77</b>			
Address (main headquarters): Av Brig. Faria Lima, 1384 4º Andar- Jardim Paulistano			
City: São Paulo		State: São Paulo	
Country: Brazil		CEP: 01451-001	
Postal address (if different):			
City:		State:	
Country:		CEP:	
Phone:	Country code: 55	City/area code:	Number:
Organized and operating under the laws of Brazil			

1. The Domicile Institution wishes to provide payment services to the final user of authorized receipts, within the scope of payment arrangements instituted by VISA (respectively, the "Commercial Establishment" and the "Visa Payment Arrangements"), for credit to an at sight deposit account or the payment of choice of the Commercial Establishment (the "Services").
2. In order for VISA to agree and thus consent to the participation of Domicile Institution in its Payment Arrangements for the provision of Services to the Commercial Establishments, the Domicile Institution agrees with the following:
3. The Domicile Institution is the agent responsible for providing the Services to the Commercial Establishments registered by an Acquirer or a Payment Facilitator authorized to participate in the Visa Payment Arrangements. The Domicile Institution acknowledges and agrees that it shall only be entitled to provide Services to a Commercial Establishment as long as it is authorized by VISA to participate in the Visa Payment Arrangements, pursuant to this Agreement and in observance of the Visa Payment Arrangements Rules. The Domicile Institution acknowledges and agrees that it may not subcontract the Services, in whole or in part, except if prior and expressly approved in writing by VISA.
  - a. The Domicile Institution represents to know and undertakes to comply with all rules applicable to the Services and the other domicile institution activities, as issued by the Central Bank of Brazil and by the Clearing and Settlement System appointed by VISA, pursuant to the Brazilian Payment System and the Visa Payment Arrangements Rules (the "Settlement System").
  - b. In case it subcontracts any of its activities related to the Services, which shall be duly authorized by VISA, the Domicile Institution shall be fully liable for any acts of the subcontractors.



- c. VISA shall include the name of the Domicile Institution in the list of domicile institutions authorized to participate in the Visa Payment Arrangements and thus provide the Services to the Commercial Establishments, and the Domicile Institution acknowledges that this list shall be published by Visa on its Internet webpage and/or any other means VISA deems sufficient to disclose such participation. VISA shall exclude the name of the Domicile Institution from such list in case it is no longer authorized to provide the Services to the Commercial Establishments. In this case, the Domicile Institution shall inform the Commercial Establishments, so they may timely hire another Domicile Institution authorized by VISA, if applicable. In such sense, the Domicile Institution acknowledges that it shall continue providing the Services to the Commercial Establishments for a term of [\*\*\*\*\*] days, in order to allow a continuity solution that does not harm the Commercial Establishments ("Migration Period"). During the Migration Period, the terms of this Agreement shall remain in force.
4. The Domicile Institution agrees to notify VISA in writing, at least [\*\*\*\*\*] days in advance of the date of occurrence of an amendment to its articles of incorporation or changes to its activities or its financial and/or equity status, for instance, without limitation, the sale of all or essentially all assets of the operation, occurrence of an event of acquisition, consolidation, ownership change or financial or corporate restructuring at the Domicile Institution, and it also agrees to immediately present to VISA any information related to the foregoing which the latter may request. The Domicile Institution also agrees to immediately notify VISA in case of temporary special administration regime decree, intervention, extrajudicial liquidation, extinguishment, dissolution, insolvency, voluntary bankruptcy request, bankruptcy request not withdrawn within the legal term or bankruptcy decree for the Domicile Institution, as set forth in Law No. 6,024, of March 14, 1974, and in Law No. 11,101, of February 9, 2005, as applicable.
5. VISA's consent for the provision of the Services to the Commercial Establishments through participation in the Visa Payment Arrangements is conditioned to continuous compliance by the Domicile Institution with the terms of this Agreement and all obligations set forth in the rules part of the VISA Payment Arrangements Rules, as amended from time to time. The Domicile Institution acknowledges that it received a copy of the Visa Payment Arrangements Rules and represents to be aware and in agreement with such Rules. In such sense, in case of omission and/or contradiction between the terms of this Agreement and the Visa Payment Arrangements Rules, the terms of the latter shall prevail.
6. The Domicile Institution acknowledges that VISA has the right to carry out financial and procedural due diligence, as well as inspections in the Domicile Institution's facilities at any time, and the latter may also suspend the former's participation in the Visa Payment Arrangements in case VISA deems that the Domicile Institution is acting in disagreement with the applicable regulations, the Visa Payment Arrangements Rules, the best market practices, or also in a way that poses a threat to the reputation of VISA, the Issuers or the Acquirers participating in the Visa Payment Arrangements (the "Participants") or of the Commercial Establishments. In this case, Visa shall notify the Domicile Institution so it may, within [\*\*\*\*\*] days, submit clarifications regarding the points indicated by Visa and, as applicable, an action plan to remedy them.
7. Upon provision of the Services to a Commercial Establishment within the scope of the Visa Payment Arrangements, the Domicile Institution shall observe the following, except if the Domicile Institution has entered into a Trademark License Agreement with Visa, under the terms and conditions specified in the Visa Payment Arrangements Rules:
- a. It shall not present itself or appear to be an Issuer or Acquirer in the Visa Payment Arrangements, as per the definitions in the Visa Payment Arrangements Rules. In case the Domicile Institution is also an Issuer or Acquirer, as per the specific participation agreement entered into with VISA, the Domicile Institution shall act so as to not cause any confusion regarding its performance as such or as a domicile institution;
  - b. It shall only use the marketing materials prior and expressly approved by VISA and the Commercial Establishment.
  - c. The Domicile Institution shall always follow the principle of good faith and it undertakes to adopt the best market practices if and when it deals with third parties on behalf of the Commercial Establishment
  - d. The Domicile Institution shall have a valid agreement with the Settlement System in order to provide the Services to the Commercial Establishments. The Domicile Institution's participation in the Visa Payment Arrangements is conditioned to the existence and effectiveness of this agreement and its continuous participation in the Settlement Systems.

- e. Upon provision of the Services to a Commercial Establishment within the scope of the Visa Payment Arrangements, the Domicile Institution shall clearly disclose to third parties, as set forth in the Visa Payment Arrangements Rules, that it is operating as a provider of domicile institution services for said Commercial Establishment.
- f. The Domicile Institution may not, in any way whatsoever, condition the provision of any other services to the Commercial Establishments to the hiring of the Services or vice-versa, and it shall adopt all necessary measures, including, without limitation, any measures requested by VISA, in order to assure that the hiring of the Services by the Commercial Establishment always occur without discrimination or any flaws, freely and sensibly.
8. The Domicile Institution represents and warrants that it shall credit to an account freely operated by the Commercial Establishments, within the term set forth by the Settlement System and VISA, whichever is shorter, the authorized financial funds within the scope of the Visa Payment Arrangements and settled through the Settlement System. The Domicile Institution acknowledges that the maximum term is the day of financial settlement in the Settlement System, in a timely manner, in order to allow the recipient of the Domicile Institution's credit to use the funds arising from the payment made on that same day.
- a. The Domicile Institution shall keep VISA informed on any matters that may affect the Services provision or the timely credit to the Commercial Establishments, and it must submit, in case of issues, a remediation plan and schedule for VISA's approval.
- b. In case the Domicile Institution fails to credit the financial resources to the Commercial Establishments within the term set forth in this Section 8, it may be fined by VISA in [\*\*\*\*%] of the late credits, per late day, and attributed respectively to each of the Commercial Establishments for which said term is being defaulted, without prejudice to its obligation to credit all funds to the Commercial Establishments ("Default Fine"). This penalty may be transferred by VISA to the Commercial Establishment affected by the default, as appraised by VISA.
9. The Domicile Institution is responsible for the accuracy of all information required by VISA and by the Settlement System in relation to the Services, the Commercial Establishments, transactions or other matters.
10. The Domicile Institution shall comply with all system availability and response time requirements set forth in the Visa Payment Arrangements Rules, specifically in relation to the domicile institutions or in relation to other Participants, as applicable.
11. Upon request of VISA, the Domicile Institution shall cooperate with any investigation, analysis or consultation related to the security, integrity, operation and/or use or access to the Visa Payment Arrangements or its obligations before VISA. The Domicile Institution shall cooperate and take any and all measures, whether corrective or not, required by VISA and/or by the Settlement System to correct any errors caused by the Domicile Institution.
12. The Domicile Institution shall keep records of all information and transactions for a minimum term of [\*\*\*\*] years after recording or receiving such information, except in case a longer term is required by the applicable regulations or by the Visa Payment Arrangement Rules.
13. The Domicile Institution shall pay VISA the fees and other financial obligations that may be attributed thereto as described in the Visa Payment Arrangements Rules.
- 13.1. As set forth in the Visa Payment Arrangements Rules, the Domicile Institution acknowledges that, in compliance with the Central Bank of Brazil's order, (i) no fees and/or other compensation may be set forth, agreed and/or charged between the Acquirers/Payment Facilitators and the Domicile Institutions, even if indirectly, (ii) it may not implement fees associated to its participation in the Visa Payment Arrangements that were not set forth in the Rules and (iii) it shall communicate Visa in advance of its intention to implement any fees, so Visa may, as per the regulations of the Brazilian Payment System, inform the Central Bank of Brazil.
14. The Domicile Institution's participation in the Visa Payment Arrangements is subject to the provisions of the Visa Payment Arrangements Rules that limit VISA's liability regarding the provision of the Services and any other personal or property damages, or other losses or damages that may be attributed to VISA.
15. The Domicile Institution agrees to indemnify the Participants, the Commercial Establishments and VISA for any and all actions, complaints, claims, losses, damages, fines, judicial or administrative proceedings, costs and/or expenses (including counsel fees) arising from any action or omission of the Domicile Institution in relation to the Services and its participation in the Visa Payment Arrangements, including, without limitation, the actions, complaints, losses, damages, fines, judicial or administrative proceedings, costs and expenses (including counsel fees) arising from the violation of rights, including trade secrets or property rights of the Participants or other third parties, as well as property damages incurred by the Participants or by the Commercial Establishments.

16. The Domicile Institution agrees to keep in confidentiality all information related to VISA's operation to which it has access and which VISA indicates as confidential or proprietary. The Domicile Institution shall not copy, disclose to third parties or use such confidential or proprietary information, except with VISA's prior written consent.

17. This Agreement shall become effective only after being executed by the Parties, and it shall so remain until it is terminated, as set forth in this Section 17. This Agreement shall be deemed fully terminated within [\*\*\*\*\*] days as of the delivery to the Financial Institution by VISA of a written notice, describing the former's failure to comply with any of its obligations hereunder and under the Visa Payment Arrangements Rules, except if VISA, at its sole discretion, deems that such failure was corrected by the Domicile Institution within [\*\*\*\*\*] days. In this case, the Domicile Institution shall immediately return to VISA all documents, materials and equipment received from the latter, including any copies thereof, for the provision of the Services. The Domicile Institution also agrees that, notwithstanding the termination of this Agreement, it shall keep as confidential and proprietary to Visa all information related to VISA's operations, as set forth in Section 16 above. The Domicile Institution agrees to observe the Migration Period, as described in Section 3 of this Agreement.

18. The Domicile Institution is irrevocably subject to the jurisdiction of the Federative Republic of Brazil and of the courts of the city of São Paulo, State of São Paulo, for all claims submitted by VISA or any other Participant or Commercial Establishments against the Domicile Institution in relation to the Services.

19. All notices and communications related to this Agreement shall only be deemed validly delivered if sent by registered mail or any other means with delivery evidence.

20. The Domicile Institution understands and acknowledges that this Agreement and the Visa Payment Arrangements Rules replace any previous agreement that may exist between the Domicile Institution and VISA in relation to the Services provision. The terms of this Agreement may not be amended or changed, except upon a written instrument executed by the Parties. The Domicile Institution understands and acknowledges that VISA may, at any time and at its sole discretion, change the features of the provision of domicile institution services, as described in the Visa Payment Arrangements Rules; in which case, VISA shall send to the Domicile Institution a notice, [\*\*\*\*\*] days in advance, informing on such changes. The Domicile Institution may, within [\*\*\*\*\*] days as of the receipt of the notice, inform VISA of its disagreement with the changes made; in which case, this Agreement shall be deemed immediately terminated, except for the obligations of the Domicile Institution during the Migration Period, as described in Section 3 hereof.

21. The provisions of Sections 12, 15, 17, 18 and 19, among others which by their very nature ought to do so as well, shall survive the termination of this Agreement.

22. The terms starting in capitals in Agreement and not defined herein shall have the meanings ascribed thereto in the Visa Payment Arrangements Rules.

IN WITNESS WHEREOF, the Parties execute this Agreement in three (03) counterparts, on the dates stated below their respective signatures

**VISA DO BRASIL EMPREENDIMENTOS LTDA**

Name: Luciane Przybylski Lima  
Title: Financial Planning Executive Officer  
Date: December 08, 2021

**BANCOSEGURO S.A.**

1- Name: Artur Gaulke Schunck  
Date: November 30, 2021  
[signature by DocuSign]

Title: CFO  
2- Name: Leandro Roberto Rodrigues  
Title: Treasury Officer  
Date: November 30, 2021  
[signature by DocuSign]

Witness:  
1 - Name: Marcos Jesus Pereira  
ID RG: [\*\*\*\*\*]  
[signature by DocuSign]

2- Name: Jorge X Faria Neto  
ID RG: [\*\*\*\*\*]  
[signature by DocuSign]

[signatures from Alessandro Thuller and Edson Ortega by DocuSign]

[JUCESP filing stamp dated February 15, 2021, number [\*\*\*\*\*], with bar code]

BancoSeguro S.A.  
State Registration (NIRE) 35300360516 | CNPJ 10.264.663/0001-77

MINUTES OF THE EXTRAORDINARY GENERAL MEETING  
HELD ON NOVEMBER 30, 2020

**DATE, TIME AND PLACE:** November 30, 2020, at 9 a.m., in the registered office of BancoSeguro S.A. ("Company"), located at Avenida Brigadeiro Faria Lima, 1.384, 4º andar, parte D, Jardim Paulistano, CEP 01451-001, in the city of São Paulo, State of São Paulo.

**CALL NOTICE AND ATTENDANCE:** Call notice waived due to the attendance of shareholders representing the total and voting corporate capital of the Company, as per paragraph 4 of article 124 of Law No. 6,404/76 ("Corporation Law" or "LSA").

**PRESIDING BOARD:** Chairman: Artur Gaulke Schunck; Secretary: Renato Bertozzo Duarte.

**AGENDA:** To resolve on (i) the review of the Bylaws' Article 12, regarding the Ombudsman, in order to reflect new regulatory recommendations of the Central Bank of Brazil (National Monetary Council - CMN Resolution No. 4,860, of October 23, 2020); and (ii) the restatement of the Company's Bylaws.

**RESOLUTIONS:** Once the meeting has been instated, after discussing the agenda, the attending shareholder, representing the entire corporate capital of the Company, resolved on the following, without reservations:

(i) To approve the review of the Bylaws' Article 12, regarding the Ombudsman, in order to reflect new regulatory recommendations of the Central Bank of Brazil (CMN Resolution No. 4,860, of October 23, 2020), which shall now become effective with the following wording:

**"Article 12.** *The Company shall use the Ombudsman structure of PagSeguro Internet S.A. ("PagSeguro"), a payment institution enrolled in the CNPJ under No. 08.561.701/0001-01, under the rules set forth in Chapter V - Ombudsman, of PagSeguro's Bylaws.*

*Paragraph 1. In order to appoint, remove and establish the term of office of the Ombudsman, as well as to appoint the Officer responsible for the Ombudsman office, the criteria set forth in Chapter V - Ombudsman of PagSeguro's Bylaws shall apply, in compliance with the regulations of the National Monetary Council and of the Central Bank of Brazil.*

*Paragraph 2. The Ombudsman's purpose is to mediate conflicts which may cause issues, damages, inconvenience or deadlocks to the organization or its internal and external public, assuring the right to respond to statements in the shortest time possible and objectively.*

*Paragraph 3. The Ombudsman office may not be bound to an organizational component that constitutes conflict of interest or attributions, such as the products and services negotiation, internal audit management and compliance units.*

*Paragraph 4. The Ombudsman's purpose is as follows:*

- (i) to ultimately meet the claims of clients that were not solved through the Company's primary service channels, with primary being deemed the usual service carried out in any service points or channels, including service provided through outsourced agent companies, pursuant to the regulations in force, and the Consumer Service Line (SAC); and*
- (ii) to act as a communication channel between the payment institution and its clients, including in conflict mediation.*

*Paragraph 5. The Ombudsman's attributions encompass the following:*

- (i) to service, record, instruct, analyze and give formal and proper treatment to demands from products and services clients;*

- (ii) to provide clarification to claimants regarding the progress of their demands, informing the expected response time; and
- (iii) to submit the conclusive response to the demand within the expected time;
- (iv) to keep the executive board of the Company and of the other companies sharing PagSeguro's Ombudsman informed on issues and deficiencies found in the performance of its duties and on the results of measures adopted by the institution's administrators to solve them.

**Paragraph 6. The Company:**

- (i) shall create and maintain proper conditions for the operation of PagSeguro's Ombudsman, and also for its performance to be based on transparency, independence, impartiality and fairness; and
  - (ii) shall assure access by PagSeguro's Ombudsman to the information required to prepare a proper response to the demands received, with full administrative support, and the Ombudsman may request information and documents for the exercise of its activities, in compliance with its duties. "
- (ii) To approve the restatement of the Company's Bylaws, in compliance with Exhibit I to these Minutes.

FINAL CONSIDERATIONS: The preparation of these minutes in summary form was also authorized, pursuant to paragraph 1 of article 130 of the LSA.

**ADJOURNMENT:** There being nothing further to add, the work of these Meetings has been adjourned, with these minutes being prepared in summary form, then being read, found to be in order and signed by the Chairman, the Secretary and the shareholders.

**SIGNATURES:** Presiding Board: Chairman: Artur Gaulke Schunck; Secretary: Renato Bertozzo Duarte. **Shareholder: BS Holding Financeira Ltda.**, p. Artur Gaulke Schunck and p.p. Renato Bertozzo Duarte.

I certify that this is a faithful copy of the minutes drawn up in the proper book.

São Paulo (SP), November 30, 2020.

[JCP-Brasil signature certification; details illegible]  
Renato Bertozzo Duarte  
Presiding Board Secretary

[JUCESP stamp dated February 15, 2021, code [\*\*\*\*], with bar code, signed by Gisela Simiema Ceschin, Secretary General]

EXHIBIT I

BYLAWS

BANCOSEGURO S.A.

NIRE 35300360516 | CNPJ 10.264.663/0001-77

(restated as per the Extraordinary General Meeting of November 30, 2020)

CHAPTER I

Name, Registered Office, Jurisdiction and Effectiveness

**Article 1.** The Company is named BancoSeguro S.A. (the "Company") and it is a financial institution organized as a closed corporation, governed by these Bylaws and the legal and regulatory provisions applicable thereto.

**Article 2.** The Company's registered office and jurisdiction are both in the City of São Paulo, State of São Paulo, at Avenida Brigadeiro Faria Lima, 1384, 4th floor, part D, Postal Code CEP 01451-001, São Paulo-SP.

Sole Paragraph. The Company may, upon resolution of the Executive Board and fulfillment of the legal and regulatory requirements, open, transfer or close branches, in the national territory and/or abroad.

**Article 3.** The Company's term of effectiveness is indeterminate.

CHAPTER II

Corporate Purpose

**Article 4.** The Company's corporate purpose is the practice of all banking transactions, whether as debtor, creditor or in an ancillary manner, inherent to its respective authorized (commercial and investments) portfolios.

CHAPTER III

Corporate Capital and Shares

**Article 5.** The corporate capital, fully subscribed and paid up in national currency, is of [\*\*\*\*\*], divided into [\*\*\*\*\*], [\*\*\*\*\*] common registered shares, without par value.

Sole Paragraph - Each common share grants its holder the right to one vote in the resolutions of the Company's General Meeting.

CHAPTER IV

General Meetings

**Article 6.** The Company's General Meetings shall occur ordinarily or extraordinarily. Each Ordinary General Meeting shall occur within the first [\*\*\*\*\*] months following the end of each fiscal year, to discuss, vote and approve the matters set forth in Law No. 6,404, of December 15, 1976, as amended ("Corporation Law"). In addition, the shareholders shall meet in an Extraordinary General Meeting whenever the corporate interests so require.

Paragraph 1. The General Meetings may be called at any moment by any Executive Board member, by any shareholders, upon written request, or also in any other way set forth in the Corporation Law.

Paragraph 2. The General Meetings shall be presided by an officer of the Company and secretaried by any person chosen among those in attendance.

**Article 7.** The Company shall always prepare, in accuracy and completeness, the minutes of the Meetings of Shareholders, which shall precisely record all resolutions taken, including discussions related to matters which do not lead to unanimous decisions.

**Article 8.** The General Meeting's resolutions, save for the exceptions set forth in the law or these Bylaws, shall be taken by shareholders representing, at least, the majority of the Company's voting corporate capital.

CHAPTER V  
Management

Article 9. The Company's management and representation is incumbent upon the Executive Board, which shall be comprised of at least two (2) and at the most four (4) members, shareholders or not, residing in Brazil, elected and removable at any time, with a unified term of office of [\*\*\*\*] years, to be extended until their successors elected by the General Meeting are vested in office, reelection allowed; among these, one shall be appointed as Managing Officer, and the others named Officers without specific titles.

Paragraph 1. The Executive Board is the Company's executive and representative body, being responsible for assuring its regular operations, with powers to practice any and all acts related to the corporate purposes, except those that by Law or by these Bylaws depend on prior approval of the General Meeting.

Paragraph 2. The elected Executive Board members must be people enjoying an immaculate reputation and displaying renowned professional competence.

Paragraph 3. The appointment of offices in the main section of this article shall occur in the election act.

Paragraph 4. Without prejudice to this article, any Officer may use its title, added by indication of the area which they are responsible for.

Paragraph 5. Upon the election of a new Executive Board member, or of a replacement in case of vacancy, their term of office shall coincide with that of the other elected members.

Paragraph 6. The Executive Board shall meet whenever called by the Managing Officer or by whomever they may appoint.

Paragraph 7. The following are the Managing Officer's exclusive attributions: I - to coordinate the progress of the Company's regular activities, including the implementation of guidelines and compliance with the resolutions taken at General Meetings and in the Executive Board meetings; II - to administrate, manage and act as superintendent for the corporate business.

Paragraph 8. The following are the attributions of the Officers with no specific titles: I - to perform the duties attributed thereto; and II - to conduct the activities of the departments and areas under their responsibility.

Paragraph 9. In case of absence or temporary or permanent incapacity, withdrawal or death of any Executive Board member, this vacancy shall be filled by a replacement appointed by the General Meeting to be held for such, with the replacement Officer completing the remaining term of the former Officer.

Article 10. It shall be incumbent upon the Officers to practice the acts required or convenient for the administration of the Company, and for such, they shall have the powers, in addition to others, required to represent the Company in and out of court, as plaintiff or defendant, before third parties, any public departments, Federal, State or Municipal authorities, as well as independent governmental agencies, mixed capital companies and quasigovernmental entities.

Paragraph 1. The Company shall assume covenants before third parties (including its representation in court, as plaintiff or defendant, as well as for the execution of instruments, agreements or documents entailing the Company's liability or obligation) upon the execution of: (i) any two (2) Officers, acting jointly; (ii) one Officer, jointly with one attorney-in-fact with specific powers; or one attorney-in-fact of the Company, provided that vested with specific powers.

Paragraph 2. The powers of attorney shall be granted on behalf of the Company by any of its Officers and shall have a term of effectiveness limited to [\*\*\*\*] years at the most, except for powers of attorney with court representation powers (*ad judicium*), which terms of effectiveness may be indeterminate.

CHAPTER VI  
Fiscal Board

**Article 11.** The Fiscal Board shall not operate permanently, being only installed upon the shareholders' call, pursuant to the legal provisions.

**Paragraph 1.** The fiscal board shall be comprised of at least three (3) and at the most five (5) members, with an equal number of alternates, shareholders or not, elected by the General Meeting.

**Paragraph 2.** When it does not operate permanently, the fiscal board shall be instated by the general meeting upon request of shareholders representing at least one tenth (1/10) of the shares with voting rights, or [\*\*\*\*]% of the shares without voting rights, and each of its operating periods shall end in the first ordinary general meeting after its instatement.

**Paragraph 3.** The fiscal board's instatement request, even if the matter is not included in the call notice, may occur in any general meeting, which shall elect its members.

**Paragraph 4.** The instatement of the fiscal board shall observe the following rules: a) the holders of preferred shares without voting rights, or with restricted voting, shall be entitled to elect, in separate voting, one (1) member and their respective alternate; the minority shareholders shall have the same right, provided that they represent, jointly, [\*\*\*\*]% or more of the shares with voting rights; b) except for the previous item, the other shareholders with voting rights may elect the sitting and alternate members, who, in any circumstance, shall be in equal number of the ones elected under item a, plus one.

**Paragraph 5.** The fiscal board members and their alternates shall exercise their positions until the first ordinary general meeting held after their election, with reelection being allowed.

**Paragraph 6.** The fiscal board members and their alternates shall exercise their positions until the first ordinary general meeting held after their election, with reelection being allowed.

**Paragraph 7.** The duties of the fiscal board members may not be delegated.

CHAPTER VII  
Ombudsman

**Article 12.** The Company shall use the Ombudsman structure of PagSeguro Internet S.A. ("PagSeguro"), a payment institution enrolled in the CNPJ under No. 08.561.701/0001-01, under the rules set forth in Chapter V - Ombudsman, of PagSeguro's Bylaws.

**Paragraph 1.** In order to appoint, remove and establish the term of office of the Ombudsman, as well as to appoint the Officer responsible for the Ombudsman office, the criteria set forth in Chapter V - Ombudsman of PagSeguro's Bylaws shall apply, in compliance with the regulations of the National Monetary Council and of the Central Bank of Brazil.

**Paragraph 2.** The Ombudsman's purpose is to mediate conflicts which may cause issues, damages, inconvenience or deadlocks to the organization or its internal and external public, assuring the right to respond to statements in the shortest time possible and objectively.

**Paragraph 3.** The Ombudsman office may not be bound to an organizational component that constitutes conflict of interest or attributions, such as the products and services negotiation, internal audit management and compliance units.

**Paragraph 4.** The Ombudsman's purpose is as follows:

- (i) to ultimately meet the claims of clients that were not solved through the Company's primary service channels, with primary being deemed the usual service carried out in any service points or channels, including service provided through outsourced agent companies, pursuant to the regulations in force, and the Consumer Service Line (SAC); and



(ii) to act as a communication channel between the payment institution and its clients, including in conflict mediation.

**Paragraph 5.** The Ombudsman's attributions encompass the following:

- (i) to service, record, instruct, analyze and give formal and proper treatment to demands from products and services clients;
- (ii) to provide clarification to claimants regarding the progress of their demands, informing the expected response time; and
- (iii) to submit the conclusive response to the demand within the expected time;
- (iv) to keep the executive board of the Company and of the other companies sharing PagSeguro's Ombudsman informed on issues and deficiencies found in the performance of its duties and on the results of measures adopted by the institution's administrators to solve them.

**Paragraph 6.** The Company:

- (i) shall create and maintain proper conditions for the operation of PagSeguro's Ombudsman, and also for its performance to be based on transparency, independence, impartiality and fairness; and
- (ii) shall assure access by PagSeguro's Ombudsman to the information required to prepare a proper response to the demands received, with full administrative support, and the Ombudsman may request information and documents for the exercise of its activities, in compliance with its duties.

#### CHAPTER VIII

##### Fiscal Year, Financial Statements and Profits

**Article 13.** The year ends on December 31 of each year.

**Paragraph 1.** At the end of each fiscal year, the Financial Statements set forth in law shall be prepared. The net profits verified shall be destined as follows:

- (i) [\*\*\*\*]% as legal reserve, until it reaches [\*\*\*\*]% of the corporate capital;
- (ii) at least [\*\*\*\*]% of the adjusted net profit, stipulated pursuant to Article 202 of the Corporation Law, to pay the mandatory minimum dividends to the shareholders;
- (iii) the balance's destination shall be resolved by the General Meeting, in observance of the legal provisions in such regard.

**Paragraph 2.** The Company may prepare semiannual or quarterly balances, or in any other frequency, in order to assess the profits of the respective periods, which may have the destination chosen by the shareholders.

**Paragraph 3.** The Company may pay interest on net equity, under Article 9, paragraph 7 of Federal Law No. 9,249/95 and the relevant legislation, which total amounts may be deemed as part of the mandatory minimum dividends.

#### CHAPTER IX

##### Liquidation

**Article 14.** In case of the Company's liquidation, the legal procedures shall be adopted and observed. The General Meeting shall appoint a liquidator to manage the Company during the liquidation period.

#### CHAPTER X

##### Jurisdiction and Dispute Resolution

**Article 15.** These Bylaws shall be governed and construed under the laws of Brazil.

**Article 16.** The shareholders elect the Courts of the Judicial District of São Paulo, State of São Paulo to settle any doubts arising from these Bylaws, expressly waiving any other, however privileged it may be.

DocuSign Envelope ID: [\*\*\*\*\*]  
[illegible ICP Brasil certification on all pages of these minutes]  
[Logos of BancoSeguro and PagBank]  
[JUCESP filing stamp dated June 28, 2021, number [\*\*\*\*\*], with bar code]

BANCOSEGURO S.A.  
CNPJ/ME No. 10.264.663/0001-77  
NIRE 35.300.360.516

MINUTES OF THE ORDINARY GENERAL MEETING  
HELD ON APRIL 30, 2021

Date, Time and Place: April 30, 2021, at 9:30 a.m., in the registered office of BancoSeguro S.A. ("Company"), located at Avenida Brigadeiro Faria Lima, 1384, 4th floor, part D, Jardim Paulistano, CEP 01451-001, in the City of São Paulo, State of São Paulo.

Call Notice and Attendance: Call notice waived due to the attendance of the shareholder representing the entire voting corporate capital of the Company, as per paragraph 4 of article 124 of Law No. 6,404/76 ("Corporation Law" or "LSA"). Also in attendance, (i) the representatives of independent auditors PricewaterCoopers Auditores Independentes ("PwC"), responsible for auditing the financial statements of the Company pertaining to the fiscal year ended on [\*\*\*\*\*]; and (ii) the Company's management.

Presiding Board: Artur Gaulke Schunck, Chairman; and Renato Bertozzo Duarte, Secretary.

Publications: Under article 133, paragraph 4 of the LSA, newspaper Agora São Paulo, on page B14 of its March 30, 2021 issue, and the State of São Paulo Official Gazette, on page 264 of its March 30, 2021 issue, on page 525 of its March 31, 2021 issue and on page 171 of its April 1st, 2021 issue, published the Notice to the Shareholders on the availability of the documents pertaining to the fiscal year ended on [\*\*\*\*\*], at the Company's headquarters. The Financial Statements pertaining to the fiscal year ended on December 31, 2020 were published on newspaper Agora São Paulo and on the State of São Paulo Official Gazette on pages 41, 42, 43 and A13, respectively, on their issues of April 15, 2021.

Agenda: (a) to assess the management accounts, to analyze, discuss and vote the financial statements pertaining to the fiscal year ended on [\*\*\*\*\*], accompanied by explanatory notes and a report with no reservations issued by PwC; (b) to resolve on the destination of the results of the 2020 fiscal year, as well as the capital budget for the 2021 fiscal year; (c) to elect members of the Company's Executive Board for a new term of office; (d) to establish a limit for the global compensation amount for the Company's management in 2021.

Resolutions: Once the meeting was instated, after discussing the matters in the agenda, the shareholder in attendance, representing the Company's entire corporate capital, resolved, without reservations:

(a) To approve the management accounts and the statements pertaining to the fiscal year ended on [\*\*\*\*\*], pursuant to the accounting practices in Brazil, established by the LSA, jointly with the rules of the National Monetary Council ("CMN"), of the Central Bank of Brazil ("BACEN") and the model of the Accounting Plan of the Institutions of the National Financial System ("COSIF") and other applicable regulations and legislation, accompanied by explanatory notes and a report without reservations issued by PwC.

(b) To approve the destination of the net profits of the fiscal year ended on [\*\*\*\*\*], in the amount of [\*\*\*\*\*], with: (i) [\*\*\*\*\*], corresponding to [\*\*\*\*\*]% of the assessed amount, destined to the Legal Reserve account, under article 193 of the LSA and item i of article 13 of the Company's Bylaws ("Bylaws"); (ii) [\*\*\*\*\*], to be distributed to the shareholder as dividends within [\*\*\*\*\*] days, in observance of the provision for mandatory dividends set forth in item ii of article 13 of the Bylaws and under article 202 of the LSA; and (iii) the outstanding balance of the net profits, to the profits reserve account, to set off the losses of the previous fiscal year, under item iii of article 13 of the Bylaws and based on the capital budget for 2021.

(c.1) To acknowledge and ratify the resignation of the Officer without specific title Wagner Chagas Feder, a Brazilian citizen, [\*\*\*\*\*], business manager, bearer of Identity Card RG No. [\*\*\*\*\*], enrolled in the CPF under No. [\*\*\*\*\*], with professional address at Avenida Brigadeiro Faria Lima, 1384, Jardim Paulistano, CEP 01451-001, as per the submission of the Resignation Instrument executed on April 12, 2021, in effect since such date.

(c.2) To elect the members of the Company's Executive Board for a new unified term of office of [\*\*\*\*\*] years, which shall last until the Ordinary General Meeting of the Company's shareholders to be held in 2023: for the position of Managing Officer, Mr. Artur Gaulke Schunck, a Brazilian citizen, in a domestic partnership, bearer of Identity Card RG No. [\*\*\*\*\*], enrolled in the CPF under No. [\*\*\*\*\*]; for the positions of Officers without specific titles, Messrs. Leandro Roberto Rodrigues, a Brazilian citizen, [\*\*\*\*\*], business manager, bearer of Identity Card RG No. [\*\*\*\*\*], enrolled in the CPF under [\*\*\*\*\*], and Marden Silveira Neubert, system analyst, bearer of Identity Card RG No. [\*\*\*\*\*], enrolled in the CPF under No. [\*\*\*\*\*]; all domiciled in the City of São Paulo, State of São Paulo, with professional address at Av Brigadeiro Faria Lima, 1384, Jardim Paulistano, CEP 01451-001.

It is hereby agreed in these Minutes that the Executive Board members elected herein shall be vested in their respective offices only after ratification hereof by BACEN, upon the execution of an investiture instrument in the proper book. and they represent that (i) they are free, under the law, to exercise their respective offices and they meet the conditions set forth in CMN Resolution No. 4,122/2012; (ii) they are not prevented from joining the Company's management; and (iii) they have not been sentenced and are not under the effects of any sentence of a penalty that bars, even if temporarily, access to public offices, or due to crimes of bankruptcy, prevarication, bribery or kickback, graft, embezzlement, unfair trading, forgery, or against the national financial system, antitrust rules, consumer relations, or property, with the respective no impediment statements being filed in the Company's registered office.

In this sense, the Company's Executive Board is hereby composed as follows:

Managing	Artur Gaulke Schunck
Officer	Leandro Roberto Rodrigues
Officer	Marden Silveira Neubert

(d) To establish the global compensation amount for the Company's management for the fiscal year of 2021 at up to [\*\*\*\*\*], in addition to any shares issued in the Long-Term Incentive Plan.

**Adjournment:** Nothing further to add, the Chairman suspended the works for the time required to prepare these minutes. Once the sessions restarted, these minutes were read, approved and signed by Presiding Board Chairman, Artur Galke Schunck, by Secretary Renato Bertozzo Duarte and attending shareholder **BS Holding Financeira Ltda.** (p. Artur Gaulke Schunck and p. Leandro Roberto Rodrigues).

I certify that this is a faithful copy of the minutes drafted in the proper book.

São Paulo (SP), April 30, 2021.

*[ICP-Brasil signature certification; details illegible]*

Renato Bertozzo Duarte  
Presiding Board Secretary

[JUICESP stamp dated June 28, 2021, code [\*\*\*\*\*], with bar code, signed by Gisela Simiema Ceschin, Secretary General]

[Logo of DocuSign]

Certificate of Completion		
Envelope Id: [*****]		Status: Completed
Subject: DocuSign: BanS – 02. AGO 30.04.2021 – Aprov Contas 2020 e Reeleição VF.pdf		
Source Envelope:		
Document Pages: 3	Signatures: 1	Envelope Originator:
Certificate Pages: 6	Initials: 2	Fernanda Mirtes Milagres Pereira
AutoNav: Enabled		Av Brigadeiro Faria Lima, 1384
EnvelopeID Stamping (Envelope ID): Enabled		SP, 01452-002
Time Zone: (UTC -08:00) Pacific Time (US & Canada)		[*****]
		IP Address: [*****]

Record Tracking		
Status: Original	Holder: Fernanda Mirtes Milagres Pereira	Location: DocuSign
May 04, 2021 5:03:10 PM	[*****]	

Signer Events	Signature	Timestamp
Renato Bertozzo Duarte	DocuSigned by:	Sent: May 04, 2021, 5:03:47 PM
[*****]	[signature]	Viewed: May 05, 2021 5:29:52 AM
LEGAL OFFICER	[*****]	Signed: May 05, 2021 5:33:24 AM
UNIVERSO ONLINE	Signature Adoption: Uploaded Signature Image	
Security Level: Email, Account Authentication (None), Digital Certificate	Using IP Address: [*****]	
Signature Provider Details:		
Signature type: ICP Smart Card		
Signature issuer: AC SOLUTI Multipla		
<b>Electronic Record and Signature Disclosure:</b>		
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
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Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	May 04, 2021 5:03:47 PM
Certified Delivered	Security Checked	May 05, 2021 5:29:52 AM
Signing Complete	Security Checked	May 05, 2021 5:33:24 AM
Completed	Security Checked	May 05, 2021 5:33:24 AM

Payment Events	Status	Timestamps
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Central Bank of Brazil

Official Letter [\*\*\*\*\*]/2021-BCB/Deorf/GTSP1

São Paulo, May 27, 2021

To  
BancoSeguro S.A.  
Attn.: Mr. Artur Gaulke Schunck – Managing Officer  
Subject: Request grant communication.

Dear Sirs,

We inform that the Central Bank of Brazil, upon an order on the date hereof, approved the following subject, as resolved on the Ordinary General Meeting held on April 30, 2021:

a) election of the Executive Board members, whose terms of office shall extend until the investiture of the members elected in the Ordinary General Meeting of 2023:

CPF	Name	Title
[*****]	Artur Gaulke Schunck	Managing Officer
[*****]	Leandro Roberto Rodrigues	Officer without specific title
[*****]	Marden Silveira Neubert	Officer without specific title

2. This Company shall, within the regulatory term of five business days as of the event date, directly record in the system of Information on Entities of Interest to the Central Bank - Unicad the investiture date of the elected members, and also be mindful of the other information to be provided in Unicad, as per the procedures described in the Financial System Organization Guide - Sisorf 4.14.70.

Regards,

Marcelo Alexandre Rodrigues  
Technical Manager

Renato Salgado Beato  
Coordinator

**Financial System Organization Department (Deorf)**  
Technical Management Office in São Paulo 1 (GTSP1)  
Phone: (11) 3491-6115 / 3491-6615  
Email: [\*\*\*\*\*]r

Document issued by the e-BC system of the Central Bank of Brazil and digitally signed as per Provisional Decree (MP) No. 2,200-2, of August 24, 2001 – NUP: [\*\*\*\*\*]

[ICP Brasil logo]

[illegible documents – pages 28-39 of the PDF]

[Notary Office letterhead, including bar code and the following address information on odd pages:  
Rua Rego Freitas 133 137 143 República – São Paulo – SP  
Phone 11 3357-8844]  
[Stamp from Douglas de Campos Gavazzi, Deputy Notary of the 2<sup>nd</sup> Notary Public Office, on all pages]

2<sup>nd</sup> NOTARY PUBLIC OFFICE  
SÃO PAULO – SP  
JUDICIAL DISTRICT OF SÃO PAULO  
ANDERSON HENRIQUE TEIXEIRA NOGUEIRA

1<sup>st</sup> Transcript of Book No. 3020 – Pages 11/14

POWER OF ATTORNEY GRANTED BY: BANCOSEGURO S.A.

Know all men by this Power of Attorney that on the [\*\*\*\*\*] day of the month of **January** of year two thousand and twenty-one (**01/20/2021**), in the city of São Paulo, State of São Paulo, at Avenida Brigadeiro Faria Lima 1,384, 4<sup>th</sup> floor, Part C, Jardim Paulistano, CEP 01451-001, where I was called by Vinicius Sousa Nogueira, Licensed Clerk from the 2<sup>nd</sup> Notary Public Office of the Judicial District of São Paulo, the following Grantor appeared before me: **1) BANCOSEGURO INTERNET S.A.**, headquartered in the city of São Paulo, State of São Paulo, at Avenida Brigadeiro Faria Lima 1384, 4<sup>th</sup> floor, Part D, Jardim Paulistano – Postal Code (CEP) 01451-000, enrolled with the Corporate Taxpayers' Registry of the Ministry of Economy (CNPJ/MF) under No. **10.264.663/0001-77**, whose Restated Bylaws were approved by the Extraordinary General Meeting held on July 15, 2020 and registered with the Commercial Registry of the State of São Paulo – JUCESP, under No. 323.036/20-0, in the session held on August 21, 2020, together with its registration form issued by JUCESP on January 19, 2021, which certified copies are registered herein, with reference to this notary office, herein represented pursuant to Chapter V – Management, articles 9 and 10, paragraphs 1 and 2 of such Restated Bylaws, by its Bylaws-appointed Officers: **ARTUR GAULKE SCHUNCK**, a Brazilian citizen, [\*\*\*\*\*], business manager, bearer of identity card (RG) No. [\*\*\*\*\*], enrolled in the Individual Taxpayers' Registry of the Ministry of Economy (CPF/ME) under No. [\*\*\*\*\*], elected pursuant to the Minutes of the Extraordinary General Meeting held on January 04, 2019, duly registered under No. [\*\*\*\*\*], session held on March 29, 2019 at JUCESP, which Minutes are filed herein, with reference to this notary office, and **LEANDRO ROBERTO RODRIGUES**, a Brazilian citizen, [\*\*\*\*\*], business manager, bearer of identity card RG No. [\*\*\*\*\*], enrolled in the CPF/ME under No. [\*\*\*\*\*], both with professional address at Avenida Brigadeiro Faria Lima 1384, Jardim Paulistano, CEP 01451-001, elected pursuant to the Minutes of the Extraordinary General Meeting held on November 10, 2020, duly registered under No. 545.953/20-0, session held on December 23, 2020 at JUCESP, which Minutes are filed herein, with reference to this notary act; I hereby confirm the identity of the persons who have appeared before me, the clerk, through the aforementioned documents that were presented to me in their original forms, which I certify. Grantor, as represented, hereby lawfully appoints and constitutes through this public instrument as its attorneys-in-fact: **GROUP A: 1) EDUARDO ALCARO**, a Brazilian citizen, [\*\*\*\*\*], business manager, bearer of identity card RG No. [\*\*\*\*\*], enrolled with the CPF/ME under No. [\*\*\*\*\*], with business address at Avenida Brigadeiro Faria Lima 1384, Jardim Paulistano, CEP 01451-001; **2) MARCELO CRUZ DE HAIDAR JORGE**, a Brazilian citizen, [\*\*\*\*\*], mathematician, bearer of Identity Card RG No. [\*\*\*\*\*], enrolled in the CPF/ME under No. [\*\*\*\*\*], with business address at Avenida Brigadeiro Faria Lima 1384, Jardim Paulistano, CEP 01451-001; **3) MARIA JUDITH DE BRITO**, a Brazilian citizen, [\*\*\*\*\*], business manager, bearer of identity card RG No. [\*\*\*\*\*], enrolled in the CPF/ME under No. [\*\*\*\*\*], with professional address at Avenida Brigadeiro Faria Lima 1384, Jardim Paulistano, CEP 01451-001; **4) RENATO BERTOZZO DUARTE**, a Brazilian citizen, [\*\*\*\*\*], lawyer, bearer of identity card RG No. [\*\*\*\*\*] enrolled in the CPF/ME under No. [\*\*\*\*\*], with professional address at Avenida Brigadeiro Faria Lima 1384, Jardim Paulistano, CEP 01451-001; **5) RICARDO DUTRA SILVA**, a Brazilian citizen, in a domestic partnership, production engineer, bearer of identity card RG No. [\*\*\*\*\*], enrolled in the CPF/ME under No. [\*\*\*\*\*], with business address at Avenida Brigadeiro Faria Lima 1384, Jardim Paulistano, CEP 01451-001; **6) ROGILDO TORQUATO LANDIM**, a Brazilian citizen, [\*\*\*\*\*], advertising executive, bearer of identity card RG No. [\*\*\*\*\*], enrolled in the CPF/ME under No. [\*\*\*\*\*], with business address at Alameda Barão de Limeira 425, Campos Elíseos, CEP 01202-900; **GROUP B: 1) EDUARDO RICCI JORGE**, a Brazilian citizen, [\*\*\*\*\*], business manager, bearer of identity card RG No. [\*\*\*\*\*], enrolled in the CPF/ME under No. [\*\*\*\*\*], with business address at Avenida Brigadeiro Faria Lima 1384, Jardim Paulistano, CEP 01451-001; to whom it grants powers to **- GROUP A: (a) always jointly, as two (2) Attorneys-in-fact or one (1) Attorney-in-fact and one (1) Bylaws-appointed Officer of**

**Grantor, up to the amount of [\*\*\*\*\*], and (b) always jointly, as one (1) Attorney-in-fact and one (1) Bylaws-appointed Officer of Grantor, for amounts higher than [\*\*\*\*\*], a) buy, sell, commit to sell goods in its line of business, execute letters, agreements, banking agreements in general, including convention and service agreements, and any other documents needed for the regular exercise of Grantor's activities, in order to enable the completion of Grantor's corporate purpose; to hire, dismiss, warn and suspend employees, grant vacation periods, enact instructions and service orders; b) represent Grantor before any Public Federal, State and Municipal authorities and independent governmental agencies in general; before Foreign Trade Departments, the Brazilian Federal Revenue Office, Treasury Office of the State of São Paulo, Finance Office of the City of São Paulo and other Municipalities, Office of the General Counsel for the National Treasury, Department of Justice, Social Security National Institute ("INSS"), Ministry of Labor, Regional Labor Authority, Caixa Econômica Federal, Depositary Banks of the Unemployment Compensation Fund – FGTS, SICREDI, Class Unions, SERASA c) execute products purchase and sale agreements, and import and export agreements; d) represent Grantor in the purchase, subscription or transfer of equity interest in Brazil or abroad, as well as represent Grantor as partner or shareholder in companies in Brazil and/or abroad; rent, lease, purchase, sell, assign, commit to assign, mortgage, exchange, grant as debt settlement, share, ratify and rectify or by any form or on any account, acquire, dispose of and encumber any and all personal property, real estate, phone lines, machinery and accessories, rights, titles, shares, vehicles and other assets of any type, being able to: pay and receive amounts, down payments, installments and rents, providing and accepting invoices and releases; grant, accept and execute, as well as re-ratify, any deeds or private instruments, transfer and obtain possession, domain, rights and shares, respond to an action for eviction filed by, or file an action for eviction against third parties, authorize real estate registration, entry and cancellation; for the practice of such acts, including the disposal and encumbrance of in rem guarantees on real estate held by Grantor, a prior resolution by the Executive Board shall be needed, in observance of article 1.015 of the Brazilian Civil Code; e) obtain loans from any financial institution, including Caixa Econômica Federal for the performance of Grantor's corporate purposes, execute agreements and other necessary documents; f) represent Grantor before municipal governments, sign blueprints, descriptive memoranda, in general notary public offices, utility service companies for water, gas and power, Insurance Companies, INSS - Social Security National Institute, DSV – Road System Operational Department, DETRAN – State Traffic Department, TELEFONICA – Telecomunicações de São Paulo, ANATEL – National Telecommunication Agency, EMBRATEL – Empresa Brasileira de Telecomunicações S.A., and their subsidiaries, as well as any other telephone Companies, Commercial Registries, being able to sign Grantor's commercial records, Unions, Income Tax Regional Offices, Tax Regions and Collection Department, Brazilian Federal Revenue Service Office, Consulates, Embassies, Post Office ("Empresa Brasileira de Correios e Telégrafos"), receiving its general correspondence, with registered value or not, postal orders, "collis postaux", Labor Courts, where it may appoint agents to solve labor matters, Regional Labor Office, Insurance Companies and before other individuals and legal entities, whether public or private, in all of their bodies, departments and sections; request, claim, promote and execute all that may become necessary, provide evidence and statements, file and withdraw papers and documents, follow up on proceedings until the final decision; g) also represent Grantor before Banks, State and Federal Savings Banks (Caixa Econômica Federal and Caixa Econômica Estadual), Banco do Brasil S.A., including before the Brazilian Central Bank, and other bank institutions, being allowed to open and close checking accounts, operating them electronically or through checks, invoices, orders or letters in order to settle accounts and financial commitments of Grantor; issue, sign and endorse checks, bills of exchange; investment orders and money transfers; request checkbooks, account balances and statements; sign bank-issued invoices to trade foreign exchange in the foreign exchange market, endorsement in import documentation consigned at bank, liability instruments related to financial remittance or payments abroad, stop payment on the check, make withdrawals upon receipt, authorize debits, transfers and payments through letters; receive any amounts due, on any account and from anyone, providing the necessary receipts and debt releases; issue, endorse, accept, accommodate accounts, promissory notes, bills of exchange, give promissory notes as security, executing the relevant agreements, proposals and lists of negotiable instruments; sign all mail from Grantor, including mail sent to banks, providing instructions on titles, authorizing discounts, extensions of due dates, protests in the Financial Market; h) sign authorization to operate activities in the account linked to the Unemployment Compensation Fund – FGTS; i) grant public and private powers of attorney, including court representation powers (*ad judicium*) (with powers from the et extra clause), on behalf of Grantor; anyhow, to practice all other acts that may be necessary for the good and proper performance hereof; 2) **GROUP B: (a) always jointly with one (1) Attorney-in-fact from GROUP A or one (1) Bylaws-appointed Officer of Grantor, up to the amount of [\*\*\*\*\*]; and (b) always jointly with one (1) Bylaws-appointed Officer of Grantor, for amounts higher than [\*\*\*\*\*]**, being able to represent Grantor before Banks, State and Federal Savings Banks (Caixa Econômica Federal and Caixa Econômica Estadual), Banco do Brasil S.A., including before the Brazilian**



Central Bank, and other bank institutions, being allowed to open and close checking accounts, operating them electronically or through checks, invoices, orders or letters in order to settle accounts and financial commitments of Grantor; execute banking agreements in general, including convention and banking service agreements; issue, sign and endorse checks, bills of exchange; investment orders and money transfers; request checkbooks, account balances and statements; sign bank-issued invoices to trade foreign exchange in the foreign exchange market, endorsement in import documentation consigned at bank, liability instruments related to financial remittance or payments abroad, stop payment on the check, make withdrawals upon receipt, authorize debits, transfers and payments through letters; receive any amounts due, on any account and from anyone, providing the necessary receipts and debt releases; issue, endorse, accept, accommodate accounts, promissory notes, bills of exchange, give promissory notes as security, executing the relevant agreements, proposals and lists of negotiable instruments; sign all mail from Grantor, including mail sent to banks, providing instructions on titles, authorizing discounts, extensions of due dates, protests in the Financial Market; anyhow, to practice all other acts that may be necessary for the good and proper performance hereof. **The sub-delegation of this power of attorney is forbidden. This power-of-attorney will be valid for [\*\*\*\*\*] years, as of the date hereof,** or for as long as GRANTEES' employment bond with GRANTOR is maintained, and in case it ends, the effects of this power of attorney shall cease in relation to the respective GRANTEE. All documents mentioned herein that must be filed are on the date hereof physically filed for the legal term with this 2<sup>nd</sup> Notary Public Office of the Judicial District of São Paulo, in their own folders, having as reference the numbers of book and pages hereof, and they were scanned under the order number of the digital record hereof, pursuant to Chapter XIV, volume II, of the Service Rules of the Disciplinary Board of the Courts of the State of São Paulo. After the foregoing statements, which I attest, the parties requested that I draft this instrument, which, after being read aloud and clearly, was found to be in conformity, being approved and granted by the parties, who have signed it, which I certify. I, Vinicius Sousa Nogueira, Clerk, wrote this document. I, Douglas de Campos Gavazzi, Deputy Notary, signed it (signatures) // ARTUR GAULKE SCHUNCK, LEANDRO ROBERTO RODRIGUES. TRANSCRIPT prepared on January 26, 2021. I, [signature], (REGINALDO MANOEL DO NASCIMENTO) Clerk, printed this transcription. I, Douglas de Campos Gavazzi, Deputy Notary, verified this instrument, signed it and hereunto set my hand and seal.

IN WITNESS WHEREOF

[signature]

Douglas de Campos Gavazzi

DEPUTY NOTARY

**COSTS AND FEES:** To the Notary Public Office: [\*\*\*\*\*]; To the State Government: [\*\*\*\*\*]; To the Treasury Office: R[\*\*\*\*\*]; To Hospital Santa Casa: [\*\*\*\*\*]; To the Civil Registry: [\*\*\*\*\*]; To the Court of Appeals: [\*\*\*\*\*]; To the Municipal Tax: [\*\*\*\*\*]; To the Public Prosecutor's Office: [\*\*\*\*\*]; [\*\*\*\*\*].

REGISTRATION No. [\*\*\*\*\*]

[QR code]

ELECTRONIC SEAL: [\*\*\*\*\*] - [\*\*\*\*\*]

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Subject: DocuSign: Formulário Contrato DocuSign ID – BancoSeguro.docx, Contrato ID Visa – BancoseguroSA...		
Source Envelope:		
Document Pages: 43	Signatures: 8	Envelope Originator:
Certificate Pages: 6	Initials: 11	Visa do Brasil – Contracts Department
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Signer Events	Signature	Timestamp
Marcos Jesus Pereira	DocuSigned by:	Sent: November 29, 2021, 1:56:46 PM
[*****]	[signature]	Viewed: November 29, 2021 1:57:10 PM
Security Level: Email, Account Authentication (None)	[*****]	Signed: November 29, 2021 1:58:44 PM
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	Using IP Address: [*****]	

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Natani Ventura Azevedo	DocuSigned by:	Sent: November 29, 2021, 1:58:47 PM
[*****]	[signature]	Viewed: November 30, 2021 4:52:56 AM
Lawyer	[*****]	Signed: November 30, 2021 5:00:50 AM
UNIVERSO ONLINE S.A.	Signature Adoption: Uploaded Signature Image	
Security Level: Email, Account Authentication (None)	Using IP Address: [*****]	

Electronic Record and Signature Disclosure:		
Accepted: November 10, 2021 10:45:23 AM		
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ARTUR GAULKE SCHUNCK [*****] Chief Financial Officer Security Level: Email, Account Authentication (None)	DocuSigned by: [signature] [*****] Signature Adoption: Pre-selected Style Using IP Address: [*****]	Sent: November 30, 2021, 5:00:55 AM Viewed: November 30, 2021 5:30:48 AM Signed: November 30, 2021 5:31:10 AM
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Leandro Roberto Rodrigues [*****] Treasury Officer Security Level: Email, Account Authentication (None)	DocuSigned by: [signature] [*****] Signature Adoption: Pre-selected Style Using IP Address: [*****]	Sent: November 30, 2021, 5:31:15 AM Viewed: November 30, 2021 5:54:26 AM Signed: November 30, 2021 5:55:01 AM
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Accepted: November 30, 2021 5:54:26 AM		
ID: [*****]		
Jorge Neto [*****] Client Services Visa Security Level: Email, Account Authentication (None)	DocuSigned by: [signature] [*****] Signature Adoption: Pre-selected Style Using IP Address: [*****]	Sent: November 30, 2021, 5:55:07 AM Viewed: November 30, 2021 6:14:50 AM Signed: November 30, 2021 6:23:18 AM
<b>Electronic Record and Signature Disclosure:</b>		
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Alessandro Thuller [*****] Compliance Officer Visa do Brasil	DocuSigned by: [signature] [*****] Signature Adoption: Pre-selected Style	Sent: November 30, 2021, 6:23:24 AM Viewed: November 30, 2021 1:24:27 PM Signed: November 30, 2021 1:34:29 PM

Security Level: Email, Account Authentication (None)	Using IP Address: [*****]	
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Not Offered via DocuSign		
Edson Ortega [*****]	DocuSigned by: [signature]	Sent: November 30, 2021, 1:34:34 PM
Vice President for LAC Ecosystem Risk and Brazil Payment Risk	[*****]	Viewed: November 30, 2021 2:00:33 PM
Visa do Brasil	Signature Adoption: Pre-selected Style	Signed: November 30, 2021 2:02:00 PM
Security Level: Email, Account Authentication (None)	Using IP Address: [*****]	
<b>Electronic Record and Signature Disclosure:</b>		
Not Offered via DocuSign		
Luciane Lima [*****]	DocuSigned by: [signature]	Sent: November 30, 2021, 2:02:07 PM
Finance Executive Officer	[*****]	Resent: December 1, 2021 4:13:20 PM
Visa do Brasil Empreendimentos Ltda	Signature Adoption: Pre-selected Style	Resent: December 8, 2021 4:25:16 AM
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<b>Electronic Record and Signature Disclosure:</b>		
Accepted: December 8, 2021 4:32:45 AM		
ID: [*****]		

<b>In Person Signer Events</b>	<b>Signature</b>	<b>Timestamp</b>
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<b>Agent Delivery Events</b>	<b>Status</b>	<b>Timestamp</b>
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<b>Carbon Copy Events</b>	<b>Status</b>	<b>Timestamp</b>
<b>Witness Events</b>	<b>Signature</b>	<b>Timestamp</b>

Notary Events	Signature	Timestamp
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<b>Envelope Summary Events</b>	<b>Status</b>	<b>Timestamps</b>
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Certified Delivered	Security Checked	December 8, 4:32:45 AM
Signing Complete	Security Checked	December 8, 4:34:01 AM
Completed	Security Checked	December 8, 4:34:01 AM
<b>Payment Events</b>		
<b>Electronic Record and Signature Disclosure</b>		

Electronic Record and Signature Disclosure created on: August 14, 2018, 12:10:11 PM

Parties agreed to: Marcos Jesus Pereira, Natani Ventura Azevedo, ARTUR GAULKE SCHUNCK, Leandro Roberto Rodrigues, Luciane Lima

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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 that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

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If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering 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 your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign 'Withdraw Consent' form on the signing page of a DocuSign envelope instead of signing it. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

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Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to 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 by the same method and to the same address that you have given 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, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

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To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at [\*\*\*\*] and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address.

In addition, you must notify DocuSign, Inc. to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in the DocuSign system.

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- i. decline to sign a document from within 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 to [\*\*\*\*] and in the body of such request you must state your e-mail, full name, US Postal Address, and telephone number. 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**

Operating Systems:	Windows® 2000, Windows® XP, Windows Vista®, Mac OS®
Browsers:	Final release versions of Internet Explorer® 6.0 or above (Windows only); Mozilla Firefox 2.0 or above (Windows and Mac); Safari™ 3.0 or above (Mac only)
PDF Reader:	Acrobat® or similar software may be required to view and print PDF files
Screen Resolution:	800 x 600 minimum
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 verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the 'I agree' button below.

By checking the 'I agree' box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC CONSUMER DISCLOSURES document; and
- 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
- Until or unless I notify Visa do Brasil as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by Visa do Brasil during the course of my relationship with you.

**SERVICE AGREEMENT AND OTHER COVENANTS**

The following parties have decided to enter into this private Instrument, and are hereinafter jointly referred to as "Parties", and individually as "Party". On one side:

**PAGSEGURO INTERNET S.A.**, private corporation, headquartered in the City of São Paulo, State of São Paulo, at Avenida Brigadeiro Faria Lima, No. 1384, 4º andar – Parte A, Jardim Paulistano, Brasil, CEP 01451-001, enrolled with the Corporate Taxpayers' Registry of the Ministry of Finance ("CNPJ/MF") under No. 08.561.701/0001-01, herein represented by its undersigned legal representatives, hereinafter referred to as "**PAGSEGURO**" and/or "**CLIENT**"; and **UNIVERSO ONLINE S/A.**, corporation, headquartered in the City of São Paulo, State of São Paulo, at Av. Brigadeiro Faria Lima, 1384, 6º andar, enrolled with CNPJ/MF under No. 01.109.184/0001-95, hereinafter represented pursuant to its Bylaws, hereinafter simply referred to as "**UOL**" and/or "**CLIENT**", both parties are jointly referred to as **CLIENTS**; and on the other side;

**INVILLIA - DESENVOLVIMENTO DE PRODUTOS DIGITAIS LTDA.**, headquartered at Rua Padre Duarte, Nº 151, Conj. 181 Edif. Empresarial América, Centro, Araraquara – SP, enrolled with CNPJ/MF under No. 04.654.734/0001-45, herein duly represented pursuant to its corporate acts in force, hereinafter referred to as **SERVICE PROVIDER**.

**CLIENTS** and **SERVICE PROVIDER** are hereinafter jointly referred to as "Parties", and individually as "Party"; The Parties hereby execute this Service Agreement and Other Covenants ("Agreement"), and mutually accept, grant, and agree to fully comply with this Instrument, pursuant to its terms and conditions below.

**1. PURPOSE**

1.1 The purpose of this Agreement is to provide software advisory, development, implementation, maintenance, and management services upon allocation of expert professionals by the **SERVICE PROVIDER** ("Services"), in compliance with the business rules and procedures established by the **CLIENTS** pertaining to the scope hereof, provided that the coverage of the Services provided shall be defined through specific Technical and Business Proposal(s), which shall automatically be an integral part of this Agreement as exhibits upon ratification and acceptance by the Parties.

1.1.1 In addition to the other proposals that may become an integral part hereof, we have the following documents that are an integral and supplementary part of this AGREEMENT:

\*\*\*\*\*  
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12.3. Each request to be carried out by the **SERVICE PROVIDER** shall be subject to a specific Proposal, in which all the characteristics of the service shall be provided in a detailed and thorough way.

1.2 The **SERVICE PROVIDER** expressly represents that the Services to be carried out comprise its corporate purpose - and it holds the know-how and experience required for its proper performance - as well as it



has all records and licenses required for its provision with the **CLIENTS**, and there are no restriction or obstruction in this regard.

1.3 The **SERVICE PROVIDER** shall be exclusively responsible for the Services to be provided to the **CLIENTS**, and it may not outsource the Services, except upon prior written authorization from the **CLIENTS**.

1.4 If there is any discrepancy between the provisions in the Proposals and the provisions herein, the Agreement shall supersede all other provisions, except matters concerning the amounts included only in the Proposals.

## 2. ACCESS TO THE CLIENTS' NETWORK

2.1. The **SERVICE PROVIDER**, on its own account and on the account of its employees, agents, as well as of everyone who may be involved in the use of the relevant equipment, shall be responsible for the access to the **CLIENTS'** Corporate network, and shall be jointly responsible for the compliance with the access security rules of the **CLIENTS**, which must be followed, as shown below.

- a) It is aware that it has read and understood this Agreement;
- b) It is responsible for the compliance with the requirements herein, as well as with the Corporate Network Access Policy of the **CLIENTS**;
- c) It shall inform its employees, agents and everyone who is involved in the use of the relevant equipment on the requirement to comply with the rules herein established; and
- d) It shall provide together with its employees, agents, and everyone who may be involved, the execution of the individual Liability Agreement for the use of equipment and access.

2.2. The **SERVICE PROVIDER** acknowledges and agrees that:

- a) The access to the **CLIENTS'** Corporate Network is exclusive for the specific use related to the purpose hereof, excluding any other type of activity or access;
- b) The liabilities established herein are valid regardless of the physical location of the **SERVICE PROVIDER**;
- c) Pursuant to the security policy of the **CLIENTS**, the protection of confidentiality and the proper handling of information accessed is the sole responsibility of the **SERVICE PROVIDER**;
- d) The system to access the **CLIENTS'** Corporate Network ensures the authenticity and non-repudiation of accesses and operations performed by the **SERVICE PROVIDER**;
- e) All access and operations are recorded and may be audited at any time, without prior notice, by the **CLIENTS'** information security and human resources departments;
- f) Password, software license of the **CLIENTS** or acquired from third-parties for the **CLIENTS**, and any device provided for the access to the **CLIENTS'** network are for personal use, non-transferable, and the responsibility of the **SERVICE PROVIDER**;
- g) All security requirements and controls included in the **CLIENTS'** Corporate Network secure access policy must be used by the **SERVICE PROVIDER** and its employees, agents, and others with access;
- h) Only equipment that meets the minimum requirements defined by the **CLIENTS'** security department are authorized and permitted for the access to the **CLIENTS'** Corporate Network.

The **SERVICE PROVIDER** under no circumstance may use equipment that was not officially approved by the **CLIENTS** to provide the services subject matter hereof;

- i) The architecture and system used to access the **CLIENTS'** Corporate Network must be the one indicated by the **CLIENTS'** security department, to the exclusion of any other.
- j) The equipment used to access the **CLIENTS'** Corporate Network must use only operational systems, antivirus software, personal firewall, and anti-spyware officially approved and indicated by the **CLIENTS'** Corporate Support.
- k) The **SERVICE PROVIDER** must promptly notify the **CLIENTS** upon identification of any security incident or undue access; and
- l) The **SERVICE PROVIDER** is responsible for the use of the equipment, holding the **CLIENTS** harmless from any responsibility, and from any damages caused to it while providing the services subject matter hereof. The **SERVICE PROVIDER** must watch over the security of the equipment.

2.3. Taking into account that for the proper provision of the Services, employees of the **SERVICE PROVIDER** may be allocated at the **CLIENTS'** environment and, for that, the **SERVICE PROVIDER** may have access to the **CLIENTS'** Corporate Network. The **SERVICE PROVIDER** hereby declares to acknowledge that its employees shall be jointly liable for the compliance with the **CLIENTS'** access security rules, which includes, but is not limited to:

- i. Being responsible for the compliance with the requirements included herein, as well as the **CLIENTS'** Corporate Network Access Policy, Grupo UOL's Compliance Code, Grupo UOL's Code of Ethics and Conduct and the **CLIENTS'** Information Security Policy, which shall be made available by the **SERVICE PROVIDER**;
- ii. Informing to employees on the mandatory nature of the compliance with the rules established herein;
- iii. Providing together with its employees the execution of the individual Liability Agreement for the use of equipment and access;
- iv. Prohibition of e-mail signatures or other types of communication on behalf of the **CLIENTS**, also being forbidden the use of corporate template of e-mail signature.
- v. Prohibiting the use of business cards on behalf of the **CLIENTS** or any other visual identity binding the service provider as an employee of the **CLIENTS**;
- vi. Not authorizing Third Parties to disclose, in any meetings, telephone contact, e-mail, or by any other mean, any confidential information or any information that may grant privilege or merit legal protection, such as corporate, technical, business, or financial information or information associated to trade secrets, technologies, software, commercial, operational or business plans, processes, projects, creations, ideas, concepts, developments, drawings, names, brands and/or logos, among other information or data that are not generally known by the public and that may be characterized as the **CLIENTS'** intellectual property;
- vii. Not practicing any act of corruption, fraud, and extortion, nor offering/accepting bribe or any other type of illegal incentive, complying with the terms of anti-corruption law, pursuant to section 14.7 below.

### 3. OBLIGATIONS OF THE LICENSOR

3.1 In addition to the provisions herein, the following are obligations of the **SERVICE PROVIDER**:

3.1.1 To provide the Services hired in compliance with technical specifications and standards agreed with the **CLIENTS** herein and in each Proposal, using qualified workforce, duly trained to perform the Services.

3.1.2 To perform the implementation, complying with the efficiency, rationality, and security of the systems, in addition to analyzing and solving technical issues, and developing technical handbooks, if needed.

- 3.1.3 To be responsible for the schedules prepared with the **CLIENTS**, being allowed to propose changes, estimate the needs of additional resources, and even suggest alternate schedules, whenever necessary and mutual agreement between the Parties, always in an expressive and directed way.
- 3.1.4 To provide meals, transportation, and accommodation to its employees, if needed, due to the purpose hereof.
- 3.1.5 To provide detailed reports about the services to the **CLIENTS**, upon prior and express request from the **CLIENTS**, including report of all occurrences of the Services performance (compliance with deadlines, shortages, problems with installations, inter-personal relationship, etc.).
- 3.1.6 To provide the **CLIENTS** with the means and facilities required to monitor the Services, promptly and unrestrictedly complying with all requests.
- 3.1.7 To replace any of its Employees whose conduct breaches internal rules of the **CLIENTS** or upon simple request by the **CLIENTS**.
- 3.1.8 To watch over the safekeeping and maintenance of the equipment and location of service provision that may be made available by the **CLIENTS**.
- 3.1.9 To be liable for all tax, administrative, social security and civil obligations arising from this Agreement, and all documentation proving so shall be available to the **CLIENTS**.
- 3.1.10 To be fully liable for all and any damage or loss that may be caused to the **CLIENT** or third parties as a result of performance hereof.
- 3.1.11 To require the exclusion of the **CLIENTS** from any dispute in which they are involved, due to an act or deed under the **SERVICE PROVIDER**'s liability, arising from this Agreement, being included, as a consequence, as defendant in the dispute.
- 3.1.11.1 The **CLIENTS** shall notify the **SERVICE PROVIDER** about any court order and/or administrative proceeding that it may be involved in as a result of this Agreement and, if it is not possible to exclude the **CLIENTS** as plaintiff or at its sole discretion, the **SERVICE PROVIDER**, without prejudice to the obligation under section 3.1.11, must provide the **CLIENTS** with information, evidence and/or witnesses for the defense, which will be conducted at the sole discretion of the **CLIENTS**.
- 3.1.12 To reimburse the **CLIENTS** for all and any amount that the **CLIENTS** spent by virtue of an unappealable decision, whether administrative or rendered by the court, due to an act or deed by the **SERVICE PROVIDER**, within [\*\*\*\*\*] business days as from the delivery of the payment slip concerning such expenses.
- 3.1.13 To adopt all necessary measures so that Employees that were dismissed from the provision of the Services do not enter the **CLIENTS**' facilities, keeping the **CLIENTS** informed about all dismissals.
- 3.1.14 Not to employ any of the **CLIENTS**' former employees in the performance of the Services subject matter hereof, except upon prior and express notice from the **CLIENTS**.
- 3.1.15 Not to allow persons under eighteen (18) years of age to work at the night shift, or to perform hazardous or unhealthy activities, as well as not to allow persons under sixteen (16) years of age to perform any work whatsoever, except as apprentice from fourteen (14) years of age, pursuant to the provisions in section 7, item XXIII of the Brazilian Federal Constitution.
- 3.1.16 Not to perform any practices of negative and restrictive discrimination when hiring or dealing with employees, such as, but not limited to, by virtue of: gender, origin, race, skin color, physical condition, religion, marital status, age, family situation or pregnancy.
- 3.1.17 To agree to protect and preserve the environment, as well as to prevent and eradicate practices that are harmful to the environment, and perform its services in compliance with the legislation in force concerning the Brazilian Environmental Preservation and Anti-Crime Policy, as well as all legal, normative and administrative acts associated to the environment, within Federal, State and Local spheres.

- 3.1.18 To notify the **CLIENTS** about any questions, omissions or discrepancies that may be found in the technical documentation provided for the performance of the Services.
- 3.1.19 Not to use the name, brand, logo and/or brand logo of the **CLIENTS** in advertising materials of any nature, except upon prior written authorization from the **CLIENTS**.
- 3.1.20 Upon formal request from the **CLIENTS**, to return all documents, procedures, notifications, products, equipment, parts and pieces owned by the **CLIENTS** that are under the **SERVICE PROVIDER**'s care, within forty-eight (48) hours from the request.
- 3.1.21 The **SERVICE PROVIDER** undertakes to follow the rules and norms of security used by the **CLIENTS** in its facilities. It is hereby agreed that the **SERVICE PROVIDER**'s Employees, when accessing the **CLIENTS**' facilities, shall adopt the internal functional identification, which may include, but is not limited to, bearing an identification badge, and the **SERVICE PROVIDER** shall be liable for any damages and/or accidents that its Employees may cause and/or suffer due to the non-compliance with such rules.
- 3.1.22 The **SERVICE PROVIDER** ensures that its product/solution does not have any active or passive mechanism allowing the attainment, reproduction, storage, view or any other type of access to any data or records in it, whether by the **SERVICE PROVIDER** or third parties, without prior and express consent from the **CLIENTS**. Passive means any form of access granted to third parties without the consent from the **CLIENTS**, in order to such third parties request data. Active means any form of data submission, whose decision comes from the solution itself, but without consent from the **CLIENTS**.
- 3.1.23 The **SERVICE PROVIDER** must answer to and be liable for any and all materials delivered to it by the **CLIENTS**, using it in a proper and diligent form, and the **SERVICE PROVIDER** shall indemnify for all and any damage that the **SERVICE PROVIDER** and its Employees may cause to real and personal property, machinery, equipment, devices and installations in general, owned by third party or the **CLIENTS**.
- 3.1.24 The **SERVICE PROVIDER** shall watch over the equipment provided by the **CLIENTS** as if it were its own, always notifying the **CLIENTS** whenever any incidents related to the equipment occur, such as, but not limited to, losses, damages, robbery, or theft.
- 3.1.24.1 In case of damages or partial destruction of the equipment by the **SERVICE PROVIDER** or its Employees, the **SERVICE PROVIDER** shall fully bear all costs and expenses concerning the equipment repair and fixing.
- 3.1.24.2 In the event of total destruction, loss, robbery, or theft of the equipment, the **SERVICE PROVIDER** shall pay its full value to the **CLIENTS**.
- 3.1.25 The **SERVICE PROVIDER** represents that its Employees are fully aware of the proper way to use and work the equipment provided by the **CLIENTS**, as well as how it shall be used according to its technical specifications, in order to ensure the maximum useful life indicated by the manufacturer.
- 3.1.26 The **SERVICE PROVIDER** represents that it will not install nor allow its Employees to install softwares, applications, or any other types of computer programs that in any way may interfere with the proper operation of the equipment (such as virus, malware, spyware, and Trojan Horses) or that hinder third-party intellectual property rights, including, but not limited to, software without the due license or modified without the consent from its owner.
- 3.1.27 The **SERVICE PROVIDER** undertakes to reimburse the **CLIENTS** if it causes any damages due to the conducts described herein, which includes, but is not limited to, the undue use of the equipment provided by the **CLIENTS** and breach of third-party intellectual property rights.
- 3.1.28 The **SERVICE PROVIDER** shall purchase and keep, throughout the entire contractual effectiveness, all insurances required to protect the people and its employees.



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3.1.29 The **SERVICE PROVIDER** shall immediately notify the **CLIENTS** about the lack of any essential element required for the performance of the work, so that it can be duly remedied, to prevent whenever possible the interruption of the service and subsequent delay in its completion and delivery.

#### 4. OBLIGATIONS OF THE CLIENTS

- 4.1 To perform all payments due to **SERVICE PROVIDER** strictly within the terms agreed herein and/or in its Proposal(s).
- 4.2 To notify the **SERVICE PROVIDER** in writing about any issues that may occur with the Employees allocated for the performance of the Services.
- 4.3 To provide the **SERVICE PROVIDER** with the infrastructure, information, data, and materials required to perform the Services, which may be provided in the facilities of the the **SERVICE PROVIDER**, the **CLIENTS** or any other place defined by the **CLIENTS**.
- 4.4 It is hereby not established any joint and several liability between the **CLIENTS**, who shall be individually liable for its own contracts.

#### 5. EFFECTIVENESS

5.1 This Agreement is effective as of the date of its execution through the period of [\*\*\*\*\*] months, which can be automatically extended for the same and successive periods, provided that neither Party presents prior and express notice about its intent to terminate the Agreement at least [\*\*\*\*\*] days before its renewal.

#### 6. PRICE AND PAYMENT CONDITIONS

- 6.1 The **CLIENTS** shall pay to the **SERVICE PROVIDER** the amounts provided in the Proposal(s) attached hereto, upon monthly submission of the relevant Invoice, for the execution of the Services subject matter hereof, and all taxes, fees, or any type of contributions, whether direct or indirect, levied on the services provided pursuant to this Agreement are already included in the amounts specified in this section.
- 6.2 The payments provided shall be made upon the receipt, by the **CLIENTS**, of the invoice submitted by the **SERVICE PROVIDER**, within [\*\*\*\*\*] days from the date of receipt.
- 6.3 No other payment shall be due to the **SERVICE PROVIDER**, which includes, but is not limited to, expenses with travel, accommodation, or any other expenses concerning the Service purchased, except if previously and expressly authorized by the **CLIENTS**, and the reimbursable amounts are limited by the **CLIENTS'** internal policies, which shall be timely informed to the **SERVICE PROVIDER**. The billing shall be carried out in the same way described herein.
- 6.4 All payments shall be made upon the issuance of Invoice by the **SERVICE PROVIDER**. The **SERVICE PROVIDER** shall include the following information in the Invoices/Bills:

#### UOL:

**Name:** UNIVERSO ONLINE S/A  
**CNPJ:** 01.109.184/0004-38  
**Address:** Av. Brigadeiro Faria Lima, 1384, 8º ao 11º andar,  
Jd. Paulistano – São Paulo/SP – CEP: 01451.-001

#### PAGSEGURO:

**Name:** PAGSEGURO INTERNET S.A  
**CNPJ:** 08.561.701/0001-01  
**Address:** Avenida Brigadeiro Faria Lima, nº 1384, 4º andar – Parte A  
Jd. Paulistano – São Paulo/SP – CEP: 01451.-001

6.4.1 The failure of the **SERVICE PROVIDER** to issue one or more Invoices, or if information mentioned is not included therein, payment by the **CLIENTS** may be suspended until the **SERVICE PROVIDER** issues the Invoice or rectifies it, as the case may be, and immediately submits it to the **CLIENTS**.



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6.4.2 The failure of the **CLIENTS** to perform payments in the agreed form and within the agreed terms shall result in the application of a fine equivalent to [\*\*\*\*]% per month and a late charge of [\*\*\*\*]% of the amount due.

6.5 The **CLIENTS** shall pay for the Services whose performance is duly documented by the **SERVICE PROVIDER**, pursuant to the terms and conditions agreed herein. Any Services that were completed, but not duly reported, will have their payment pending until they are actually proven by the **SERVICE PROVIDER**.

6.6 The **CLIENTS** may deduct from the Invoices all fines and any compensation arising from this Agreement and/or its Proposal, including with respect to materials that have been lost or damaged by the **SERVICE PROVIDER**.

6.6.1 If the amounts payable, pursuant to the preceding item, are higher than the amount informed in the Invoice, the **SERVICE PROVIDER** shall be responsible for the difference, which may be deducted from future payments, including payments related to other credits that the **SERVICE PROVIDER** has with **CLIENTS**.

6.7 Whenever requested by the **CLIENTS**, the **SERVICE PROVIDER** shall submit the following authenticated documentation:

- a) Certificate of Good Standing on Federal Taxes and Contributions; [\*\*\*\*]
- b) Certificate of Good Standing on State Taxes; [\*\*\*\*]
- c) Certificate of Good Standing on Real Estate Debt; [\*\*\*\*]
- d) Social Security Payment form (GPS); [\*\*\*\*]
- e) Guarantee Fund for Length of Service Payment form, [\*\*\*\*]

6.7.1 In the event any debt from the **SERVICE PROVIDER** is identified, at any time, as a result of non-payment of taxes, fees, contributions or charges, directly or indirectly levied on the Services hired herein and/or related to delay or default in providing payment receipts that prove the discharge of all social security and labor obligations related to its Employees and, as applicable, its subcontractors' employees, even if partially, payment of the applicable Invoice/Bill will be withheld until the default is remedied and the receipts are duly submitted, without any interest, adjustment for inflation or any other type of adjustments, fines and/or compensation.

## 7. TAXES

7.1 The prices agreed herein and in the Proposal include all taxes, fees and charges levied, whether directly or indirectly, on the Services hired herein, as well as all labor, civil and social security obligations in force and payable at the price base date.

7.2 If there is any change to the tax legislation in force that may result in the creation of new taxes, increase in the calculation basis and/or tax rate, or that, in any way, may result in the increase of financial encumbrances hereof, the Parties shall negotiate, in good faith, changes in the prices set forth herein, provided that, under no circumstance, automatic onendings and one-sided increase in prices shall be admitted. If the Parties cannot reach an agreement with respect to the new prices to be applied, this Agreement shall be promptly and lawfully terminated, without encumbrances or penalties.

## 8. VIOLATION

8.1 In the event of default of the obligations assumed herein, the aggrieved Party shall notify the defaulting party about the delay, so that the defaulting party may perform its obligation within [\*\*\*\*] days from the receipt of the notice.

8.2 The **CLIENTS**, without prejudice to the option of terminating this Agreement, may require indemnification from the **SERVICE PROVIDER** in the amount equivalent to the damage caused.



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## 9. TERMINATION / RESCISSION

9.1 This Agreement may be terminated by any of the Parties, at any time, upon written notice to the other Party, at least [\*\*\*\*] days before, free of encumbrances, fines, or penalties.

9.2 The **CLIENTS** shall pay to the **SERVICE PROVIDER** the prorated amount of the Services provided until the date of termination.

9.3 Any Party may terminate this Agreement at any time, regardless of judicial or extrajudicial notice, not being required to pay indemnification in the following events:

- a) Insolvency, bankruptcy, financial restructuring, or similar procedure, which may jeopardize the performance of the obligations undertaken herein.
- b) Occurrence of Act of God or Force Majeure interrupting the performance of this Agreement for a period longer than [\*\*\*\*] days.

9.4 Any Party may also lawfully terminate this Agreement at any time upon simple written notice, without prejudice to the losses and damages that it may have suffered, in the following events:

- a) default or the full or partial non-compliance with any of the clauses in this Agreement, in case it is not remedied within the period set forth in section 8.1 above;
- b) negligence, recklessness, unskillfulness, or unwillingness by the **SERVICE PROVIDER**, on its own account or on the account of Employees allocated in the provision of the Services subject matter hereof; and
- c) Non-compliance by the **SERVICE PROVIDER** with the recommendation in data provided by the **CLIENTS** for the provision of Services.

9.5 Upon termination hereof, the **CLIENTS** may promptly assign the completion of the Services herein hired to whoever is convenient, at its sole discretion and not being required to consult with the **SERVICE PROVIDER**, which includes, but is not limited to, third parties who are direct competitors of the **SERVICE PROVIDER**.

9.6 In the event of termination, all the material held by the **SERVICE PROVIDER** must be returned to the **CLIENTS**.

9.7 In any event of contractual termination, the Services prepared or that were under preparation by the **SERVICE PROVIDER** shall be passed on to the ownership of the **CLIENTS** until the termination date.

9.8 The termination of any Proposal shall not result in the automatic termination of this Agreement or any other Proposals in progress. However, the termination of this Agreement shall result in the termination of all Proposals in progress, subject to the right of the **SERVICE PROVIDER** of receiving payment due for the Services provided, and subject to the right of the **CLIENTS** of having the Services set forth in the ongoing Proposal completed, if it is their intention.

9.9 It is hereby agreed that the **SERVICE PROVIDER** shall expressly waive the rights to withhold documents owned by the **CLIENTS** as from the termination notice, even if the **CLIENTS** considers the reason for termination insufficient.

## 10. CONFIDENTIAL INFORMATION

10.1 The **SERVICE PROVIDER** and its technical team undertake to keep absolute confidentiality over any transactions, data, technical specifications, innovations, documents and information of the **CLIENTS**, that they may become aware of, have access to or be entrusted with due to this Agreement, also including and all information orally provided ("Confidential Information").





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Likewise, the **SERVICE PROVIDER** undertakes to, under any circumstance, not disclose, reveal, reproduce, use, or inform third parties who are not parties to this agreement.

10.2. If the **SERVICE PROVIDER** is legally obliged to disclose the **CLIENTS'** Confidential Information by law or court order, the **SERVICE PROVIDER** shall promptly notify in writing the **CLIENTS**, in a way to allow the **CLIENTS** to timely file for, if it deems necessary, applicable remedy in order to prevent the disclosure of such Confidential Information. In case the disclosure of Confidential Information is needed, the **SERVICE PROVIDER** shall disclose only the part of the Confidential Information that may be legally required and shall employ its best efforts to grant confidential treatment to any Confidential Information disclosed.

10.3. The **SERVICE PROVIDER** undertakes to immediately return to **CLIENTS** all and any material that includes Confidential Information, as soon as the provision of the Services subject matter of this Agreement and its Proposal is completed or upon written request from the **CLIENTS**.

10.4. The confidentiality obligation of the **SERVICE PROVIDER** provided in this Agreement and its Proposal, shall survive the termination of this Agreement and the end of the provision of Services for the period of [\*\*\*\*\*] years after the termination date.

10.5. The **SERVICE PROVIDER** undertakes to instruct its Employees in regard to these provisions, which shall be complied even upon the end or termination hereof.

10.6. The **SERVICE PROVIDER** hereby undertakes not to use, withhold or copy the Confidential Information that was provided to it in order to create any file, list or data base of its private or third-party use, except upon express and written authorization from the other Party.

10.7. The confidentiality obligations provided above do not apply to:

(i) Information publicly known at the moment it was disclosed to the **SERVICE PROVIDER**, or information that becomes known without any action by the **SERVICE PROVIDER**, its officers, shareholders or quotaholders; and

(ii) information already owned by the **SERVICE PROVIDER**, its officers, shareholders or quotaholders when disclosed to them, provided that such ownership is promptly informed to the **CLIENTS**, with due documentation.

## 11. INTELLECTUAL PROPERTY

11.1. The computer programs mentioned in Section 1 above, under the ownership and/or possession of the **CLIENTS**, to which the **SERVICE PROVIDER** shall provide services may suffer changes and adjustments resulted from the provision of the services subject matter hereof. Any change to the computer programs owned by the **CLIENTS** resulting in improvements shall remain with the **CLIENTS**.

11.2. The Technology Risk and Intellectual Property is under the domain of the **CLIENTS**, and the **SERVICE PROVIDER** takes part in technical support to the **CLIENTS** in projects and/or activities related to technological research and development of technological innovation of products, processes and services, including improvements and increments.

11.2.1. Any ownership and exploration rights present or future arising from the services provided hereunder are hereby assigned and transferred to the **CLIENTS** by the **SERVICE PROVIDER**, on an exclusive, final, irrevocable and irreversible basis, and the **CLIENTS** may, within the term provided in Article 49, II of Law No. 9,610, of 02/19/98, regardless of any manifestation, consent or notice submitted to the **SERVICE PROVIDER**, regardless of the payment of any other amount, increase or additional sum to the price established below, freely use, enjoy or dispose of (including license or assign) said rights.

11.3. The **CLIENTS** shall hold the full right to economically explore or use the results of the services provided by the **SERVICE PROVIDER**, on any account, without any geographical, time or quantitative limitation.

11.4. It is hereby agreed between the Parties that the **SERVICE PROVIDER**, as well as any of its partners, managers, employees, and/or agents shall not, whether directly or indirectly, throughout the effectiveness of this agreement and any extensions, except upon prior written authorization from the **CLIENTS**, on any account and at any time, perform similar activity to the one provided in this instrument, provide any material or any other product similar to the purpose of this instrument, regardless if they were signed or not, for any broadcasting/disclosure for companies competing with the **CLIENTS**. The **SERVICE PROVIDER** grants the **CLIENTS** with full and absolute exclusivity on the materials subject matter of this Agreement, as well as on any other material created for the **CLIENTS** and any other means of electronic disclosure, whether they were specified in this Agreement or not, which currently exist or which may be created in the future, therefore, the **CLIENTS** are prohibited from selling and/or providing them.

11.5. It is expressly established between the Parties that if the **CLIENTS** find bugs or errors in the computer programs developed by the **SERVICE PROVIDER**, such fixtures shall be performed by the **SERVICE PROVIDER**, and the **CLIENTS** shall not bear any additional cost.

## 12. LABOR LIABILITY

12.1. The Parties agree that, as the **SERVICE PROVIDER** is exclusively responsible for providing the services, it shall be fully held liable for all labor and social security charges, taxes, insurances, indemnification and all other expenditures resulted from the employment bond the **SERVICE PROVIDER** has with its employees and other contractors and subcontractors providing services to the **CLIENTS**, since they are exclusively payable by the **SERVICE PROVIDER**, and the **CLIENTS** shall not be held liable for such charges, not even subsidiarily or jointly.

12.2. It is hereby established that if the **CLIENTS** or any of its clients become a defendant in any lawsuit or administrative proceeding, including, but not limited to, labor, social security and tax proceeding, for reasons attributable to the **SERVICE PROVIDER** either or not related to the subject matter and/or obligations herein, but as a result from this Agreement, the **SERVICE PROVIDER** shall:

- i) Provide support and documents for the preparation of the **CLIENTS'** defense, at least [\*\*\*\*] days before the end of the established deadline;
- ii) Enter the suit as co-defendant and have the **CLIENTS** removed from the suit, using all defense arguments and applicable resources;
- iii) If the **SERVICE PROVIDER** is not party to the proceeding, upon request from the **CLIENTS**, appear at the hearings and any other events, without creating any obstacles, in order to request its inclusion as defendant in the lawsuit/administrative proceeding.
- iv) If the **CLIENTS** and/or its Clients are not removed from the claim, the **CLIENTS** shall withhold an amount equivalent to [\*\*\*\*]% of the monthly payment for as long as they remain in the claim, in order to receive reimbursement for all expenses concerning attorneys' fees, expenses, losses and/or any judgment.

12.3. The **SERVICE PROVIDER** hereby authorizes the **CLIENTS** to enter into, at any time, any settlements so that the **CLIENTS** are removed from any labor or social security claim, provided that: (i) such settlements are limited to the individual amount of [\*\*\*\*] per settlement; and  
(ii) the third-party claim results from breach of contractual obligations by the **SERVICE PROVIDER** or in the event of default by the **SERVICE PROVIDER**.

12.3.1. The amount referred in section 12.3. shall be adjusted on an annual basis, as from the execution date hereof according to the IGP-M variation.

12.3.2. Any amounts disbursed by the **CLIENTS** according to the settlements referred to in this clause 12.3 are hereby acknowledged by the **SERVICE PROVIDER** as net, certain and payable for all legal purposes, and, therefore, subject to financial compensation as provided in the Agreement.



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12.4 In the event judgment is entered against the **CLIENTS** or settlement involving them, concerning the service subject matter hereof, even if only partially or by lower court, and even if pending trial of appeal, the **SERVICE PROVIDER** undertakes, in the event it did not exercise the option provided in the previous item or exceeding the amount that was previously withheld, to reimburse the **CLIENTS** for the total amount that was disbursed, within seventy-two (72) hours, as from the receipt of notification by mail indicating the amount due, including the principal and all ancillary installments or resulted from attorneys' fees, fines, court costs and expenses.

12.5 If the above-mentioned reimbursements are not paid, the **SERVICE PROVIDER** expressly authorizes the **CLIENTS** to discount the amount of the judgment, in advance, from the payments due for the services provided. The total amount required for the compliance with the settlement or the judgment, or also for the appeal bond may be deducted, regardless of new authorization from the **SERVICE PROVIDER** or any other formality, being sufficed notification to the **SERVICE PROVIDER**.

12.6 If the withheld amount does not reach the amount of the judgment, the **CLIENTS** will have the option to seek court enforcement of the debit, pursuant to Articles 585, II et. seq. of the Brazilian Civil Procedural Code, and the proof of amounts due shall be made through payment receipts of the expenditures.

12.7 The **SERVICE PROVIDER** shall be held fully liable for the acts and omissions performed by its partners, managers, representatives, advisors, employees, contractors or subcontractors, and any other agents to which the **SERVICE PROVIDER** is associated and involved in the provision of the Services, causing losses to the **CLIENTS** or third parties.

12.8 Without prejudice to applicable legal measures other than the ones provided herein, the **SERVICE PROVIDER** shall bear, on an exclusive basis, the consequences from:

- (i) negligence, unskillfulness, recklessness, unlawful acts, theft, robbery, loss, damage to materials or equipment by the employees involved in the provision of the Services; and
- (ii) any type of accidents with the employees or third parties involved in the provision of the Services.

12.9 The **SERVICE PROVIDER** shall also assume the sole liability for the payment of expenses arising from the above-mentioned events, including all direct and indirect damages to property, pain and suffering, and pecuniary losses.

12.10 The **SERVICE PROVIDER** shall be civilly and criminally liable before third parties for any damages and losses and loss of profits, caused by unskillfulness, negligence or recklessness of its employees and/or subcontractors.

### 13. BENEFITS TO CLIENT'S EMPLOYEES

13.1 The **SERVICE PROVIDER** represents to be aware of the **CLIENTS'** internal policy establishing that:

a) Displays of cordiality are allowed among the **CLIENTS'** employees and their clients, vendors and partners, such as exchange of low-cost promotional gifts for Christmas, for example;

b) if the clients, vendors and partners have the intent of offering material gifts to employees of the **CLIENTS**, whether in the form of services or goods (including trips and courses, even if they involve training concerning the purpose of the agreement), such intent must be previously notified to the Human Resources Officer, through the e-mail address [\*\*\*\*\*], who shall decide on the suitability of the acceptance (or not) of the offer by the employee. Failure to comply with this clause may result in termination of this Agreement, by the **CLIENTS**, without any penalties due.

### 14. INFORMATION AND DATA PROTECTION

13.2 Information provided by the **CLIENTS** for the performance of this Agreement – which may include, without limitation, customer or third-party information – may only be stored by the **SERVICE PROVIDER** in encrypted form, pursuant to applicable legislation.

Data made available to the **SERVICE PROVIDER** is solely and exclusively aimed at the provision of services subject matter of this Agreement, and the **SERVICE PROVIDER**, may not, under any circumstance, change such purpose without the express and written instruction from the **CLIENTS**, subject to liability for damages and indemnification.

13.1.1 The **SERVICE PROVIDER** shall promptly notify the **CLIENTS** in writing in the event of any (i) violation to information security procedures; (ii) unauthorized access or change, disclosure or use of data provided by the **CLIENTS**. Such notice shall include measures taken or established by the **SERVICE PROVIDER** to remedy the situation. If a security breach is verified, the **SERVICE PROVIDER** must immediately track and/or retrace the steps up to the breach and remedy it.

13.3 The **SERVICE PROVIDER** acknowledges that the unauthorized disclosure of data provided by the **CLIENTS** may result in irreparable damages and that, in the event of violation or threat of violation of any such obligations, the **SERVICE PROVIDER** shall be liable for the damages and indemnification of any type – caused to the **CLIENTS** and/or third parties – arising from the use of such data in noncompliance with the terms provided herein.

13.4 The **SERVICE PROVIDER** represents to acknowledge and agree with the **CLIENTS'** Privacy Policy, which is available at: <https://sobreuol.noticias.uol.com.br/normas-de-seguranca-e-privacidade.html>.

13.5 The **SERVICE PROVIDER** represents and warrants that: (a) it has technical and financial skills and proper infrastructure and personnel to provide the Services, pursuant to this Agreement and applicable law; (b) it is fully aware of laws and regulations, especially the ones related to data and privacy, applicable to the activities provided herein, as well as all licenses, authorizations, permits and records needed in order to perform the purpose hereof; and (c) it undertakes to strictly comply with all regulations related to privacy and data protection or other applicable regulations (including with respect to making representations and obtaining the necessary authorizations), provided that the **CLIENTS** will be assured of the ownership of such privacy and data and fully compensated for all damages arising from all and any breach of such laws and regulations.

#### 14. GENERAL PROVISIONS

14.1 Each Party represents to have the power and authority to execute, deliver and comply with this Agreement, provided that such acts do not breach, conflict, revoke or constitute negligence of its bylaws or corporate acts, as well as any contract or arrangement to which they are Parties or by which they are bound. No agent, employee or representative of the Parties has any authority to bind the other Party in any notice, representation, understanding, agreement or guarantee, unless otherwise expressly set forth herein.

14.2 The **SERVICE PROVIDER** may not assign or transfer the rights and obligations provided in this Agreement and/or the Proposal without the prior and express consent from the **CLIENTS**.

14.3 If any provision herein is considered null, void, or unenforceable under applicable laws, such provision shall become ineffective only to the extent of the nullity, unlawfulness or unenforceability of such provision, and it shall not affect any other provisions included herein.

14.4 The Parties agree that no change to this Agreement and/or the Proposal, or the failure to exercise the rights provided herein by either Party, shall result in novation of any obligation or provision herein, except as otherwise agreed by the Parties.

14.5 The Parties undertake, on their own account and on account of their officers, board members, employees and/or representatives, to comply with the Brazilian law and strictly not to perform any act, directly or indirectly, that may be construed as corruption or harmful to the Brazilian or a foreign government, pursuant to article 5 of Brazilian Federal Law No. 12.846/2013, such as offering and/or making undue payments, rewards, gifts or any direct or indirect advantage to public servants, State employees under any sphere, political parties and their employees, as well as foreign government's agents or employees. The violation of any Anti-corruption Law by the **SERVICE PROVIDER** shall be considered a critical breach and entitles the **CLIENTS** to immediately terminate this Agreement.



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Without prejudice to the immediate termination of this Agreement, any breach of Anti-corruption Laws that the **CLIENTS** become aware about shall entitle the **CLIENTS** to interrupt and withhold all and any payments related hereto as compensation for any losses suffered.

14.5.1 The **CLIENTS** shall not be liable for any actions and/or omissions of any type, losses and damages, loss of profits resulted from or related to the violation of any anti-corruption laws by the **SERVICE PROVIDER**, including its officers, directors, workers, representatives or Employees. The **SERVICE PROVIDER** shall indemnify and hold the **CLIENTS** and/or their officers, directors, employees and/or representatives harmless from any loss, claim, fine, cost or expense incurred by the **CLIENTS** arising from any breach provided in this section. Without prejudice to the applicable legal measures, the **SERVICE PROVIDER** acknowledges and agrees that the **CLIENTS** shall provide all relevant data and information when requested by the competent authorities, in the event any procedure is filed with the purpose of assessing violations of anti-corruption laws applicable to this Agreement.

14.6 The **SERVICE PROVIDER** represents, on its behalf and on behalf of its Representatives, as defined below, that it acts in compliance with all laws, regulations, guidelines, (policies and any other provisions related to fighting and preventing corruption and money laundering, including, but not limited to: (i) applicable Brazilian law, (ii) the Foreign Corrupt Practices Act ("FCPA"), (iii) international conventions and agreements to which Brazil is a party, and (iv) the **CLIENTS'** handbooks and policies.

14.7.1. Representatives. For purposes of this Section, "Representatives" means all persons that comprise the economic groups of the Parties, shareholders, managers, officers, board members, partners, attorneys-in-fact, advisors, consultants, employees, agents, subcontractors or any other third parties directly or indirectly related to the **SERVICE PROVIDER**, as well as any person, whether individual or legal entity, including the ones exercising direct or indirect control over such legal entity, as well as its parent companies, subsidiaries, affiliates and companies under common control, pursuant to Law No. 6,404/1976.

14.7.2. The **SERVICE PROVIDER** represents to acknowledge all of the **CLIENTS'** policies associated to fighting and preventing corruption and money laundering and that it has not performed nor will perform any acts or practices that directly or indirectly involve the offer, promise, bribery, extortion, authorization, solicitation, acceptance, payment, delivery or any other act related to undue pecuniary advantage or any other unlawful advantage violating the laws provided above or any other applicable law.

14.7.3. The **SERVICE PROVIDER** undertakes to inform and offer training sessions to all of its Representatives on the provisions set forth herein and regarding the practices to fight and prevent corruption and money laundering, in addition to implementing, if not yet implemented, policies, conducts and rules complying with the practices established herein.

14.7.4. The **SERVICE PROVIDER** undertakes to notify the **CLIENTS** if any of its Representatives has been or is a Governmental Authority, as defined below, as well as all family members or persons with a close relationship of its Representatives with a Governmental Authority.

14.7.5. Public Authority. For the purposes hereof, "Public Authority" means, without limitation, any person, agent, employee or contractor exercising activities in departments, institutions, associations, entities or bodies of the direct or indirect public administration, as well as any employee, family member, relative or personal close relationships.

14.7.6. The failure to comply with the provisions set forth herein by the **SERVICE PROVIDER** or its Representatives shall constitute a critical violation and may result in contractual termination by the **CLIENTS**, who may, at their sole discretion, automatically interrupt the performance of the obligations arising from this Agreement. The violation of this section by the **SERVICE PROVIDER** or its Representatives shall also result in the obligation to compensate the **CLIENTS** for any losses and damages caused.

14.7.7. The **SERVICE PROVIDER** agrees that the **CLIENTS** may, at their sole discretion, audit the **SERVICE PROVIDER** regarding any information and/or document, with the purpose of monitoring compliance with the provisions established in this Section. The Audit herein mentioned may be carried out by the **CLIENTS** or by a third party indicated and paid by the **CLIENTS**, and the **SERVICE PROVIDER** must, at all times, ensure wide and unrestricted access to all related documents.



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15.7.8. The SERVICE PROVIDER undertakes to immediately notify the CLIENTS in the event of any breach, suspicion of breach or any inconsistent situation that may arise against CLIENTS' internal conducts and policies, as well as the Brazilian anti-corruption and anti-money laundering law, and international agreements and conventions governing such matter.

14.7. 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 Proposal, its exhibits and amendments may be executed through such means.

14.8. The liability of the Parties in regard to indemnification for damages that may be caused resulting from this Agreement, shall always be limited to the Total Amount of this Agreement (sum of the amount of all Proposals bound by this Agreement).

14.8.1 It is hereby agreed that the limitation set forth in section 14.8 above shall not be applicable to damages caused by intentional or fraudulent acts, nor to damages resulted from (i) labor and social security claims related to the workforce used in the provision of the services subject matter hereof; (ii) tax and fiscal proceedings; (iii) environmental lawsuit; (iv) third-party intellectual property claims; (v) violation of provisions concerning confidential information; (vi) violation of provisions concerning Anti-corruption norms.

15. VENUE

15.1 This Agreement shall be governed by and construed pursuant to the Brazilian Laws. The Parties hereby elect the courts of the judicial district of São Paulo, State of São Paulo, to settle any disputes arising out hereof.

IN WITNESS WHEREOF, the Parties execute this Agreement in two (2) counterparts, same in form and content, for all legal purposes.

São Paulo, Thursday, November 7, 2019.

DocuSigned by: Renato Bertozzi Duarte (08E18FD29CC6848...) PAGSEGURO INTERNET S.A. DocuSigned by: Wagner Chagas Feder (2A91D9250C0945F...)

DocuSigned by: Renato Bertozzi Duarte (08E18FD29CC6848...) UNIVERSO ONLINE S/A. DocuSigned by: Wagner Chagas Feder (2A91D9250C0945F...)

DocuSigned by: Paulo Rogério Martins (C480C05D4E0C4E0...) INVILLIA - DESENVOLVIMENTO DE PRODUTOS DIGITAIS LTDA.

Witnesses:

DocuSigned by: Marden Silveira Neubert (DBAE825FC0A949B...)

1 Name: CPF:

DocuSigned by: Taciana Mari Tsutsumi (8E63E416F77C465...)

2 Name: CPF:

DocuSigned by: (DAE295464C8643E...)

**FIRST AMENDMENT TO THE SERVICE AGREEMENT AND OTHER COVENANTS**

By this private instrument, the Parties, on one side,

**UNIVERSO ONLINE S.A.**, a corporation headquartered at Avenida Brigadeiro Faria Lima 1384, 6º andar, in the City of São Paulo, State of São Paulo, enrolled with the Corporate Taxpayers' Registry of the Ministry of Finance (CNPJ/MF) under No. 01.109.184/0001-95, herein represented pursuant to its Bylaws, hereinafter simply referred to as "**CLIENT 1**";

**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 CNPJ/MF under No. 08.561.701/0001-01, herein represented pursuant to its Bylaws, hereinafter simply referred to as "**CLIENT 2**";

**CLIENT 1** and **CLIENT 2** are hereinafter jointly referred to as "**CLIENTS**" or, individually, as "**CLIENT**";

**INVILLIA - DESENVOLVIMENTO DE PRODUTOS DIGITAIS LTDA.**, headquartered at Rua Padre Duarte, Nº 151, Conj. 181 Edif. Empresarial América, Centro, Araraquara – SP, enrolled with CNPJ/MF under No. 04.654.734/0001-45, herein duly represented pursuant to its corporate acts in force, hereinafter referred to as **SERVICE PROVIDER**.

**Whereas:**

- I. The Parties have entered into the Service Agreement and Other Covenants on November 7, 2019 ("Agreement"), in addition to the execution of numerous additional business proposals; and
- II. The Parties wish to amend some conditions of the Agreement.

Now, therefore, the Parties have agreed, pursuant to law, to enter into this First Amendment to the Service Agreement and Other Covenants ("Amendment"), which shall bind the Parties and their successors at any time and on any account, under the following terms and conditions:

**1. AMENDMENTS**

1.1. The Parties have decided to include the following clauses in the Agreement:

*"14.9. It is hereby agreed between the Parties that the **CLIENTS** may amend or terminate the Agreement, without any lien, fine or penalty, upon simple notice to the **SERVICE PROVIDER**, with the purpose of adjusting this instrument to industry rules, mainly, but not limited to, the rules established by the Brazilian Central Bank - BACEN."*

**"16. CHANGE OF CONTROL AND BUSINESS CONTINUITY**

*16.1. The Parties establish that the **SERVICE PROVIDER** shall notify the **CLIENT** if the control of the **SERVICE PROVIDER** becomes subject to direct or indirect disposal during the effectiveness of this Agreement (including any extensions and amendments), regardless of the form that such disposal is manifested, including, but not limited to, acquisition, transfer, sale and/or encumbrance, partnership and/or any type of corporate restructuring. The **SERVICE PROVIDER** shall continue obliged to provide the services hereunder if a disposal, as mentioned above, occurs during the effectiveness hereof.*

*16.1.1. If the **CLIENTS** understand that the change of control that was informed by the **SERVICE PROVIDER** may affect the provision of services, the **SERVICE PROVIDER** is obliged to comply with all obligations of the Agreement, for at least [\*\*\*\*], during the transition of vendors.*

16.1.2. The **SERVICE PROVIDER** is responsible for delivering all the material required for the change of vendors to the **CLIENTS**, without affecting the services of the **CLIENTS**.

16.1.3. The notification mentioned in the head provision shall be delivered to the **CLIENTS'** address below:

Avenida Brigadeiro Faria Lima, 1384 – 10º andar – Jardim Paulistano São Paulo/SP – CEP 01452-002

Attn.: Chief Legal Officer"

## 2. RATIFICATION

2.1. The Parties 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.

[signature] [signature]  
UNIVERSO ONLINE S.A.

[signature] [signature]  
PAGSEGURO INTERNET S.A.

[signature]  
INVILLIA - DESENVOLVIMENTO DE PRODUTOS DIGITAIS LTDA.

Witnesses:

1

Name: \_\_\_\_\_  
CPF: \_\_\_\_\_

2

Name: \_\_\_\_\_  
CPF: \_\_\_\_\_



**SECOND AMENDMENT TO THE SERVICE AGREEMENT AND OTHER COVENANTS**

By this private instrument, the Parties, on one side,

**UNIVERSO ONLINE S.A.**, a corporation headquartered at Avenida Brigadeiro Faria Lima 1384, 6º andar, in the City of São Paulo, State of São Paulo, enrolled with the Corporate Taxpayers' Registry of the Ministry of Finance (CNPJ/MF) under No. 01.109.184/0001-95, herein represented pursuant to its Bylaws, hereinafter simply referred to as "**UOL**" and/or "**CLIENT 1**";

**PAGSEGURO INTERNET S.A.**, a corporation headquartered at Avenida Brigadeiro Faria Lima, No. 1384, 4º andar, Parte A, in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 08.561.701/000101, herein represented pursuant to its Bylaws, hereinafter simply referred to as "**PAGSEGURO**" and/or "**CLIENT 2**";

**UOL CURSOS TECNOLOGIA EDUCACIONAL LTDA.**, a limited liability company headquartered at Alameda Barão de Limeira, 425, 7º andar, parte C, in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 17.543.049/0001-93, herein represented pursuant to its corporate acts, hereinafter simply referred to as "**UOL CURSOS**" and/or "**CLIENT 3**";

**UOL DIVEO TECNOLOGIA LTDA.**, a limited liability company headquartered at Alameda Barão de Limeira, 425, 1º andar, in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 01.588.770/0001-60, herein represented pursuant to its corporate acts, hereinafter simply referred to as "**UOL DIVEO**" and/or "**CLIENT 4**";

**CIATECH TECNOLOGIA EDUCACIONAL LTDA.**, a limited liability company headquartered at Alameda Barão de Limeira, nº 425, 7º andar, in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 01.367.958/000188, herein represented pursuant to its Articles of Organization, hereinafter simply referred to as "**CIATECH**" and/or "**CLIENT 5**";

All Parties mentioned above are jointly referred to as "**CLIENTS**" or, individually, as "**CLIENT**"; and on the other side:

**INVILLIA - DESENVOLVIMENTO DE PRODUTOS DIGITAIS LTDA.**, headquartered at Rua Padre Duarte, Nº 151, Conj. 181 Edif. Empresarial América, Centro, Araraquara – SP, enrolled with CNPJ/MF under No. 04.654.734/0001-45, herein duly represented pursuant to its corporate acts in force, hereinafter referred to as **SERVICE PROVIDER**.

Now, therefore, the Parties have agreed, pursuant to law, to enter into this Second Amendment to the "Service Agreement and Other Covenants" executed on [\*\*\*\*\*] ("Agreement"), which shall bind the Parties and their successors at any time and on any account, under the following terms and conditions:

**SECTION 1 - PRICE ADJUSTMENT**

1.1. The purpose of this instrument is to establish the adjustment agreed between the Parties for the prices due related to the Agreement, which shall be [\*\*\*\*\*] starting from [\*\*\*\*\*], regardless of any other index or provision, applicable to all services/proposals bound by this Agreement.

1.2. The SERVICE PROVIDER irrevocably gives release to the CLIENTS, and the CLIENTS do not owe any amounts that have become due until the date of execution hereof, concerning the services that have been rendered.

**SECTION 2 – INCLUSION OF CLIENTS**

2.1. The Parties hereby include the companies [\*\*\*\*] in the Agreement, as CLIENTS, pursuant to their qualification in the preamble hereof.

2.1.1 The CLIENTS may individually request the provision of services to the SERVICE PROVIDER, subject to the conditions set forth in the Agreement.

2.1.2 The billing and payment for the services shall be made pursuant to the Agreement, directly between the **SERVICE PROVIDER** and the **CLIENT** who requests the services, including the information of each party.

2.1.3 It is not established, by force of this amendment or the Agreement, any joint and several liability between the **CLIENTS**, who shall be individually liable for its own contracts.

2.1.4 [\*\*\*\*] represent to acknowledge all clauses and conditions of the Agreement, undertaking to fully comply with each of them.

**SECTION 3 – RATIFICATION**

3.1. The Parties 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 two (02) counterparts, same in form and content, in the presence of two (02) undersigned witnesses.

São Paulo, August 20, 2020.

[signature]	[signature]
UNIVERSO ONLINE S.A.	
[signature]	[signature]
PAGSEGURO INTERNET S.A.	
[signature]	[signature]
UOL CURSOS TECNOLOGIA EDUCACIONAL LTDA.	
[signature]	[signature]
UOL DIVEO TECNOLOGIA LTDA.	
[signature]	[signature]
CIATECH TECNOLOGIA EDUCACIONAL LTDA	

[signature]

INVILLIA - DESENVOLVIMENTO DE PRODUTOS DIGITAIS LTDA.

Witnesses:

1. [signature]

Name:

CPF:

2. [signature]

Name:

CPF:

## THIRD AMENDMENT TO THE SERVICE AGREEMENT AND OTHER COVENANTS

By this private instrument, the Parties, on one side,

**UNIVERSO ONLINE S.A.**, a corporation headquartered at Avenida Brigadeiro Faria Lima 1384, 6º andar, in the City of São Paulo, State of São Paulo, enrolled with the Corporate Taxpayers' Registry of the Ministry of Finance (CNPJ/MF) under No. 01.109.184/0001-95, herein represented pursuant to its Bylaws, hereinafter simply referred to as **"UOL" and/or "CLIENT 1"**;

**PAGSEGURO INTERNET S.A.**, corporation headquartered at Avenida Brigadeiro Faria Lima, No. 1384, 4º andar, Parte A, in the 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 **"PAGSEGURO" and/or "CLIENT 2"**;

**UOL CURSOS TECNOLOGIA EDUCACIONAL LTDA.**, a limited liability company headquartered at Alameda Barão de Limeira, 425, 7º andar, parte C, in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 17.543.049/0001-93, herein represented pursuant to its corporate acts, hereinafter simply referred to as **"UOL CURSOS" and/or "CLIENT 3"**;

**UOL DIVEO TECNOLOGIA LTDA.**, a limited liability company headquartered at Alameda Barão de Limeira, 425, 1º andar, in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 01.588.770/0001-60, herein represented pursuant to its corporate acts, hereinafter simply referred to as **"UOL DIVEO" and/or "CLIENT 4"**;

**CIATECH TECNOLOGIA EDUCACIONAL LTDA.**, a limited liability company headquartered at Alameda Barão de Limeira, nº 425, 7º andar, in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 01.367.958/0001-88, herein represented pursuant to its Articles of Organization, hereinafter simply referred to as **"CIATECH" and/or "CLIENT 5"**;

All Parties mentioned above are jointly referred to as **"CLIENTS"** or, individually, as **"CLIENT"**; and on the other side:

**INVILLIA - DESENVOLVIMENTO DE PRODUTOS DIGITAIS LTDA.**, headquartered at Rua Padre Duarte, Nº 151, Conj. 181 Edif. Empresarial América, Centro, Araraquara – SP, enrolled with CNPJ/MF under No. 04.654.734/0001-45, herein duly represented pursuant to its corporate acts in force, hereinafter referred to as **SERVICE PROVIDER**.

**Whereas:**

- I. The Parties have entered into the Service Agreement and Other Covenants on November 7, 2019 and three (3) subsequent Amendments ("Agreement"), in addition to the execution of numerous additional business proposals; and
- II. The Parties wish to amend some conditions of the Agreement.

Now, therefore, the Parties have agreed, pursuant to law, to enter into this Third Amendment to the Service Agreement and Other Covenants ("Amendment"), which shall bind the Parties and their successors at any time and on any account, under the following terms and conditions:

#### **1. AMENDMENTS**

1.1. The Parties have decided, regardless of provision in the Agreement and its relevant Exhibits/Proposals, to adjust the amount of the Agreement in [\*\*\*\*] for the period between [\*\*\*\*], applicable to all prices in the Agreement and its relevant Exhibits/Proposals currently in force.

1.2. In replacement of any other contractual provision, the Parties hereby elect the National Consumer Price Index (INPC) for adjustment for inflation, applicable to the prices established in the Agreement and the Proposals, every [\*\*\*\*] months, starting from the date of [\*\*\*\*].

1.3. The Parties also agree to include in this Agreement data protection provisions to which the Parties are bound, pursuant to the Data Protection Procedures available at: [\*\*\*\*], which shall become an integral and inseparable part of the Agreement and may be reviewed in order to be in compliance with legislation in force at all times. The Data Protection Procedure does not limit the rights of the CONTROLLER to establish additional guidelines and procedures aligned with applicable laws and the Agreement. The Parties hereby agree that, for purposes of Data Protection Procedures, the CLIENTS are the CONTROLLERS and the SERVICE PROVIDER is the PROCESSOR.

#### **2. RATIFICATION**

2.1. The SERVICE PROVIDER irrevocably gives release to the CLIENTS regarding the Agreement, and the CLIENTS do not owe any amounts that have become due until the date of execution hereof.

2.2. The Parties 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.

#### **3. ELECTRONIC SIGNATURE**

3.1. This Amendment shall be signed electronically through an electronic signature tool, pursuant to paragraph 2 of article 10 of Provisional Decree 2.200- 2/2001, and the signatures constitute valid and enforceable obligations, for all legal purposes, representing the will of everyone signing the instrument, as documentary evidence, for all purposes and effects. The Parties on the date hereof represent and warrant that the signature in this Amendment through electronic signature, pursuant to item above, is performed by who lawfully hold full powers and ability to do so.

#### 4. RETROACTIVITY

4.1. This Agreement is executed between the parties on the date hereof, however, its effects shall relate back to the date of 03/01/2021, when the parties had oral understandings concerning its purpose.

In witness whereof, the Parties sing this instrument in two (2) counterparts of equal content, in the presence of two witnesses.

São Paulo, April 22, 2021.

[signature] \_\_\_\_\_ [signature]  
UNIVERSO ONLINE S.A.

[signature] \_\_\_\_\_ [signature]  
PAGSEGURO INTERNET S.A.

[signature] \_\_\_\_\_ [signature]  
UOL CURSOS TECNOLOGIA EDUCACIONAL LTDA.

[signature] \_\_\_\_\_ [signature]  
UOL DIVEO TECNOLOGIA LTDA.

[signature] \_\_\_\_\_ [signature]  
CIATECH TECNOLOGIA EDUCACIONAL LTDA.

[signature] \_\_\_\_\_  
INVILLIA - DESENVOLVIMENTO DE PRODUTOS DIGITAIS LTDA.

Witnesses:

1. [signature] \_\_\_\_\_  
Name: [\*\*\*\*\*]  
CPF: [\*\*\*\*\*]

2. [signature] \_\_\_\_\_  
Name: [\*\*\*\*\*]  
CPF: [\*\*\*\*\*]

**FOURTH AMENDMENT TO THE SERVICE  
AGREEMENT AND OTHER COVENANTS**

By this private instrument, the Parties, on one side,

**UNIVERSO ONLINE S.A.**, a corporation headquartered at Avenida Brigadeiro Faria Lima 1384, 6º andar, in the City of São Paulo, State of São Paulo, enrolled with the Corporate Taxpayers' Registry of the Ministry of Finance (CNPJ/MF) under No. 01.109.184/0001-95, and subsidiary enrolled with CNPJ/MF under No. 01.109.184/0004-38, herein represented pursuant to its Bylaws, hereinafter simply referred to as **"UOL"** and/or **"CLIENT 1"**;

**PAGSEGURO INTERNET S.A.**, corporation headquartered at Avenida Brigadeiro Faria Lima, No. 1384, 4º andar, Parte A, in the 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 **"PAGSEGURO"** and/or **"CLIENT 2"**;

**UOL CURSOS TECNOLOGIA EDUCACIONAL LTDA.**, a limited liability company headquartered at Alameda Barão de Limeira, 425, 7º andar, parte C, in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 17.543.049/0001-93, herein represented pursuant to its corporate acts, hereinafter simply referred to as **"UOL CURSOS"** and/or **"CLIENT 3"**;

**UOL DIVEO TECNOLOGIA LTDA.**, a limited liability company headquartered at Alameda Barão de Limeira, 425, 1º andar, in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 01.588.770/0001-60, herein represented pursuant to its corporate acts, hereinafter simply referred to as **"UOL DIVEO"** and/or **"CLIENT 4"**;

**CIATECH TECNOLOGIA EDUCACIONAL LTDA.**, a limited liability company headquartered at Alameda Barão de Limeira, nº 425, 7º andar, in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 01.367.958/0001-88, herein represented pursuant to its Articles of Organization, hereinafter simply referred to as **"CIATECH"** and/or **"CLIENT 5"**;

**WIRECARD BRAZIL S.A.**, a corporation headquartered at Avenida Brigadeiro Faria Lima, No. 3064, 12º andar, in the City of São Paulo, State of São Paulo, enrolled with CNPJ/MF under No. 08.718.431/0001-08, herein represented pursuant to its corporate acts, hereinafter simply referred to as **"WIRECARD"** and/or **"CLIENT 6"**;

All Parties mentioned above are jointly referred to as **"CLIENTS"** or, individually, as **"CLIENT"**; and on the other side:

**INVILLIA - DESENVOLVIMENTO DE PRODUTOS DIGITAIS LTDA.**, headquartered at Rua

Padre Duarte, Nº 151, Conj. 175, Edif. Empresarial América, Centro, Araraquara – SP, enrolled with CNPJ/MF under No. 04.654.734/0001-45, herein duly represented pursuant to its corporate acts in force, hereinafter referred to as **SERVICE PROVIDER**.

Now, therefore, the Parties have agreed, pursuant to law, to enter into this Fourth Amendment ("Amendment") to the Service Agreement and Other Covenants ("Agreement"), which shall bind the Parties and their successors at any time and on any account, under the following terms and conditions:



## 1. PURPOSE

1.1. The Parties have mutually agreed to include **WIRECARD** in the Agreement, under the same conditions as the other **CLIENTS**, and now the preamble of the Agreement shall become effective as established herein.

1.1.1. The billing and payment for the services shall be made pursuant to the Agreement, directly between the **SERVICE PROVIDER** and the **CLIENT** who benefited from the services, including the information of each party.

1.1.2. The **CLIENT** benefiting from the service shall be the sole owner of the rights and obligations arising therefrom, thus not creating any type of liability, including joint and several liability, to the other parties.

1.1.3. **WIRECARD** represents to acknowledge all clauses and conditions of the Agreement, undertaking to fully comply with each of them.

1.2. The **SERVICE PROVIDER** irrevocably gives release to the **CLIENTS** regarding the Agreement, and the **CLIENTS** do not owe any amounts that have become due until the date of execution hereof.

## 2. RATIFICATION

2.1. The Parties 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.

## 3. ELECTRONIC SIGNATURE

3.1. This Amendment shall be signed electronically through an electronic signature tool, pursuant to paragraph 2 of article 10 of Provisional Decree 2.200- 2/2001, and the signatures constitute valid and enforceable obligations, for all legal purposes, representing the will of everyone signing the instrument, as documentary evidence, for all purposes and effects. The Parties on the date hereof represent and warrant that the signature in this Amendment through electronic signature, pursuant to item above, is performed by who lawfully hold full powers and ability to do so.

In witness whereof, the Parties sing this instrument in two (2) counterparts of equal content, in the presence of two witnesses.

São Paulo, August 13, 2021

[signature] [signature]  
**UNIVERSO ONLINE S.A.**





[signature] [signature]  
**PAGSEGURO INTERNET S.A.**

[signature] [signature]  
**UOL CURSOS TECNOLOGIA EDUCACIONAL LTDA.**

[signature] [signature]  
**UOL DIVEO TECNOLOGIA LTDA.**

[signature] [signature]  
**CIATECH TECNOLOGIA EDUCACIONAL LTDA.**

[signature] [signature]  
**WIRECARD BRAZIL S.A.**

[signature]  
**INVILLIA - DESENVOLVIMENTO DE PRODUTOS DIGITAIS LTDA.**

Witnesses:

1 [signature]  
Name: [\*\*\*\*\*]  
CPF: [\*\*\*\*\*]

2 [signature]  
Name: [\*\*\*\*\*]  
CPF: [\*\*\*\*\*]

**LONG-TERM INCENTIVE PLAN - GOALS (LTIP - GOALS)  
PAGSEGURO INTERNET S.A.**

**1. Long-Term Incentive Plan - Goals**

- 1.1. The Board of Directors of PagSeguro Digital Ltd., company listed on New York Stock Exchange (NYSE) since 01/24/2018, incorporated in Cayman Islands ("**Company**"), the controller of operational company PagSeguro Internet S.A., headquartered in the City of São Paulo, State of São Paulo, at Avenida Brigadeiro Faria Lima, 1384, 4 andar, Parte A, enrolled with the Corporate Taxpayers' Registry of the Ministry of Finance ("**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**"), based on which PagSeguro Brasil may grant Company Shares or deliver an amount in Brazilian Reais to certain employees (hereinafter referred to as "**Beneficiaries**"), pursuant to the conditions established below, as payment from PagSeguro Brasil Corporate Results-Sharing Plan ("**PPR**"), provided that previously selected and approved by the LTIP-Goals Committee ("**LTIP-Goals Committee**"), as defined below, within the limits and conditions established herein.
  - 1.2. The purpose of the LTIP-Goals is to emphasize the alignment of interests between the Beneficiaries and the Company, upon the possibility them becoming a member of the company, broadening their commitment. PagSeguro Brasil expects to promote the expansion, success and achievement of its corporate goals, attracting and engaging persons with high potential to cooperate for success.
  - 1.3. The management of LTIP-Goals, including the selection of Beneficiaries and the definition of relevant conditions of participation, shall be carried out by the LTIP-Goals Committee, a Company's body comprised by the Chairman of the Company's Board of Directors and two (2) of the other officers of Grupo UOL appointed by the Chairman. Only upon resolution by the LTIP-Goals Committee PagSeguro Brasil may execute any agreement or amendment with the Beneficiaries.
  - 1.4. The LTIP-Goals Committee shall annually grant the Beneficiary, as payment from PagSeguro Corporate Results-Sharing Plan ("**PPR**") a Maximum Annual Amount in local currency ("**MAA**"), associated to the achievement of performance goals established in the PPR of the previous year ("**Goals**").
  - 1.5. The MMA, at the LTIP-Goals Committee's exclusive discretion, may be paid in shares issued by the Company ("**Shares**") or in cash ("**Reais**"), subject to the criteria and procedures established below.
  - 1.5.1. Every January the LTIP-Goals Committee shall establish the MAA, which shall be converted into a maximum number of Shares ("**MNS**"), dividing the MAA by the average price of the Company Shares in auctions in December of the prior year (or longer periods, at the LTIP-Goals Committee's discretion), converted into Reais using the average price of U.S. Dollar for the same period.
-

1.5.2. Until March 31 of the year following the PPR calculation, the Beneficiary shall be entitled to receive, as payment from PPR, the Shares or Reais, at the LTIP-Goals Committee's sole discretion, provided that:

- (i) they have achieved the performance goals established in the PPR of the previous year. If the PPR goals of the previous year have not been achieved, the Beneficiary shall not be entitled to receive the Shares or Reais. If the PPR goals of the previous year have been partially achieved, the Beneficiary shall be entitled to receive the Shares or Reais corresponding to the level of achievement, subject to the limit of item (ii), below.
- (ii) the total amount determined for the payment of PPR, including the amounts (Shares or Reais), subject matter hereof, plus taxes set forth in item 1.5.5 shall not be higher than the amount equivalent to a percentage of the Company's Net Profit, or any other indicator, as established at the beginning of each year by the LTIP-Goals Committee (together with the goals annually defined for PPR).  
If the total determined amount exceeds the limit established, payments associated to PPR shall be reduced on a pro-rata basis.

1.5.3. **Payment in Reais:** if the LTIP-Goals Committee determines that the payment (or part of the payment) shall be made in Reais, the payment will be made within ten (10) business days from the date the Goals were assessed and the amounts to be paid as PPR were determined, which shall occur throughout the first three months of the year following the year of reference ("Assessment Date"), in the following amounts:

- (i) Goals that were 100% achieved: full payment of the MAA, subject to the limit in item 1.5.2;
- (ii) Goals that were partially achieved: payment of part of the MAA, subject to the limit in item 1.5.2.

1.5.4. **Payment in Shares:** if the LTIP-Goals Committee determines that the payment shall be made in Shares, the Shares will be delivered to the Beneficiaries within ten (10) business days from the Assessment Date. The number of Shares to be delivered to the Beneficiaries is directly related to the achievement of Goals, namely:

- (i) Goals that were 100% achieved: full payment of MNS, subject to the limit in item 1.5.2;
  - (ii) Goals that were partially achieved: payment of part of the MNS, subject to the limit in item 1.5.2.
-

- 1.5.5. PagSeguro Brasil shall proceed with the payment of taxes levied on the delivery of the Shares or Reais, as part of the PPR payment, pursuant to legislation in force. Any taxes due arising from the sell or any other transaction characterizing the transfer of ownership of shares received by the Beneficiary under the LTIP-Goals, shall be paid by the Beneficiary.
- 1.6. If the LTIP-Goals Committee decides to include a new Beneficiary until the month of October of the current month, and provided that the PPR goals are achieved, the Beneficiary shall receive the Shares or Reais, on a pro-rata basis of their inclusion into the LTIP, as well as the achievement of the PPR goals, subject to the limit in item 1.5.2. Inclusion of new Beneficiaries in the months of November and December shall become effective starting from January of the following year.
- 1.7. As an exception, and as a liberality of the LTIP-Goals Committee, the Company may grant bonus to the Beneficiaries appointed by the LTIP-Goals Committee, in Shares or cash and within terms to be defined (and not necessarily subject to the other terms and conditions established below), for exceeding the performance that was ordinarily expected (pursuant to criteria set forth by the Company), at the LTIP-Goals Committee's discretion.
- 1.8. The maximum number of Shares annually delivered to the Beneficiaries of the LTIP-Goals must not exceed one percent (1%) of the total number of Shares issued by PagSeguro Digital Ltd., as of December 31 of the year before the date of payment of the LTIP-Goals.

## **2. Lock-up and delivery of Shares**

- 2.1. If the Beneficiary receives Shares as payment for the PPR, the Beneficiary must follow all the lock-up rules for sale of Shares established by SEC (Securities and Exchange Commission, USA), the Company, PagSeguro Brasil or LTIP-Goals.
- 2.2. Once the transfer of ownership of the Shares is made to the Beneficiary, they are the sole responsible for managing the asset.
- 2.3. At the LTIP-Goals Committee's discretion, the delivery of Shares as payment for the PPR shall occur through disposal of treasury shares, subscription of new shares or payment in cash.

## **3. Events of Employment Termination of the Beneficiary at PagSeguro Brasil or affiliates**

- 3.1. In the event of employment termination of the Beneficiary before the end of the year of reference of goals: the Beneficiary shall not be entitled to receive the Shares or Reais, subject matter hereof.
-

3.2. If the employment termination of the Beneficiary occurs after the year has ended and before the Payment Date, the Beneficiary shall receive the Shares or Reais, at the LTIP-Goals Committee's discretion, provided that the PPR goals are fully or partially achieved, subject to the limits in item 1.5.2.

#### 4. Legal Charges - Shares and Reais

4.1. The amounts subject matter hereof - paid in Shares or Reais - are bound to PagSeguro Brasil performance goals, established in each annual PPR. Thus, those amounts do not generate the collection of social security or labor charges (e.g., Guarantee Fund for Length of Service Payment - FGTS, thirteenth salary and vacation).

4.2. As part of a Corporate Results-Sharing Plan, pursuant to Law No. 10.101/00, PagSeguro Brasil shall pay all due amounts provided by law in force, using the payment date as calculation basis.

#### 5. LTIP-Goals Term

5.1. The LTIP-Goals has been approved by the Company's Board of Directors and the LTIP-Goals Committee is authorized to take actions for the implementation by the Company.

5.2. The LTIP-Goals shall remain effective until the Company's Board of Directors or the LTIP-Goals Committee decides for its termination.

5.3. Without prejudice to the effectiveness and validity of the PPR, the LTIP-Goals and the Individual Agreements may be revised or terminated, at any time, by decision of the Company's Board of Directors or the LTIP-Goals Committee, in the event of Force Majeure or significant variation in the economy's general conditions or in regulations applicable to the Company or PagSeguro Brasil resulting in material changes to the projections of the LTIP-Goals and the Individual Agreement.

5.4. In the event of corporate restructuring of the Company and/or PagSeguro Brasil, which may involve third parties, or in the event of spin-off, consolidation, merger or initial public offering of subsidiaries, the LTIP-Goals and the Individual Agreement may be adjusted to the new corporate structure and amended, at the sole discretion of the Board of Directors or the LTIP-Goals Committee.

#### 6. Final Provisions

6.1. The provisions herein do not guarantee or grant the Beneficiaries the right to remain as director and/or employee of the Company, PagSeguro Brasil or its affiliates, nor it shall affect the right of the Company or PagSeguro Brasil or its affiliates to terminate the employment agreement of the employee and/or to interrupt the director's term, at any time and subject to the legal and contractual conditions.

6.2. Events not covered in this instrument shall be governed by the LTIP-Goals Committee or the Company's Board of Directors.

6.3. The PPR provisions, with rules are available in Grupo UOL's extranet, are applicable to this LTIP-Goals.

6.4. The provisions comprised herein supersede all provisions previously agreed with the beneficiaries of the LTIP-Goals, especially concerning discrepancies.

Approved on December 18, 2018, amended and ratified on August 7, 2019, February 21, 2020, January 19, 2021 and December 20, 2021.

**Subsidiaries of PagSeguro Digital Ltd.**

1. BS Holding Financeira Ltda. (Brazil)
2. PagSeg Participações Ltda. (Brazil)
3. PagSeguro Holding Ltd. (Cayman)
4. PagSeguro Internet Instituição de Pagamento S.A. (Brazil)
5. BancoSeguro S.A. (Subsidiary of BS Holding Ltda.) (Brazil)
6. Wirecard Brazil Instituição de Pagamento S.A. (Subsidiary of PagSeguro Internet Instituição de Pagamento S.A.) (Brazil)
7. RegistraSeguro S.A. (Subsidiary of PagSeguro Internet Instituição de Pagamento S.A.) (Brazil)
8. Concil Inteligência em Conciliação S.A. (Subsidiary of PagSeguro Internet Instituição de Pagamento S.A.) (Brazil)
9. PagSeguro Biva Securitizadora de Créditos Financeiros S.A. (Subsidiary of PagSeguro Internet Instituição de Pagamento S.A.) (Brazil)
10. Netpos Serviços de Informática S.A. (Subsidiary of PagSeguro Internet Instituição de Pagamento S.A.) (Brazil)
11. BCPS Online Services, Lda. (Subsidiary of PagSeguro Internet Instituição de Pagamento S.A.) (Portugal)
12. PagBank Participações Ltda. (Subsidiary of PagSeg Participações Ltda.) (Brazil)
13. CDS Serviços Financeiros Ltda. (Subsidiary of PagSeg Participações Ltda.) (Brazil)
14. Net+Phone Telecomunicações Ltda. (Subsidiary of PagSeg Participações Ltda.) (Brazil)
15. 1Boa Compra Tecnologia Ltda. (Subsidiary of PagSeg Participações Ltda.) (Brazil)
16. PagSeguro Biva Serviços Financeiros Ltda. (Subsidiary of PagSeg Participações Ltda.) (Brazil)
17. PagSeguro Biva Correspondente Bancário Ltda. (Subsidiary of PagSeguro Biva Serviços Financeiros Ltda.) (Brazil)
18. Zygo Serviços de Tecnologia S.A. (Subsidiary of PagBank Participações Ltda.) (Brazil)
19. BoletoFlex Tecnologia e Serviços S.A. (Subsidiary of PagBank Participações Ltda.) (Brazil)
20. Tilix Digital Ltda. (Subsidiary of PagBank Participações Ltda.) (Brazil)
21. Yamí Software & Inovação Ltda. (Subsidiary of PagBank Participações Ltda.) (Brazil)
22. PagSeguro Chile SpA. (Subsidiary of PagSeguro Holding Ltd.) (Chile)
23. PagSeguro Colombia (Subsidiary of PagSeguro Holding Ltd.) (Colombia)
24. PSGP Mexico S.A. de C.V. (Subsidiary of PagSeguro Holding Ltd.) (Mexico)
25. PagSeguro Peru S.A.C. (Subsidiary of PagSeguro Holding Ltd.) (Peru)

## 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 the 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/month. UOL CS also offers solutions for electronic media, security products and convenience, Wifi connection, entertainment, among others.
- **PagBank PagSeguro:** 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).
- **Compass UOL:** offers all-in-one solutions in IT outsourcing for large companies.
- **UOL EdTech:** platform with e-learning solutions.

The Code of Ethics and Policies of Grupo UOL sets forth how the professional activities shall be performed, and it must be acknowledged and complied with by all employees in their roles. It is comprised by the following items:

1. Mission, View and Values.
2. Personal behavior.
3. Company's property protection.
4. Behavior in business.
5. Behavior on social media.
6. Code of ethics for journalists.
7. Behavior in agreements related to investment activities.
8. Situations where questions may arise.
9. Liability for the compliance with the Code of Ethics and Policies of Grupo UOL.
10. Questions and whistle blowing.

### 1. Mission, View and Values.

#### 1.1. GRUPO UOL

**Mission:** To offer the best electronic products and services to Internet users and clients, in a way to make people's and company's daily routines easier.

**View:** To consolidate as 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 to use our products and services.
- Compliance with privacy, protection and security for users and clients.
- Commitment with innovation, in a way to improve the user experience and anticipate their needs.
- Commitment with the client.
- Excellence in service provision.
- Result-oriented.
- Promptness.
- Appreciation of your work team.

1.2. In addition to the general Mission, View and Values of Grupo UOL, the companies and business units comprising the Group must also follow specific instructions:

1.2.1. PagBank/PagSeguro (payment means and financial services):

**Mission:** To transform and democratize banking and payment services in Brazil, through a digital ecosystem that is simple, secure and accessible for merchants and consumers.

**Values:**

- **All for the customer:** we make our customers' lives easier, democratizing access to financial services in a simple and safe way.
- **Ownership attitude:** we take responsibility, focus on the delivery, act with a sense of urgency and make it happen.
- **Cooperation:** we welcome everyone who arrives, by sharing knowledge, valuing the diversity of opinions and working together to develop value for our customers and investors.
- **Innovation:** we cultivate innovation as a fuel to do things differently and to go beyond the conventional.
- **Ethics:** we maintain integrity in our relationships, acting with seriousness and honesty, always based on the truth, justice and a common good, which reinforces our credibility in the market.
- **Sustainable results:** we believe in constant business growth, making the best decisions, without compromising medium and long-term results.

1.2.2. UOL Conteúdo e Serviços (UOL CS):

**Mission:** To connect each Brazilian to their universe, informing, entertaining and making each one's life easier.

**Values:**

- **Ethics:** what is right is right, regardless the consequences.
- **Credibility:** It is the basis of our company, and without it we would not be what we are. It takes years to build it, but a second to lose it. Lie and omission are the same thing.



- **Diversity and Freedom of Expression:** We respect and consider everyone's ideas and collaboration, regardless the age, orientation, education, experience or position. We promote healthy and respectful discussion between different points of view. Everyone can put their point of view without retaliation.
- **Respect and transparency with our customers:** In all business decisions, we focus on understanding, meeting and exceeding our customers' expectations. We have an obligation to be honest, transparent, respectful, listen to them and offer excellent service.
- **Cooperation and teamwork:** We are a team. We encourage the exchange of information and collaboration between areas. There are no "silos".
- **Constant search for quality:** We seek quality in any activity we do. We plan and execute with excellence.
- **Innovation:** There is no "because it was always done this way". We encourage experience and consequently we understand that we will fail along the way, but we will fix it fast.
- **Obsessive focus on results and owner mentality:** We plan and execute our activities as if we were the owners of the company. We don't waste resources. We always seek to maximize results for the company and return for shareholders. We believe that achievements for employees come from companies that generate results.

#### 1.2.3. Compass UOL:

**Mission:** Create digital experiences that enable companies to grow and improve people's lives.

**Values:**

- **Sense of urgency:** meeting deadlines, executes quickly and takes advantage of opportunities.
- **Uncomplicated is better:** it goes straight to the point, bets on creativity and solves challenges in a structured and lasting way.
- **Focus on results:** in addition to fulfilling the assigned tasks, it fulfills the established deadlines, cost and quality goals.
- **Autonomy and delegation of responsibility:** communicates assertively, collects status, monitors the progress of projects and seeks all clarifications so that all objectives are achieved.
- **Persistence is the key:** pursue achievable goals, look for the best way to achieve them and set firm purposes.
- **Shared knowledge:** implements multiplier actions and has a collaborative posture.
- **Communication and formalization:** seek for agile means, ensuring good communication, in an aligned manner, without forgetting to formalize important decisions.
- **It's the people who make the difference:** to deliver excellent results, we need excellent people. For this we treat everything that involves our team with dedication. We demand results, we recognize those who achieve them and we make this a cycle of continuous evolution.

#### 1.2.4. UOL EdTech:

**Mission:** To transform the way how people learn throughout their lives, by using educational technologies and promoting online learning experiences with quality.

**Values:**

- **Entrepreneurship:** we make entrepreneurial decisions.
- **Collaboration:** we believe that the team is bigger than the player.
- **Learning:** we develop people.
- **Overcoming:** we bring constant challenges.
- **Passion for teaching:** we are passionate about education.
- **Impact:** we want to leave a legacy.

## 2. Personal behavior

The image of Grupo UOL as for its ethical behavior must be preserved by its employees under any circumstances. In order to achieve that, all employees must act according to the highest ethical standards, continually practicing responsible judgment in negotiations and resolutions. All employees must treat clients, suppliers, competitors and employees of the Company in a balanced and ethical way.

### 2.1. Work environment

- Grupo UOL offers a sound and safe environment that promotes professional development and production. The practices of sexual or moral harassment, discrimination or prejudice of any type, such as based on race, skin color, religion, gender, etc. are forbidden.
- Employees shall promote an environment based on cooperation and respect towards coworkers, as well as the 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 in compliance with the copyrights of ideas, projects, etc.
- Managers shall watch over relationships in the work environment, making sure they are always based in 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 properties and assets of Grupo UOL's companies, as well as to ensure its proper and effective use, at all times with 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: 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 of participation of employees in external events (in Brazil or abroad), which establishes clear rules for the participation of employees in trainings, lectures, conferences, courses, interviews, etc., such as lecturer or audience, in Brazil or abroad. Read our Policy of 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 organization type that the employee is dealing with, such employee must watch for the actual compliance with the agreements and arrangements entered into, establishing clear and objective rules, in addition to complying with the following general standards:

4.1. Vendors, partners, clients, etc.: the Company considers the concerns with ethical criteria crucial when negotiating and closing deals with vendors, partners, clients, etc. Such concern is even more material when we deal with professionals who directly deal 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.

4.2. Compliance with laws: Grupo UOL complies with all laws and regulations applicable to its business. Whenever, at the exercise of their work/duty, the employee has a question 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 in a discerning form. The proper use of such electronic means and social media by the employees is deemed healthy by Grupo UOL, provided that the personal and professional uses are separated.

During work hours, all access to such websites must have a purpose 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 principles of such occupation, which include to never use its condition as a journalist in order 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 covering health news shall not have investments in healthcare insurance companies, others who cover real estate news shall not have investments in construction companies, etc.
- The journalist must claim impediment and refuse task assignments on companies and other organizations with whom they have any kind of relationship.

- Any invitation received as a journalist of UOL CS shall be subject to inquiry by its immediate superior before acceptance. UOL CS is not obliged to publish texts on matters to the benefit of the person who made the invitation; only journalist criteria shall decide what will be used.
- 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 it results in the 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.
- The journalist must not accept gifts in a higher value than the one considered by Grupo UOL as material (check with Grupo UOL's HR department on the limit permitted), including material items or any special discounts in commercial establishments or industry. All gifts considered of material 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 of 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 its superior approval.

(source: Manual of Journalistic Writing of Folha de S.Paulo)

## 7. Behavior in agreements related to investment activities

7.1. Employees of PagBank PagSeguro and BancoSeguro performing tasks related to distribution of investment products shall comply with the following guidelines:

7.1.1. To 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 regulation in force.

7.1.2 To work in an unbiased form, know the code of ethics of the participating institution and the laws applicable to their activity.

7.1.3. To disclose clear and accurate information to investors about risks and consequences that may arise from the investment products.

7.2. PagBank PagSeguro 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 discerning sense and the judgment capacity 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 from occurring:

- Employee of Grupo UOL shall not use their position/title to gain privileges;
- Employee of Grupo UOL shall not work for a competitor, including as an employee, advisor or member of the board;
- Employee of Grupo UOL, except if previously approved by Grupo UOL's CFO, shall not work as a vendor to Grupo UOL, represent a vendor of Grupo UOL, work for a vendor of Grupo UOL or be a member of the executive board 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 to the business of Grupo UOL.

## 9. Responsibilities for the compliance with the Code of Ethics and Policies of Grupo UOL.

- Managers: all managers are responsible for knowing and transmitting the Code of Ethics and Policies 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 Policies of Grupo UOL, and acting pursuant the guidelines herein established.
- Breach: in the event of breaches to this Code of Ethics and Policies, Grupo UOL's HR department is responsible for conducting an investigation on the matter and listening to all involved parties, for subsequent escalation of the matter to the Board of Executive Officers or the CEO, as the case may be.

## 10. Questions and whistle blowing

If the employee of Grupo UOL has any question on how to construe or apply the Code of Ethics and Policies, or if they have found procedures and behaviors contrary to this Code of Ethics and Policies of Grupo UOL, they shall send an e-mail to [canalddenuncias@uolinc.com](mailto:canalddenuncias@uolinc.com).

*The Code of Ethics and Policies of Grupo UOL is under the responsibility of the Human Resources Department of Grupo UOL. If any questions may arise, send it to [canalddenuncias@uolinc.com](mailto:canalddenuncias@uolinc.com).*

### CONTROL OF CHANGES

Revision	Changes	Date
01	Revision 2021   Human Resources	July/2021
02	Revision 2022   Human Resources	April/2022

**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.

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## 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.

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: [canaldedenuncias@uolinc.com](mailto:canaldedenuncias@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.

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## **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 [canaldedenuncias@uolinc.com](mailto:canaldedenuncias@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.

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, 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 29, 2022

By:           /s/ Artur Schunck          

Name: Artur Schunck

Title: 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:

- a. Registration Statement (Form F-3 No. 333-234188) of PagSeguro Digital Ltd.;
- b. 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, 2021.

/s/ Ernst & Young Auditores Independentes S.S.  
São Paulo, Brazil  
April 29, 2022

**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 17, 2022 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 Ltda.  
São Paulo, Brazil  
April 29, 2022