



PRESENTATION

This is Cielo's first Sustainability Report. It is based on Global Reporting Initiative (GRI) version 3.1 guidelines, as a demonstration of the organization's commitment to transparency and sustainability.

This annual report covers Cielo's activities in 2012 and meets the requirements for application level B+, reaffirming the company's commitment to society, its employees, governments, business partners and the community. [GRI 3.3](#)

Please address any enquiries or recommendations about the content of this report to the email sustabilidade@cielo.com.br. [GRI 3.4](#)



MESSAGE FROM THE CHAIRMAN OF THE BOARD

SUCCESSFUL STRATEGY

One of the five largest payment card acquirers worldwide, Cielo is promoting a step change in technology

Even in a more competitive business environment, 2012 showed that Cielo has every reason to be confident about its business model. The company's results and recognition of its value by the market – on the last day of trading on the BM&FBovespa in December, Cielo's market capitalization was R\$ 37.3 billion – reflect the solid fundamentals underpinning its activities.

From a technological perspective, we have invested R\$ 627 million in our equipment park over

the last two years, particularly in wireless models offering our merchants greater convenience and economy. At the end of 2012, 1.7 million terminals were in operation.

The company also made significant progress towards consolidating a higher level in technology, going beyond the offer of differentiated services to establish a fundamental benchmark for the electronic payment industry as a whole.

An example of this was the establishment of a strategic alliance with CyberSource, the global leader in payment management solutions. The partnership announced in the first quarter ensured Cielo had the most complete global fraud prevention solution used in electronic commerce in the country

In the second half of the year, we acquired 100% of the capital of the North American company Merchant e-Solutions (MeS) for US\$ 670 million, consolidating our efforts to broaden the offer of innovative solutions that add value for merchants and partners. Our objective is to grow organically, exploiting the expertise and synergies between the two companies.

In the environmental area, in addition to its greenhouse gas (GHG) inventory aligned with GHG Protocol Brasil guidelines, Cielo disposes of obsolete equipment in accordance with environmental regulations. The company also maintains selective waste collection and disposal programs and monitors its consumption of water, electricity and paper. Among employees, it promotes campaigns to stimulate conscious consumption and promote resource conservation and impact management as a basic operational principle.

Cielo's socio-environmental responsibility is manifest in a series of measures, such as its greenhouse gas (GHG) inventory, the correct disposal of obsolete equipment, as well as investment in projects promoting education, culture, health and vocational training for children and young people, with a focus on socio-economic inclusion.

Through partnerships with both governmental and non-governmental organizations, Cielo invests in social responsibility, using its own funding and tax incentives in projects promoting education, culture, health and vocational training for children and young people with a focus on socio-economic inclusion.

Employing an internal Code of Ethics since 2009, last year Cielo implemented an exclusive code for suppliers, setting forth company guidelines on the conduct expected of product and service providers regarding child and slave labor, discrimination, diversity, harassment and conflicts of interest.

To support our sustainable growth strategy, at the beginning of 2013 Cielo established a Sustaina-

bility Committee, which reports directly to the Board. We are certain that this committee will further drive sustainability into the company and improve Cielo's governance structure and overall performance. [GRI 1.1, 1.2](#)

Domingos Figueiredo de Abreu
Chairman of the Board



MESSAGE FROM THE PRESIDENT

CONSOLIDATED LEADERSHIP

The business model will support Cielo in an increasingly competitive electronic payment industry

Cielo consolidated its leadership in the industry in 2012 with a differentiated portfolio of products and services. The company's strong financial performance is evident in our net revenues of R\$ 5,427.4 billion, 29% up on 2011. The total transaction volume reached R\$ 379.9 billion, an increase of 20.3% over 2011.

Cielo was the only publicly traded company in a market that was more competitive due to the entry of new players. We are, however, supremely confident because of our business model characterized by differentiated customer service, by a unique portfolio of capture solutions, by the services in

our value proposition for the merchant and by the partnerships we established with banks and brands throughout the year.

This is made possible by the company's capillarity: we are present in more than 1.3 million points of sale throughout Brazil; we capture transactions from 27 card brands; we provide high service levels for clients; we constantly pursue innovation and our terminals employ state-of-the-art technology. This strategy is a differential in the market.

Cielo seeks to apply the concept of corporate social responsibility throughout the value chain. This

entails a series of initiatives ranging from projects to analyze the company's performance in sustainability to investment in initiatives focused on social and economic inclusion. In the environmental area, we conduct greenhouse gas (GHG) inventories in line with GHG Protocol Brasil guidelines and, since 2010, our shares have been listed on the BM&FBovespa Carbon Efficient Index (ICO2).

We are also signatories to the United Nations (UN) Global Pact. In 2012, we reaffirmed our commitment to this initiative and communicated our progress in the areas of human rights, labor, environment and anti-corruption practices for the year.

For the coming years, we will maintain our focus on our strategy of differentiation and innovation. We will invest in maintaining the company's organic growth and in providing the best product and service offerings through our portfolio of brands, a high performance network employing leading edge technology and closer relations with our merchant base. We believe this is the way to guarantee the future of our own business and the businesses of our merchants and partners. [GRI 1.1, 1.2](#)

Rômulo de Mello Dias
President

KEY NUMBERS FOR 2012

In 2012, Cielo's performance in its main financial and operational indicators was strong. The main highlights were consolidation of the company's leadership in the electronic payment industry and ongoing differentiation in its product and service portfolio.

Operational highlights

	2012	2011	Variation 2012/2011
Credit and debit cards			
Transaction volume (millions of R\$)	379,920.40	315,856.20	20.3%
Number of transactions (millions)	5,303.40	4,621.60	14.8%
Credit cards			
Transaction volume (millions of R\$)	241,552.00	197,541.30	22.3%
Number of transactions (millions)	3,063.50	2,657.90	15.3%
Debit cards			
Transaction volume (millions of R\$)	138,368.40	118,314.90	16.9%
Number of transactions (millions)	2,239.90	1,963.70	14.1%

Financial highlights

	2012	2011	Variation 2012/2011
Net operating revenue (millions of R\$)	5,427.40	4,208.70	29.0%
EBITDA (millions of R\$)	3,082.60	2,407.90	28.0%
% EBITDA Margin	56.80%	57.20%	(0.4) p,p,
Net earnings (R\$ millions)	2,314.60	1,810.30	27.9%

COMPANY PROFILE

CIELO

Capillarity, high technology and continuous innovation make the company one of the biggest in the global electronic payment industry

The biggest acquirer in Latin America and one of the five biggest worldwide, Cielo is engaged in the acquisition of merchants and the capture, transmission, processing and settlement stages in payment card transactions. It also manages the card acceptance network, including the rental, installation and maintenance of POS terminals. [GRI 2.1, 2.2](#)

With a highly efficient and robust technological base, Cielo has a network availability rate of 99.998%, reaching 100% on the busiest days in the

Brazilian retail calendar. Its modern POS terminal park stood at 1.7 million at the end of 2012. Connecting issuing banks, card brands and merchants, the company ensures secure electronic transactions through Cielo Lynx, a tool that monitors, prevents and combats fraud. [GRI 2.3, 2.7](#)

The company's operations reach 99% of the municipalities in Brazil, covering 1.3 million active points of sale (having at least one transaction in the last 60 days), ranging from large chains to

small and midsize retail outlets and freelance professionals. In 2012, Cielo acquired the North American company Merchant e-Solutions, marking its debut in the US market (*read more further on*). There were two alterations in Cielo's operational structure during the year. In December, CieloPar was incorporated by Braspag, and Serverde by Multidisplay. [GRI 2.4, 2.5, 2.9](#)

Cielo captures financial transactions from 27 card brands, such as Visa, MasterCard®, American Express®, Diners Club International® and JCB (Japan Credit Bureau), the five largest brands worldwide. Its terminals also accept Elo (an exclusively Brazilian brand), regional brands such as Aura, Sorocred and Good Card, as well as benefits cards, such as Elo Voucher and Sodexo. [GRI 2.7](#)

A publicly traded company since July 2009, Cielo is listed on the BM&FBovespa Novo Mercado for organizations observing best corporate governance practice. Based in Barueri (São Paulo), the company had 1,417 employees at the end of 2012. A total of R\$ 379.9 billion was captured in transactions during the year. Net operating revenues were R\$ 5.4 billion, an increase of 29% over 2011, and net earnings totaled R\$ 2.3 billion, 27.9% up on the previous year. [GRI 2.6, 2.8](#)

MISSION AND VALUES GRI 4.8

MISSION

» TO BE AN INTERNATIONAL REFERENCE IN TRANSACTION SOLUTIONS AND NETWORK SERVICES.

VALUES

- » EMPLOYEES WITH ATTITUDE, TEAM SPIRIT AND PASSION IN EVERYTHING THEY DO
- » DELIGHTED CUSTOMERS
- » EMPLOYEES WITH OWNER MINDSET
- » ETHICS IN ALL RELATIONSHIPS
- » EXCELLENCE IN EXECUTION
- » INNOVATION ORIENTED TO RESULTS
- » SUSTAINABILITY AND CORPORATE RESPONSIBILITY

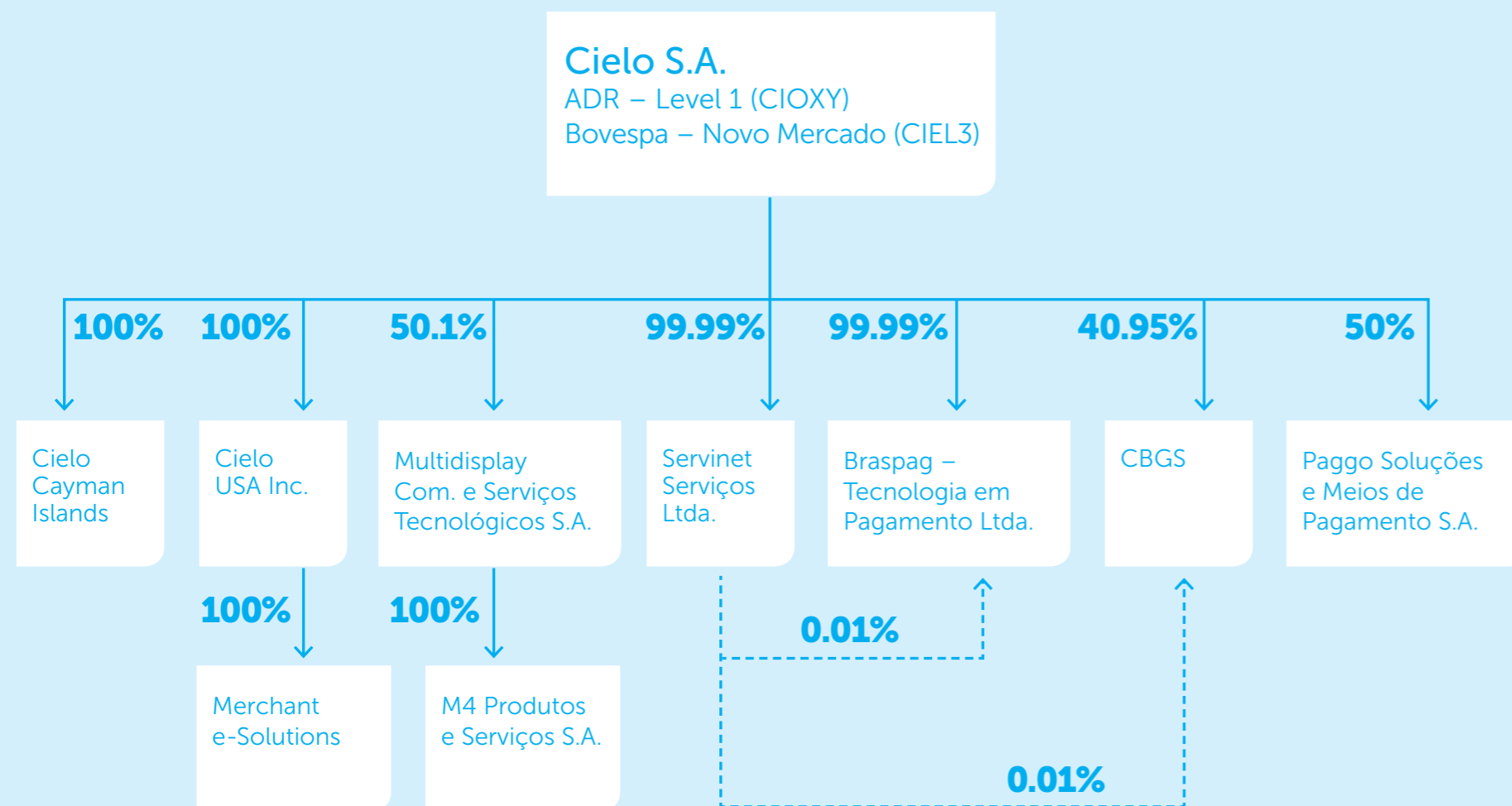
CIELO IN NUMBERS*
GRI 2.2, 2.3, 2.8

1,417 is the number of employees

99% of the municipalities in the country reached	1.3 mi active points of sale	R\$ 5.4 bi in operating revenue
5.3 bi transactions captured	R\$ 2.3 bi in net earnings	

* Data for 2012..

OPERATIONAL STRUCTURE GRI 2.3



MULTIBRAND PORTFOLIO



Operating in 99% of Brazil's municipalities, Cielo captures financial transactions from 27 card brands, including the five biggest in the world, in addition to the main regional brands and benefits cards.

THE LINKS IN THE ELECTRONIC PAYMENT CHAIN

Issuing bank: issues the cards and manages relations with cardholders.

Cardholder: the consumer.

Brands: responsible for organizing and establishing the operational standards for card payment systems. They also license their brands to issuing banks and acquirers.

Merchant: companies (large, medium and small) and individuals affiliated to an acquirer to accept cards as a means of payment.

Acquirer: oversees acquisition of merchants and carries out the capture, transmission, processing and financial settlement of transactions with credit, debit and benefit cards and vouchers.

Merchant bank: the bank indicated by the merchant in which the acquirer deposits the proceeds of payments made with cards.

CONSOLIDATION OF ACQUISITION

In September 2012, Cielo concluded the acquisition of 100% of Merchant e-Solutions (MeS), a North American company specialized in electronic payment solutions active in traditional acquisition, electronic commerce and mobile payments.

The US\$ 670 million acquisition positions Cielo on a higher level in terms of technology, reinforcing its leadership in Brazil and giving it a foothold in the US market. The transfer of know-how enables greater process automation and flexibility in new product and solution development, adding more value for the businesses of Cielo's merchants and partners.

Founded in California in 2000, MeS developed a high performance technological platform that ranges from acquisition to fraud management, differentiating the company in the industry. Currently, MeS has the 20th largest market share in the United States, processing more than US\$ 14 billion per year, with over 70 thousand affiliated merchants and 250 partnering financial institutions. **GRI 2.9**

SOLUTIONS PORTFOLIO

Continuous innovation is an integral part of Cielo strategy. Currently, the company has capture solutions for payments with credit and debit cards, vouchers and a credit service aimed at establishments with different profiles and needs, as well as solutions for electronic commerce and mobile payments using cellular telephones and tablets. Cielo also offers complementary solutions, such as credit top-ups for cellular telephones, to optimize terminal use and boost merchants' business. [GRI 2.2](#)

SOLUTIONS

- » **Cielo Crediário (Cielo Credit):** a payment option that enables end consumers to finance their purchases in up to 48 installments while enabling the merchant to receive the total amount of the transaction, less charges, on the following day (*read more further ahead*).
- » **Cielo Premia (Cielo Rewards):** a Cielo promotional marketing tool aimed at strengthening relations with merchants and boosting their business. With the platform, the merchant can offer customers discounts and rewards in different formats (discount or gift with the next purchase, accumulation of amounts spent on purchases, accumulation of visits to point of

sale and interrelated commercial campaigns, among others). The service also permits the merchant to manage the promotion directly on the Cielo terminal, reducing operational costs.

- » **Cielo Recarga (Cielo Recharge):** a recharge solution for pay-as-you-go fixed and mobile telephones via credit or debit card. The service boosts customer flow and loyalty in commercial establishments by expanding the range of services on offer.
- » **Cielo Correspondente (Cielo Correspondent):** a solution that enables cash withdrawals and the payment of bills and taxes with barcodes at accredited establishments. The service increases customer flow and revenues, as well as boosting customer loyalty.
- » **Cielo Extrato (Cielo Statement):** online monitoring of sales via the Cielo terminal. Accredited merchants can consult statements and future receivables and personalize their statements, among others.

CREDIT

In March 2012, Cielo terminals incorporated yet another solution: the Credit Service, considered to be the biggest innovation in the electronic payment industry in the last 15 years. The new payment option permits end consumers to rapidly and automatically finance purchases in up to 48 installments. Before finalizing the purchase, the consumer can see the interest rate, the amount and the due date of the first installment on the Cielo terminal. The merchant receives the full amount of the transaction, less charges, on the following day.

Initially available for Banco do Brasil and Bradesco clients, the service incorporates an additional credit limit offered by the bank based on analysis and subject to approval. Therefore, it does not affect the cardholder's credit limit. The installments are fixed and are debited from the cardholder's current account on a monthly basis.

The Credit service foments end consumer access to bank credit and provides a stimulus for economic activity. [GRI 2.2](#)

48

IS THE NUMBER OF INSTALLMENTS FOR SALES MADE BY THE MERCHANT, WHO RECEIVES THE FULL AMOUNT, LESS CHARGES, THE NEXT DAY.

CIELO FIDELIDADE (CIELO LOYALTY)

This is the largest business to business (B2B) relationship program in Brazil, offering rewards for merchants who concentrate their payment card sales in Cielo terminals. With every sale, the merchant accumulates points that can be exchanged for prizes (*read more about the program in the chapter Stakeholders, on page 58*).

CAPTURE SOLUTIONS

- » **Cielo POS (Point of Sale)** – the Cielo terminal that captures credit, debit, credit service and voucher sales via a card with a magnetic strip or chip technology and issues a sales slip. The fixed POS terminal uses a normal telephone line or high speed internet, while the mobile (wireless) terminal uses mobile telephony and radiofrequency networks. The mobile unit is useful for establishments where it is necessary to take the terminal to the customer, such as bars, restaurants and gas stations.
- » **Cielo TEF (Electronic Fund Transfer)** – a capture solution recommended for large retailers and establishments with a high number of transactions and

Cielo POS with high speed internet

Some POS terminals connect with Cielo via high speed internet. In addition to reducing telephony costs, this option speeds up the sales process.

which need to issue a sales slip for tax purposes. The solution is integrated into the establishment's commercial automation software which controls cash, activates the bar code reader and issues the sales slip, among other functions. The Cielo terminal used for this solution is the Pin Pad, which connects to Cielo via a fixed telephone line or broadband internet.

- » **Cielo Multiestablishments** – a capture solution that enables several establishments to conduct transactions using a single fixed Cielo terminal. Useful for street markets, small malls, doctors' surgeries etc., the model ensures that each establishment receives the amount corresponding to its sales in its specific bank account.
- » **Cielo Mobile** – an application that transforms smartphones and tablets into a Cielo terminal. Aimed at liberal professionals, the solution works via 3G/GPRS data packages provided by any mobile telephony carrier or over Wi-Fi networks. In compliance with PCI (Payment Card Industry) security standards, Cielo Mobile encrypts the payment data and does not store card information on the handset or tablet. The application also permits sales slips to be sent via email, as well as access to the transaction history on the

device. Available for the IOS (Apple), Android and RIM (Blackberry) operating systems.

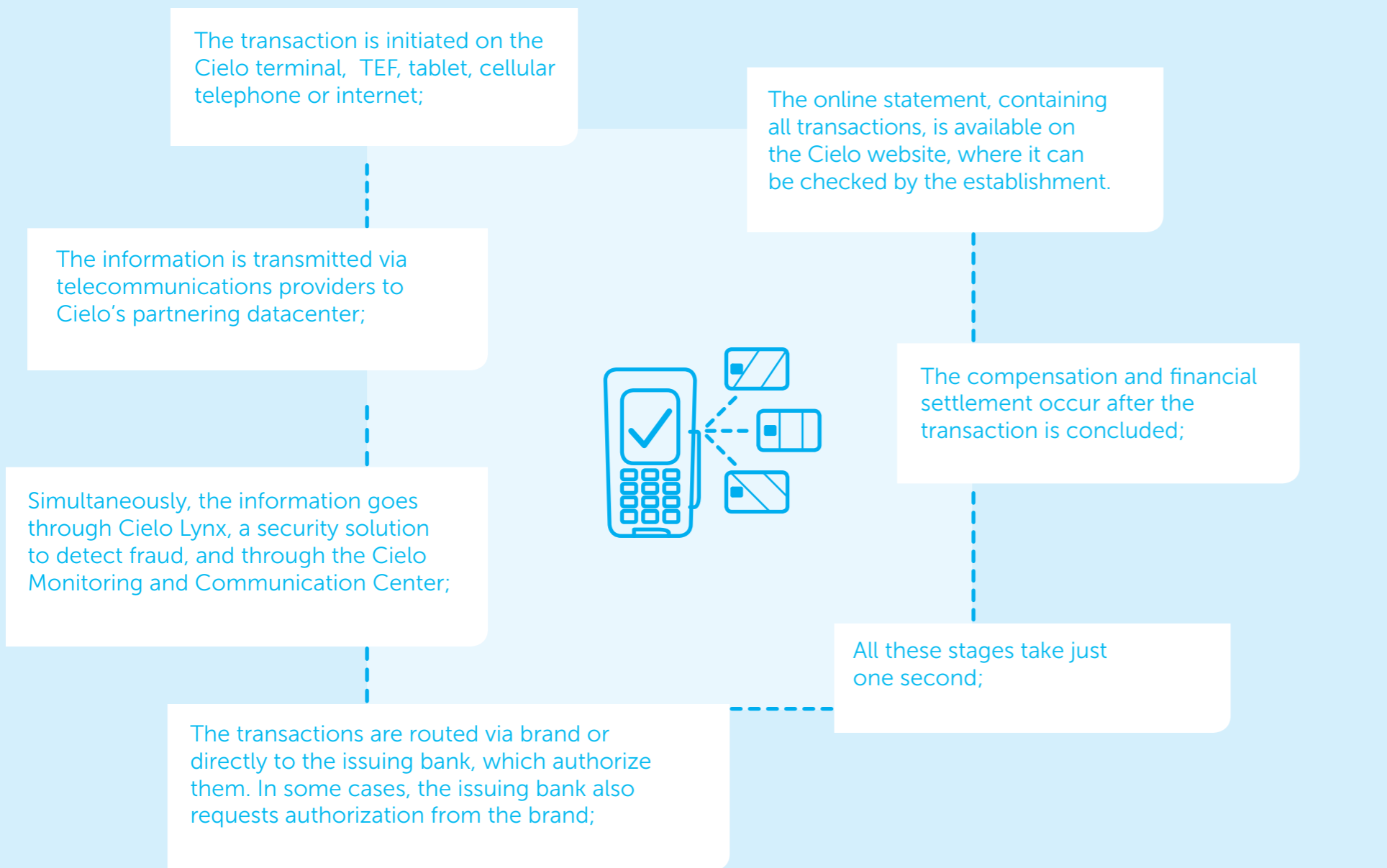
- » **Cielo e-Commerce** – a dedicated platform for commercial establishments with internet stores. Similar to Cielo Mobile, this capture solution is compliant with PCI standards, guaranteeing secure transactions by means of data protection.

GREATER SECURITY ON THE WEB

To further diminish the company's already low fraud rate and promote e-commerce in Brazil, at the beginning of 2012 Cielo established a partnership with CyberSource to prevent fraud in electronic commerce. This high technology tool can detect fraudulent actions in real time.

The system enables detailed analysis of online purchases, involving detailed assessment of complementary data, such as delivery address, the computer's IP, the email and telephone supplied etc. Each order is submitted to more than 260 simultaneous tests during two seconds and is either authorized, rejected or sent for manual analysis depending on the results. Cielo also links the Cielo Lynx analysis to the CyberSource system database, further increasing the security level for electronic commerce. **GRI 2.2**

THE TRANSACTION ROUTE



FROM THE TERMINAL TO THE SOCIAL NETWORKS

Without precedent in Brazil and worldwide, Cielo Linkci is the company's first business-to-business-to-consumer (B2B2C) initiative, enabling innovation in the way merchants relate to their customers. With the Facebook solution, the merchant can offer customers the option to check in directly from the Cielo terminal. It also permits the recommendation of favorite places located in the vicinity and the possibility of receiving rewards through a tool that lets the establishment register promotions linked with the terminal's new social functionalities.

The solution made its debut in São Paulo in November 2012. Due to the high level of acceptance, particularly in restaurants, the solution is expected to be extended nationwide in the course of 2013. GRI 2.2



AWARDS AND RECOGNITIONS

As in previous years, in 2012 Cielo received external recognition on a number of occasions. The company received awards for the way it does business, characterized by efficiency, innovation and security, and in recognition of its commitment to stakeholders. [GRI 2.10](#)

- » 1st place in specialized services in *Exame* magazine's "Maiores e Melhores" ("Biggest and Best") ranking – Awarded for the sixth time running.
- » Best Company in the financial services industry in the *Anuário Época Negócios 360º*, from the magazine *Época Negócios*.
- » Best Company in the financial services category in *Istoé Dinheiro* magazine's "As 1.000 Melhores Dinheiro 2012" ranking– Awarded for the second time running.
- » Elected one of the Best Companies to Work For in the *Você S/A* magazine guide for the 12th time running.

The way Cielo does business, focused on efficiency, innovation and security, as well as commitment to its stakeholders, gained market recognition with awards bestowed by institutions and publications throughout 2012.

- » Among the Best Companies to Start Your Career in the *Você S/A* magazine guide.
- » 2nd place in the Best in People Management ranking, in the 1,001 to 2,000 employee category, from *Valor Econômico* and Aon Hewitt.
- » One of the 20 most valuable brands in Brazil in the *Istoé Dinheiro* magazine ranking with BrandAnalytics/Milward Brown.
- » 1st place in the overall ranking published by *Institutional Investor Magazine*, winning in the categories: best Investor Relations team, best CEO, best CFO and best IR professional on the sell-side and buy-side in Latin America.
- » Best Investor Relations by a Latin American Company in the US Market, from *IR Magazine*.
- » Executive of the Year Award for the Cielo CEO from the APAS (São Paulo Supermarket Association).



CORPORATE GOVERNANCE

FOCUSED STRUCTURE

Transparent information, allied with the commitment to grow the company and generate value

Cielo shares are also listed in the following Brazilian theoretical portfolios:

- » Índice de Ações com Governança Corporativa Diferenciada (IGC)
- » Índice de Ações com Tag Along Diferenciado (ITAG)
- » Índice Brasil (IBrX)
- » Índice Brasil 50 (IBrX-50)
- » Índice Financeiro (IFNC)
- » Índice Carbono Eficiente (ICO2)
- » Índice Valor BM&FBovespa (IVBX-2)
- » Índice Mid-Large Cap (MLCX),
- » Índice de Governança Corporativa Trade (IGCT),
- » Índice Brasil Amplo/BM&FBovespa (IBrA)
- » Índice de Dividendos (IDIV)

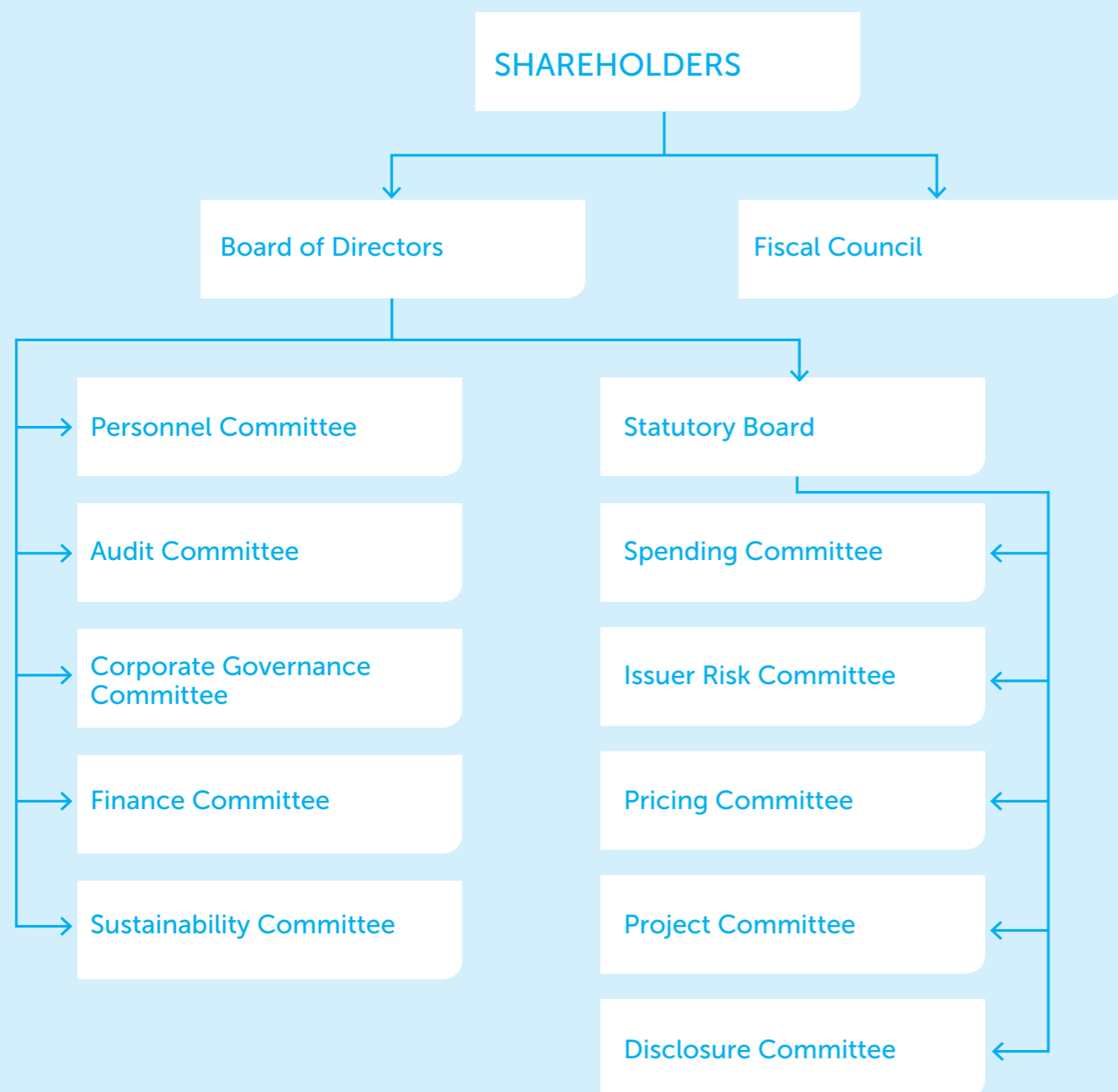
Electronic voting

Since 2010, Cielo has used an electronic platform for its general meetings, facilitating access to company decision making for all Brazilian and overseas shareholders.

Cielo's management structure was conceived to help the company achieve its targets, which are to drive company growth through excellent execution, innovation and security. To execute shareholder decisions, the company has a Board of Directors, supported by five committees, and a Board of Executive Officers, which has its own committees. There is also a Fiscal Council which, when convened, reports directly to the shareholders. [GRI 4.1](#)

Listed on the BM&FBovespa Novo Mercado since 2009, Cielo is committed to strict standards and best corporate governance practice. This means the company voluntarily adopts corporate governance practices that go beyond those required by Brazilian legislation. Being listed in this segment implies adopting corporate standards that extend shareholder rights, such as only having ordinary shares with voting rights and adopting a broader, more transparent information disclosure policy.

GOVERNANCE STRUCTURE GRI 4.1



Membership of Board of Directors

Name	Position
Alexandre Correa Abreu	Member – Vice President
Alexandre Rapaport	Member
Domingos Figueiredo de Abreu	Member – President
Francisco Augusto da Costa e Silva	Independent member
Gilberto Mifano	Independent member
José Maurício Pereira Coelho	Member
Marcelo Araújo Noronha	Member
Maria Izabel Gribel de Castro	Member
Milton Almicar Silva Vargas	Member
Raul Francisco Moreira	Member

BOARD OF DIRECTORS

Elected by the General Shareholder Meeting for two-year mandates (with the possibility of re-election), the board may comprise a minimum of seven and a maximum of 11 members, of which 20% must be independent. Ten members (two of whom are independent) were elected in April 2012, with a mandate until 2014. The body’s main attribute is to define business strategy and oversee its progress. The board consists of a majority of men and one woman. The other minority groups mapped by Cielo

are not represented on the board. Additionally, 40% of the members are aged between 30 and 50 years and 60% are over 50 years old. [GRI 4.1, 4.3](#)

Under the Cielo Articles of Association, members of the Board and the Board of Executive Officers (Statutory) must have an unblemished reputation. There is no specific process for determining members’ qualifications in relation to business, environmental and social matters. [GRI 4.7](#)

The Board of Executive Officers monitors the performance of the business areas and fulfillment of strategic planning directives, targets and goals. It is up to the Fiscal Council to oversee management performance, review the financial statements and provide shareholders with information.



Board of Executive Officers

Membership of Statutory Board of Executive Officers

Name	Position
Rômulo de Mello Dias	President (CEO)
Clovis Poggetti Junior	Director of Finance and Investor Relations (CFO/DIR) – Vice President
Claudio Eduardo Vianna de Oliveira	Director – Vice President
Dilson Tadeu da Costa Ribeiro	Director – Vice President
Eduardo Chedid Simões	Director – Vice President
Plínio Cardoso da Costa Patrão	Director – Vice President
Roberto Menezes Dumani	Director – Vice President

Non-Statutory Executive Officer

Name	Position
Manoel Pinto de Souza Junior	Director – Vice President

BOARD OF EXECUTIVE OFFICERS

The Cielo Statutory Board of Executive Officers must be comprised of at least two and at most eight persons, who may hold other positions in the company. These officers are elected by the Board of Directors for two-year mandates, with the right to re-election. Elected in May 2012, the current executive board has seven members, including the President (CEO) and the Director of Finance and Investor Relations (CFO/DIR). The Executive Board also has a non-statutory Vice President. The executive board is charged with monitoring the performance of the business areas and fulfillment of strategic planning directives, targets and goals, as well as compliance with company policies. [GRI 4.1, 4.2, 4.3](#)

FISCAL COUNCIL

Comprising at least three and at most five members and their respective alternates for a one-year mandate, the Fiscal Council is not permanent and is convened only at the request of the General Meeting or of the shareholders. In 2012, the council had three effective members and one alternate. Its main functions are to monitor management performance, review the financial statements and provide shareholders with information.

COMMITTEES

The Cielo governance structure enables the establishment of committees to support both the Board of Directors and the Board of Executive Officers in specific business matters. The committees supporting the Board of Directors have independent members acting on a permanent basis. [GRI 4.1, 4.9](#)

The Board of Directors is supported by the:

» **Audit Committee** – the only permanent committee, it is involved in internal and external audit processes and provides advice on the company's financial statements.

Cielo's governance structure is supported by committees that assist the Board of Directors and the Board of Executive Officers in pertinent business matters. The committees supporting the Board of Directors have independent members who act on a permanent basis.

- » **Personnel Committee** – decides on human resources strategy (organizational development, personnel planning and development, employee and management remuneration and benefits, taking into account market practices.
- » **Corporate Governance Committee** – analyzes Cielo corporate governance policy and promotes the adoption of international best practices, recommending changes as necessary.
- » **Finance Committee** – assesses and makes recommendations regarding financial management, investment proposals, budget execution and fiscal planning. It also oversees corporate risk policies, financial policies and internal financial control systems.

- » **Sustainability Committee** – established in 2013, the committee monitors Cielo's social, environmental and economic indicators and commitments, monitors and assesses the results of social and cultural projects to improve the company's sustainability profile in the social, environmental and economic spheres. It also contributes to the preparation of reports on Cielo's socio-environmental performance. [GRI 4.1, 4.9](#)

The Board of Executive Officers is supported by the following committees:

- » The **Issuer Risk Committee** is responsible for the monitoring, analysis and risk classification of Visa brand card issuers.

- » The **Spending Committee** oversees the allocation of company funds, optimizing expenditures and investments, ensuring the efficient use of company procurement processes and the effective application of related rules and standards.
- » The **Pricing Committee** assesses and makes recommendations regarding the pricing, minimum profitability and financial feasibility of the portfolio, new products and services and the renegotiation of rates/charges. It also analyzes and recommends standards, policies, procedures and pricing measures for company products and services.
- » The **Project Committee** is responsible for prioritizing strategic projects in accordance with the company's short, medium and long term targets and for verifying the economic and systemic feasibility of such projects.
- » The **Disclosure Committee** reviews, oversees and formalizes procedures for preparing information to be disclosed to the market.
- » **Sustainability Steering Forum** – until 2012 the forum was responsible for implementing company sustainability policies, strategies and initiatives. It was substituted by the Sustainability Committee in 2013 (*read more on this page*). [GRI 4.9](#)



ACCESS TO LEADERS

Since 2010 Cielo has had a Corporate Governance portal which provides access to certain company documents and tools for arranging committee meetings and communicating with management. For employees, the company organizes a series of meetings with leaders, such as Face to Face with the President, Lunch with the o President, Swapping Ideas with the Vice President of Organizational Development and the Commercial Convention, which engages the entire commercial team and company leaders (*read more in the chapter Stakeholders, on page 54*). **GRI 4.4**

SHAREHOLDER STRUCTURE

In the second half of 2012, Cielo became the only publicly traded company in the electronic payment means industry in Brazil. The majority shareholder group consists of the banking conglomerates Bradesco and Banco do Brasil, which jointly hold 57.3% of the company’s stock. The remaining shares (42.5%) belong to minority shareholders and are traded on the BM&FBovespa. **GRI EC4**

Ownership breakdown *

Ownership breakdown	Ordinary shares	%
Controlling Shareholders	375,347,210	57.3
Banco Bradesco	187,673,585	28.65
Banco do Brasil	187,673,626	28.65
Treasury	727,778	0.11
Free Float Market	279,021,236	42.59

*As of December 31st, 2012.

POLICIES

To promote best corporate governance practices, the company has a series of policies designed to regulate business conduct. These are: (i) the Policy on Material Information Disclosure and Confidentiality, (ii) Policy on Security Trading, (iii) Policy on Dividends and the newly implanted (iv) Policy on Shareholder Transactions and Other Situations Involving Potential Conflicts of Interest.

Policy on Material Information Disclosure and Confidentiality – pursuant to Comissão de Valores Mobiliários (CVM) regulations, the policy sets forth practices, obligations and mechanisms to ensure equal and full shareholder and investor access to relevant information and the confidentiality of information not subject to disclosure.

Policy on Security Trading – establishes the rules for the trading of Cielo securities. This is aimed at preventing the inappropriate use of insider information by company controllers, managers, employees, consultants and service providers.

Policy on Dividends – this governs the payment of dividends and/or interest on own capital in accordance with corporation law and the Cielo Articles of Association. The Dividend Policy provides for

the payment of at least 50% of the company's net earnings twice a year (in March and September), corresponding respectively to the second half of the previous year and the first half of the current year.

Policy on Stakeholder Transactions and Other Situations Involving Potential Conflicts of Interest—approved in 2013, this policy stipulates the procedures to be adopted with stakeholders and in other situations involving potential conflicts of interest. It is aimed at ensuring transparency for shareholders and the market and aligning the company with best corporate governance practice (*read more ahead*).

ETHICS AND TRANSPARENCY

As expressed in Cielo's values – Ethics in all relationships –, all company activities must be governed by the principles of transparency and ethical conduct. Specific guidelines are set forth in the Code of Ethics, established in 2009. All employees entering the company are expected to observe the code, which sets forth the company's positioning on harassment, discrimination and prejudice; combating child pornography; conflicts of interest; contributions to political parties; corruption and monopolies; money laundering; presents, favors and services; information security; child and slave labor; and the use of company resources. [GRI 4.8, HR4, SO2](#)

The code also stipulates desired conduct towards different stakeholders: community; competitors; merchants; employees; government; industry associations; investors; issuing banks, the press; industry associations; society; and users of electronic means of payment. At the beginning of 2012, Cielo published a specific Code of Ethics and Conduct for suppliers (*read more in the chapter Stakeholders, on page 55*). [GRI 4.8, HR4](#)

Cielo also established an Ethics Forum to assist the Ethics Committee. This comprises the president,

vice presidents and other managers and is designed to ensure the code is respected and updated as necessary, as well as to decide on any deviations from the document. [GRI HR4](#)

In accordance with the code, the company does not make donations to political campaigns, neither does it participate in events related to politics. The company has not engaged in unfair competitive practice, neither has it received significant fines or non-monetary sanctions related to breaches of laws and regulations. [GRI SO6, SO7, SO8](#)

PARTICIPATION IN ASSOCIATIONS

Abecs (the Brazilian Credit Card and Services Association) is the sector association through which Cielo participates in the formulation of public policy in the country. Currently, the Cielo president is a director of the association and a member of its Ethics and Self-Regulatory Council. Representing issuing banks, brands, acquirers and processors, Abecs has as its mission the reinforcement of the payment card industry in Brazil and the representation of sector interests in the market, society and diverse spheres of government. The association provides analyses and technical opinions aimed at improving bills of law under consideration by the legislature. [GRI 4.13, SO5](#)

ETHICS CHANNEL

Via the internet: www.canalconfidencial.com.br/cielo

Via telephone: 0800 775 0808 (valid only for Brazil)

ETHICS CHANNEL

Managed by an independent company to ensure transparency and confidentiality, the Ethics Channel permits employees and other Cielo stakeholders to report suspected breaches of the Code of Ethics and other company policies. [GRI HR4, SO2](#)

All incidents are managed by the internal audit area, which is independent and reports directly to the Board of Directors. The area is responsible for assigning professionals to track the investigation of reports and the conclusion of each case. The process also involves the Ethics Committee and, in determined cases, the Audit Committee and the Board of Directors. The Audit Committee receives a summary of reports on a monthly basis. [GRI HR4](#)

CASES IN 2012

In 2012, there were no reports of cases involving discrimination due to ethnic origin, color, gender, religion, ideology, nationality or social class. Cielo received 10 reports of purported harassment: five were from employees reporting improper treatment on the part of management, two were from third parties complaining about their immediate managers, two came from customers and one had no supporting details. In the latter case, requests for clarification went unanswered. [GRI HR4](#)

The five reports involving company managers were investigated and deemed groundless. In the two cases involving third-party suppliers, the company passed the reports on to the service providers and to the

Cielo manager responsible to ensure accompaniment of the measures adopted. It was not possible to investigate one report made by a customer, since additional information requested was not provided. The investigation of the other report involving a merchant and a Cielo employee revealed a number of irregularities in transactions, leading to the termination of the merchant's contract. [GRI HR4](#)

CONFLICTS OF INTEREST

Among other items, the Code of Ethics covers conflicts between personal and company interests. Some examples of situations that may affect company business are personal relations with shareholders, customers, suppliers and competitors that might compromise impartiality; and family relations involving chiefs and subordinates.

To prevent these types of cases, at the end of the Code of Ethics there is a declaration of deviation that should be signed by the employee when there is a potential breach of code directives, including conflicts of interest. This declaration better enables Cielo to evaluate and resolve any deviations. [GRI 4.6](#)

IMPLEMENTATION OF POLICY

Cielo recently implemented its Policy on Stakeholder Transactions and Other Situations Involving Potential Conflicts of Interest, setting forth procedures for dealing with situations of this nature, including those involving any company employee. The document stipulates that cases may be reported by the person in question or by any third-party.

The document also considers the failure to declare potential deviations voluntarily to be a breach of corporate governance principles and the policy itself, stipulating that this must be communicated to the Corporate Governance Committee and to the Board. The parties involved may not participate in discussions and votes on the question.

The Corporate Governance Committee is responsible for analyzing cases and deciding whether they should be submitted to the Board of Directors. In cases involving controlling shareholders, the Governance Committee will comprise two independent members, the second member being designated on an ad hoc basis to substitute the representative of the controlling shareholder. **GRI 4.6**

STAKEHOLDERS

Cielo undertook a stakeholder identification exercise in 2009 when the Code of Ethics was reviewed. This process entailed a wide-ranging discussion involving more than 100 employees. In 2012, there was no formal engagement process. The following stakeholders are identified in the Code of Ethics:

- » Banks
- » Community and Society
- » Competitors
- » Employees
- » Government
- » Investors
- » Industry Associations
- » Merchants
- » Suppliers
- » Press
- » Users of Electronic Means of Payment

In 2013, a specific policy will be formulated to engage these stakeholders. **GRI 4.15, 4.16**



11

IS THE NUMBER OF STAKEHOLDERS CIELO IDENTIFIED IN 2009 UPON REVIEWING THE CODE OF ETHICS.

BUSINESS STRATEGY

GROWING AND DRIVING GROWTH

Cielo invests continually in products and services that drive merchants' growth

US\$ 670 mi

WAS INVESTED IN ACQUIRING MES, CIELO'S MAIN STRATEGIC MOVE IN 2012.

Innovation with results, excellence in execution and delighted customers. These are the fundamentals orienting Cielo's business strategy and sustaining its leadership of the Brazilian electronic payment market. This may be seen in the actions implemented in the course of 2012 to refine the e-commerce and mobile payment platforms and offer new services, such as the Credit payment option and the Cielo Linkci solution.

Fully aligned with its strategic plan, in 2012 the company also concluded the acquisition of the US company Merchant e-Solutions (*read more in the chapter Profile, on page 10*). The transfer of technologies and operational processes resulting from this acquisition will take Cielo to the next level in technology, with the incorporation of Merchant e-Solutions' (MeS) scalable, efficient and flexible platform developed especially for the electronic payment market, differentiating the company in North America.

These changes are aligned with Cielo strategic planning, formulated at the company's highest instance of governance - the Board of Directors - and put into practice by the Board of Executive Officers, underpinned by analyses and studies of the sector and the macroeconomic situation in Brazil and other countries. The company's strategic plan determines the company's annual targets, which are then broken down into individual action plans encompassing all employees.

Considering the challenges posed by increased competition already evident in 2012 and expected to continue, in the coming years Cielo will intensify its strategy based on differentiation and innovation. To make this happen, efforts will be focused on maintaining the company's organic growth and investment in the best product and service offerings, through the brand portfolio, greater network availability with the most modern equipment and stronger relations with the merchant base.

IMPORTANCE OF SUSTAINABILITY

Cielo recognizes the need to constantly refine a business model which aligns its business objectives with the social and environmental demands of its main stakeholders and society as a whole. Initiatives in this field are overseen by the sustainability area, which reports to the company's vice president of the Institutional Relations. Cielo's business practices are underpinned by the principles of ethics and transparency in line with the highest standards of corporate governance. Even so, the company is aware of the challenges involved in managing the business sustainably, especially considering the nature of its operations, which are not directly linked with any industrial activity generating great social and environmental impact.

One of Cielo's initiatives was the decision to monitor socio-environmental indicators and publish its first sustainability report, which is based on Global Reporting Initiative (GRI) methodology. In 2011, the company conducted its first greenhouse gas (GHG) emissions inventory, the results of which were included in the Brazilian GHG Protocol Program and in the Carbon Disclosure Project (CDP) in 2012.

Also in 2011, the company became a signatory to the United Nations Global Pact. Adhesion to this initiative was reaffirmed in 2012, with the annual communication of the measures taken and progress achieved in the areas of human rights, labor, the environment and anti-corruption practices. [GRI 4.12](#)



COMPETITIVE ADVANTAGES

At Cielo, business strategy is made viable by the competitive advantages the company has consolidated over the years, enabling it to anticipate market trends and identify business opportunities. These include:

- » **Capillarity** – Cielo has the largest distribution network, reaching 99% of Brazilian municipalities in every region of the country. The company is present at 1.3 million points of sale.
- » **Innovation** – innovation in the offer of differentiated products that meet merchants' needs, generate business opportunities for affiliated establishments, boosting their sales volumes and revenues.

- » **Portfolio** – currently Cielo's multi-brand portfolio captures 27 card brands (read more in the chapter Profile, on pages 7 and 9).
- » **Availability** – currently Cielo's network availability rate reaches up to 99.998%.
- » **Transaction security** – the Cielo Lynx tool guarantees an elevated level of security for affiliated establishments, issuing banks and cardholders with its fraud monitoring and detection system (*read more in Technology and Security, on page 27*).



FOCUS ON MAJOR SPORTING EVENTS

The growth in the number of foreigner visitors to Brazil in recent years and the expectation of even further growth during and after the World Cup (2014) and the Olympics (2016) gave rise to the partnership between Cielo and Planet Payment, a leader in international and multi-currency payments.

Concluded in November 2012 and new to Brazil, the agreement will make the solutions “pay in your currency” and “shop in your currency” available to Cielo merchants, with a focus on overseas visitors to Brazil. The solution enables consumers to see the value of the purchase in reais and in their own currency on the terminal, with the exchange rate for the day and other information that will permit the visitor to choose the best means of paying for their purchases.

The functionality will also drive Brazilian e-commerce, increasing online sales to international clients.

RISK MANAGEMENT

At Cielo, corporate risk management methodology is defined and applied by the Internal Controls and Compliance area. This is aimed at helping the operational areas to identify, assess, mitigate and monitor risks inherent to company activities, supporting decision making. In line with best corporate governance practice, the model communicates the risk scenario and controls to all relevant levels of the company on a periodic and cyclical basis, monitored by senior management.

Risks are classified according to pre-defined categories and levels of criticality, enabling the assessment of existing scenarios and the prioritization and implementation of the necessary corrective measures, thus ensuring the sustainability of Cielo operations.

Maintaining acceptable levels of risk exposure is a constant challenge that is incorporated into the management model applied by the professionals involved, enabling them to apply the appropriate monitoring and mitigation measures.

The Internal Audit area considers the risk of exposure to fraud and corruption in the checks it performs periodically in the processes of procurement, sales, changes in client charges, investments, sponsorships and incentives. Specifically in 2012, the audit area carried out assessments in trade marketing; promotions; financial registration and settlement; procurement, receipt and payment; service management; sales cancellations; bank incentives; social responsibility investments; operational interchange; and logistics. No cases of corruption were identified during the year. These issues are also dealt with when reported through the Ethics Channel (*read more on page 21*). **GRI SO2, SO4**

Cielo’s high technology platform, with elevated levels of security, guarantees excellent execution and inspires trust. Moreover, the business model, robust financial fundamentals and results contribute to the company’s significant market cap, which reached R\$ 37.3 billion in 2012.

INTANGIBLE ASSETS

A reflex of the mission and values and aligned with company strategy, Cielo’s intangible assets reinforce its differentiation and drive value generation. They are: human capital, organizational culture, brand, market cap and infrastructure.

Human capital encompasses the know-how, skills, competencies and talents of Cielo employees, while the organizational culture continually foments the team’s motivation and engagement, always aligned with company values and directives (*read more in the chapter Stakeholders, from page 38*).

The annual satisfaction survey conducted among Cielo merchants demonstrates that the company image is strong in the items innovation, credibility, recommendation and intention to continue. In

2012, Cielo was elected one of the 20 most valuable brands in Brazil, in the Istoé Dinheiro magazine ranking elaborated jointly with BrandAnalytics/Milward Brown. The company’s positioning and initiatives strive to consolidate the Cielo brand as the one offering differentiated solutions, innovation, high performance, multi-brand acceptance and security, fundamental elements that enable merchants to grow their sales. [GRI PR5](#)

Cielo’s infrastructure – a high performance platform with elevated levels of security – ensures excellence in execution and generates trust (read more in Technology and security, on page 27). Finally, the company’s business model and sound financial fundamentals and results drive its significant market capitalization, which reached R\$ 37.3 billion on the last day of trading on the BM&FBovespa in 2012.

INTANGIBLE ASSETS

- » Human capital
- » Organizational culture
- » Brand
- » Infrastructure
- » Market cap

2012

THE YEAR IN WHICH CIELO WAS AMONG THE TWENTY MOST VALUABLE BRANDS IN BRAZIL ACCORDING TO "ISTO É DINHEIRO" MAGAZINE.

BUSINESS STRATEGY

TECHNOLOGY AND SECURITY

CONSTANT EVOLUTION

High technology is an inherent characteristic of the electronic means of payment market. Cielo's constant focus on technology - both aimed at ensuring operational stability and developing even higher levels of efficiency and security - pervades the entire company.

Ongoing investment, in addition to a dedicated team, ensure high availability in the transaction capture service, which stood at 99.998% at the end of 2012. This level of availability reaches 100% on major dates for the Brazilian retail trade, such as the periods leading up to Christmas and Mother's Day. The company also invests heavily in modernizing

its latest generation terminal park, with investments totaling R\$ 627 million over the last two years, particularly in wireless units.

After nine months of investment and study, in 2012 Cielo initiated the distribution of contactless and NFC (Near Field Communication) terminals for credit, debit or multiple cards in transactions with or without a PIN. The contactless terminal, which also processes cards issued abroad, streamlines the payment process and is 100% secure. During the year, the company continued to implement mobile technology for payment via cellular telephone through Cielo terminals.



US\$ 627 mi

THE AMOUNT INVESTED IN MODERNIZING THE TERMINAL PARK OVER THE LAST TWO YEARS.

CONTACTLESS

To perform the transaction it is not necessary to insert the card in the terminal, it just needs to be held between 2 and 5 cm from the terminal visor for a couple of seconds. Depending on the value of the purchase, the cardholder may or may not be required to insert their PIN.

END TO END SECURITY

Cielo constantly strives to guarantee security in line with the company's information security steering plan (2011/2016), which is compliant with all the standards established by the brands, the Payment Card Industry (PCI) and Abecs (the Brazilian Credit Card and Services Association), as well as best industry practice. This work takes place on three main fronts, each of which involves a specialized team. [GRI PR8](#)

The first is the constant monitoring of capture solutions and 100% of the transactions conducted by

merchants via the Cielo Lynx system, a management tool that detects and prevents fraud. When a non-standard transaction is detected, the system automatically reports this to the card issuer. If fraud is confirmed this is communicated via the tool to Cielo, which establishes the procedure to be adopted with the affiliated merchant. Moreover, all accesses of the company's internal systems are monitored to identify deviations in behavior and impede information leaks and internal fraud. [GRI PR8](#)

In 2012, a partnership was also established with a specialized company to monitor the internet, detecting attempts at fraud through the unwarranted use of the Cielo brand (known as phishing). This is aimed at preventing losses for cardholders and protecting the company image.

The second front is related to the actual terminals and other capture solutions. In each transaction, the card data and PIN are encrypted using an exclusive key, preventing any attempts at illicit access. Additionally, the Cielo terminal park, which is equipped with chip technology that significantly reduces the risk of fraud –, is compliant with Abecs security standards and has Payment Card Industry PIN Transaction Security (PCI PTS) certification. The

focus of the last front is information security in the merchant establishment. To date, there have been no proven cases of breaches of client privacy or loss of client data. [GRI PR8](#)

Employees are kept permanently abreast of the question of information security through notices sent by email and posted on the intranet or in the company's weekly electronic newsletter Click!. All employees are also required to do an annual e-learning course on data security. [GRI PR8](#)



SECURITY CERTIFICATION

Since 2010, Cielo has had Payment Card Industry Data Security Standard (PCI DSS) certification, established by the PCI Council, which comprises the six main card brands worldwide. Four certifications were concluded in the period up until 2012.

PCI DSS certification is aimed at standardizing security norms in the payment card industry worldwide. In each certification process, Cielo is submitted to an audit that assesses the effectiveness of all the PCI Council controls implemented by the company.

The Cielo datacenters, which are managed by service providers, are also compliant with PCI Council requirements. Company Information Technology professionals have specific certifications in the field of information security. **GRI PR8**

PREVENTING MONEY LAUNDERING

Cielo also assists in combating money laundering in compliance with law nº 9.613, dated March 3rd, 1998, governing crimes involving money laundering and the prevention of use of the financial system for illicit purposes. **GRI SO2**

When a merchant applies for accreditation, the Know Your Customer process analyzes a series of items to identify potential inconsistencies. During the merchant life cycle, monitoring is undertaken on a monthly basis to detect financial irregularities based on the establishment's transaction history and comparisons with other merchants in the sector. In these cases, Known your Customer assessments are also conducted with the commercial areas. When money laundering is suspected, Cielo customers are reported to Coaf, the Brazilian financial activity control agency, in accordance with the regulations in force. **GRI SO2**

All employees undertake mandatory e-learning courses on monitoring and dealing with suspected cases as a means of disseminating and reinforcing the company's culture of preventing money laundering. **GRI SO3**

REINFORCING INFORMATION SECURITY IN THE VALUE CHAIN

Cielo undertakes a series of initiatives to reinforce information security among certain stakeholders.

- » **Merchants** – training and prevention initiatives, as well as permanent teams that provide orientation for merchant establishments on best fraud prevention practice via telephone, email and face-to-face meetings.
- » **Employees** – annual e-learning courses on fraud prevention and information security. Certain areas also receive specific training in security for their particular work environment.
- » **Suppliers** – suppliers are required by contract to provide all employees working directly with Cielo with annual information security training programs. At the Cielo call centers, which are also run by third parties, the company organizes specific training courses in conjunction with its partners.

ECONOMIC AND FINANCIAL PERFORMANCE

ECONOMIC CONJUNCTURE

The service sector grew 1.7% in 2012, making a positive contribution to the country's GDP

According to IBGE (Instituto Brasileiro de Geografia e Estatística) data, Brazil's Gross Domestic Product (GDP) grew 0.9% in 2012. The service sector – the main niche of the electronic payment industry – increased by 1.7%, while agriculture and industry decreased by 2.3% and 0.8% respectively.

According to Abecs (the Brazilian Credit Card and Service Association), the electronic means of pay-

ment sector ended 2012 with 8.060 billion transactions, 14.2% up on the previous year, with 3.951 billion credit card transactions and 4.109 billion debit card transactions, growing 11.7% and 16.7% respectively, compared with 2011. Abecs calculated sector revenues at R\$ 710.012 million, an increase of 18.1% over the previous year. Of this total, R\$ 465.231 million came from credit card operations and R\$ 244.781 million from debit card purchases.

8.06 bi

WAS THE TRANSACTION VOLUME PROCESSED IN 2012, UP 14.2% OVER THE PREVIOUS YEAR, ACCORDING TO ABECS.

FINANCIAL PERFORMANCE

CIELO'S PERFORMANCE

SIGNIFICANT GROWTH

In 2012, Cielo grew ahead of the sector, with a significant increase in net revenues and net earnings, among other financial indicators. Net operating revenue was R\$ 5,427.4 billion, R\$ 1,218.7 billion or 29% up on 2011. Net earnings totaled R\$ 2,314.6 billion, an increase of R\$ 504.3 million over the previous year, representing growth of 28%. Cielo's net profit margin was 42.6%, decreasing 0.4% compared with 2011. The company maintained its segment leadership during the year, the result of the quality and differentiation of its product and service portfolio.

TRANSACTION VOLUME

In 2012, Cielo captured 5.303 billion transactions, a volume increase of 14.8% over 2011. The financial volume of the transactions was R\$ 379.9 billion, 20.3% higher than the 2011 figure of R\$ 315.9 billion.

In credit cards, the transaction financial volume totaled R\$ 241.6 billion in 2012, an increase of 22.3% compared with the previous year. For debit cards, the transaction financial volume was R\$ 138.4 billion, 16.9% higher than in 2011.

Following the market criterion that considers total credit in installments at the time of purchase, the revenues are presented in the table below.



Revenues – market criterion*

	2012	2011	Variation 2012/2011
Credit revenue (millions of R\$)	245,428.6	202,083.9	21.4%
Number of credit transactions (millions)	2,082.4	1,837.1	13.4%
Debit revenue (millions of R\$)	138,368.4	118,314.9	16.9%
Number of debit transactions (millions)	2,239.9	1,963.7	14.1%
Total revenue (millions of R\$)	383,797.0	320,398.8	19.8%
Total transaction quantity (million)	4,322.3	3,800.8	13.7%

*Considers total credit in installments at time of purchase.

In 2012, Cielo's operational expenses increased by 31.9%, reaching 809.4 million. From this total, R\$23.2 million was on personnel expenses; R\$49.4 million on general and administrative expenses; R\$ 55.9 million on sales and marketing expenses; and R\$ 67.5 million on other expenses.

GROSS OPERATING REVENUE

The gross operating revenue from the capture, transmission, processing and financial settlement of transactions made with credit and debit cards, the rental of POS terminals and other revenues was R\$ 6.041 billion, an increase of 28.4% compared with 2011.

COST OF SERVICES RENDERED

In 2012, the cost of services rendered was R\$ 1,852.8 billion, a 30% increase over the R\$ 1,425.2 billion recorded the previous year. The R\$ 427.5 million increase was due mainly to:

- » A R\$ 188.5 million increase in costs related to the subsidiaries Merchant-e Solutions (MeS), M4U, Orizon, Paggo and Braspag;

- » A R\$ 160.8 million increase in the fees paid to brands due to the higher transaction volume and the consolidation of Merchant-e Solutions (MeS);
- » A R\$ 59.8 million growth in the cost of capture equipment (POS) depreciation, in particular due to the growth of the terminal park and the change in the equipment mix, with a higher number of more expensive wireless terminals;
- » Growth of R\$ 18.4 million due to the increase in transaction volume.

OPERATING EXPENSES

At R\$ 809.4 million, operating expenses grew 31.9% (R\$ 195.9 million), compared with R\$ 613.4 million the previous year. Personnel expenses increased by 11.9% (R\$ 23.2 million) over 2011. This difference was due, among other reasons, to a 5% increase in employee salaries negotiated via union agreement in the third quarter of 2012.

General and administrative expenses increased by 28.0% or R\$ 49.4 million, due to higher spending on professional services (in particular consulting services), mainly in function of the MeS acquisition process. Sales and marketing expenses increased by 30.3% or R\$ 55.9 million. This was due to campaigns conducted with partners (banks, franchises and brands) and incentives paid to partnering banks, such as sales expenses and shared marketing.

Other expenses increased by 118% (R\$ 67.5 million), in particular in function of new provisions for losses from credits of doubtful collectibility and provisions for tax, labor and civil contingencies in 2012.

28.4%

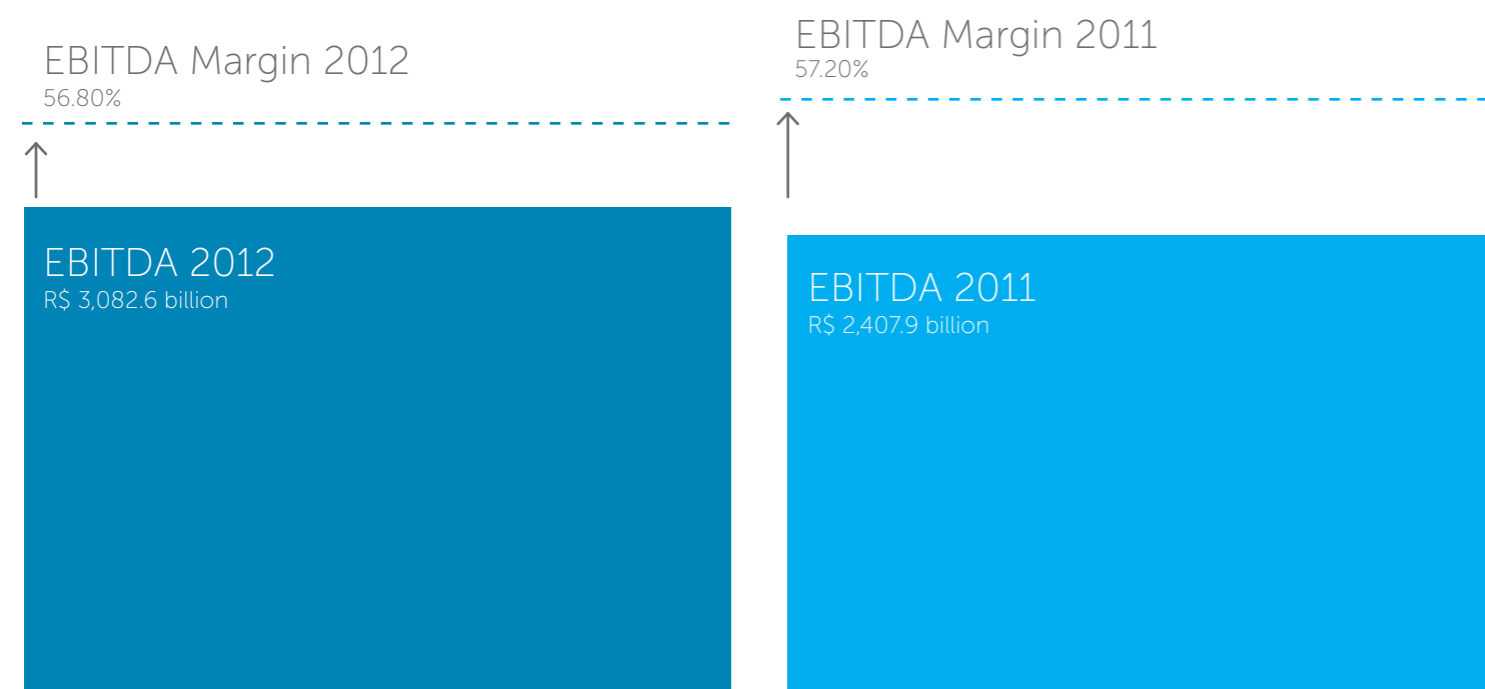
WAS THE INCREASE IN GROSS OPERATING REVENUES IN 2012, TOTALING R\$ 6.041 BILLION.



R\$ 746.4 mi

WAS CIELO'S FINANCIAL INCOME IN 2012, 34.8% HIGHER THAN THE PREVIOUS YEAR.

CIELO EBITDA X EBITDA MARGIN



EBITDA

A measure used by management to demonstrate company performance indicating earnings before interest, tax, depreciation and amortization, EBITDA totaled R\$ 3.083 billion in 2012, an increase of 28% over the previous year. It should be noted that EBITDA is not used in accounting practices adopted in Brazil, does not represent the cash flow for the periods in question and should not be considered as an alternative to net earnings as an indicator of operating performance or as an alternative to cash flow as an indicator of liquidity. The EBITDA margin was 56.8%, a reduction of 0.4% compared with 2011.

FINANCIAL INCOME

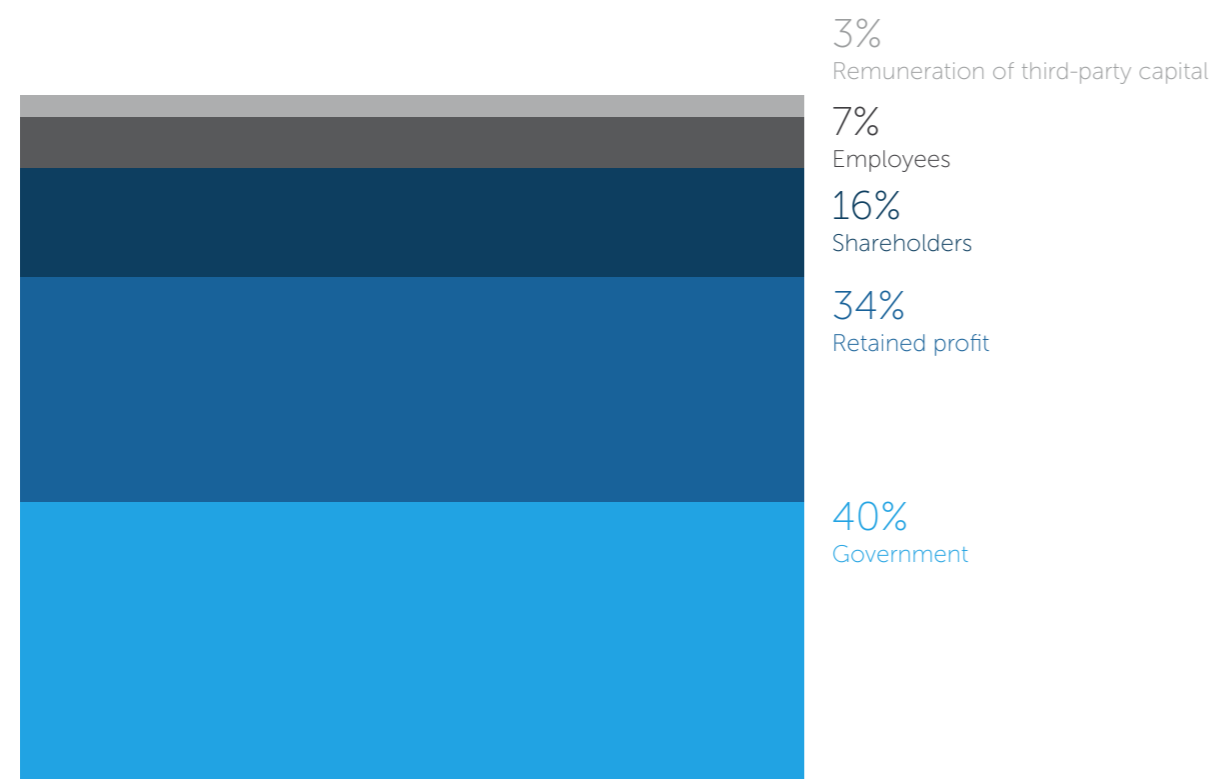
Financial income totaled R\$ 746.4 million, 34.8% higher than in 2011, in particular due to the 39.3% increase in revenues from the prepayment of sales adjusted to current values. In 2012, this revenue totaled R\$ 817.5 million.

CAPEX*

In 2012, investment in capital goods or CAPEX totaled R\$ R\$ 1.472 billion, the major item being the acquisition of Merchant-e Solutions (R\$ 1.365 billion). Investment in the acquisition of POS terminals was R\$ 258.8 million in 2012. Cielo ended 2012 with more than 1.7 million terminals installed in over 1.3 million active points of sale.

* CAPEX (Capital Expenditure) is the amount of money spend on the acquisition (or improvement) of capital goods.

DISTRIBUTION OF ADDED VALUE (%)



STATEMENT OF ADDED VALUE

The added value distributed grew by 28.6%, from R\$ 3.6 billion to R\$ 4.6 billion. The highest proportion went to the government (40.5%), followed by retained profits (34.1%). From the total, 7% was distributed to employees. [GRI EC1, EC8](#)

Statement of Added Value (millions of R\$) GRI EC1

	2010	2011	2012
1 – Revenues	4,442	4,677	5,994
1.1 – Sale of services	4,461	4,706	6,041
1.2 – Allowance for doubtful debtors – reversal/constitution	-19	-29	-47
2 – Goods/services acquired from third-parties	1,148	1,479	1,924
2.1 – Cost of services	894	1,044	1,427
2.2 – Materials, energy, third-party services and others	280	438	488
2.3 – Loss/recovery of assets	-26	-2	9
3 – Gross added value	3,294	3,198	4,070
4 – Retentions	193	238	317
4.1 – Depreciation, amortization and exhaustion	193	238	317
5 – Net added value produced by organization	3,101	2,960	3,752
6 – Added value for transfer	407	613	842
6.1 – Participation of non-controlling shareholders	-2	-7	-6
6.2 – Financial revenues	408	620	848
7 – Total added value for distribution	3,508	3,573	4,594

Statement of Added Value (millions of R\$) GRI EC1, EC8

	2010	2011	2012
Personnel and charges	217	284	299
Taxes and charges	1,416	1,396	1,861
Interest and rents	45	83	119
Interest on own capital and dividends	790	564	748
Retained profits	1,039	1,246	1,567

Cielo – ownership breakdown GRI 2.8

	Ordinary shares	%
Controlling shareholders	375,347,210	57.3
Banco Bradesco	187,673,585	28.6
Banco do Brasil	187,673,626	28.6
Free float market	279,021,236	42.6
Treasury	727,778	0.1
Total	655,096,224	100

TAX BENEFITS

In 2012, Cielo received around R\$ 25 million in tax benefits. From this total, approximately R\$ 19 million was related to tax benefits from the Rouanet law, Sports law and the Children's and Adolescents' Rights Fund. The remaining R\$ 6 million correspond to the credit received for Financing Machinery and Equipment (Finame), which has a differentiated interest rate. It is estimated that interest payments would total this amount were the credit from a financial institution in the market. [GRI EC4](#)

CAPITAL MARKET

Traded in the Novo Mercado segment since 2009, Cielo S.A. shares are currently part of the following indices: Índice Bovespa (Ibovespa), Índice Brasil (IBrX), Índice Brasil 50 (IBrX-50), Índice de Governança Corporativa Diferenciada (IGC), Índice de Ações com Tag Along Diferenciado (ITAG), Índice Financeiro (IFNC), Índice Carbono Eficiente (ICO2), Índice Valor BM&FBovespa (IVBX-2), Índice Mid-Large Cap (MLCX), Índice de Governança Corporativa Trade (IGCT), Índice Brasil Amplo/ BM&FBovespa (IBrA) and Índice de Dividendos (IDIV).

R\$ 37.3 billion

WAS CIELO'S MARKET VALUE IN DECEMBER 2012.

SHARE PERFORMANCE GRI 2.8

While Ibovespa appreciated by 7.4% in 2012, Cielo shares (adjusted for pay-outs) appreciated by 44.8%. On December 28, 2012, the price was R\$ 56.9/share, representing a market value of R\$ 37.3 billion.

Between January and December 2012, the average daily trading volume was 2.1 million shares, with an average daily volume of R\$ 111.2 million, representing 0.7% of the free floating share. Since the company went public in July 2009, the average daily trading volume was 2.2 million shares, corresponding to an average daily volume of R\$ 86.1 million.

DISTRIBUTION OF DIVIDENDS

Cielo dividend policy stipulates the distribution of a minimum 50% dividend on earnings, after the formation of a legal reserve of 5% of net earnings for each year until the reserve reaches 20% of the company's capital. The General Meeting is responsible for decisions concerning any remaining balances in net earnings.

The pay-outs made by Cielo in March and September totaled R\$ 1,408,144,838.01, after the deduction of 15% income tax. This corresponds to R\$ 2.3565 per share.

Dividend distribution GRI 208

CIEL3 - 31/12/2012

Total shares (000's)	655,096.22
Closing price (R\$/Share)	56.99
Market cap (R\$ 000's)	37,333,933.81
Free float (000's)	279,021.24
Free float (R\$ 000's)	15,901,420.24
ADTV ⁽¹⁾ (R\$'000)	111,156.80
ADTV ⁽¹⁾ /Free float	0.70%
Pay-out ⁽³⁾ (R\$'000)	1,408,144.84
Pay-out/Net earnings ⁽²⁾	70%
Pay-out per share	2.35
2012 Dividend Yield	4.67%

Source: Cielo Investor Relations@

⁽¹⁾ ADTV = Average daily trading volume from Jan@ 02, 2012 to Dec@ 28, 2012@

⁽²⁾ After constitution of legal reserve (up to 20% of capital)@

⁽³⁾ Pay-out (dividends + interest on own capital)



SHARE PERFORMANCE BASE 100 (12/31/2012)



Source: Bloomberg.



R\$ 1.4 bi

WAS THE AMOUNT PAID OUT TO SHAREHOLDERS,
CORRESPONDING TO R\$ 2.3565 PER SHARE.

RECOGNITION OF EXCELLENCE

For the work it does with investors and analysts, in 2012 Cielo received the Best Investor Relations by a Latin American Company in the US Market Award from IR Magazine, an important publication in the capital markets.

Institutional Investor Magazine ranked Cielo 1st place overall in the Financial ex-banks sector in Latin America, having the best investor relations team, the best CEO, the best CFO and the best RI professional. **GRI 2.10**

INVESTOR RELATIONS

Cielo's relations with investors, fundamental stakeholders for the success of the business, are based on credibility and a conservative approach. Credibility is obtained through transparent and ethical management. The conservative approach consists of the adoption of a cautious and serious positioning towards investors and market analysts in general, providing them with full access to company leadership. **GRI 4.14**

Investor relations are managed on a series of fronts: the investor relations website (updated periodically); earnings statements and releases to the market on material events, in accordance with legislation; face to face meetings and conference calls for investors; road shows in diverse countries; and investor visits

to the Cielo head office. In 2012 alone, the company took part in more than 20 conferences. The road shows are organized on average four times a year (two per semester).

In addition to the peculiarities of the sector, which has significant expansion potential, other company characteristics, such as its low rate of leverage, cash generation potential, dividend policy (distribution of at least 50% of earnings) and its differentiated portfolio are factors that add significant value for shareholders.

STAKEHOLDERS

SUSTAINABLE MANAGEMENT

Cielo implements a series of initiatives to improve its relations with stakeholders, with a view to ensuring the future of its business and that of its customers.

The Cielo values reflect the company’s concern for its main stakeholder groups, and this permanent attention is a fundamental element in consolidating the sustainable management of the business. The values set forth the mindset expected of employees and the ethical conduct that should guide all company relations – between employees, leaders, customers, suppliers, investors, the press, government and

society, among others – and the relentless quest for operational excellence and innovation. The objective is to delight customers and to drive improved results and management practices. For this reason, year on year, a series of initiatives are developed to improve relations with the main stakeholders in order to guarantee the future of the business and the businesses of Cielo’s more than 1.3 million active points of sale. **GRI 4.14**

1,417

WAS THE NUMBER OF CIELO EMPLOYEES AT THE END OF 2012.

STAKEHOLDERS

PEOPLE

THE VALUE OF CIELO EMPLOYEES

One of the seven Cielo values refers to its employees and the profile necessary to build a career in the company and contribute to its success: “Employees with attitude, team spirit and passion in everything they do”.

The focus on innovation and on excellence to produce results that delight customers is only made possible by Cielo’s human capital. Given the nature of the business, diversity in ideas and the ability to work as a team are distinctive elements of the company’s team and one of the most important focuses of its HR policy.

The company’s main challenge is to provide employees with career opportunities and ensure a balance between their work load and private life.

Cielo ended 2012 with 1,417 permanent, full-time employees. From this total, 99.51% are covered by collective bargaining agreements. Another 0.49% work under a differentiated contract regime and are not included in the collective agreements. [GRI 2.8, LA1, LA4](#)

Currently, 95% of the company’s employees are graduates, and 52% have concluded an MBA or postgraduate studies, in many cases with company sponsorship. This academic profile makes for a work force that is highly critical and demanding in relation to all aspects of company management. On the other hand, and for the same reason, it represents intellectual capital with an enormous potential to drive competitive advantages for Cielo.



In 2012, women accounted for 44% of the company headcount. On the Board of Directors, 10% of the members were women. According to the IBGE (Instituto Brasileiro de Geografia e Estatística) definition of black and mixed races, 22% of the male employees and 19% of female employees declared they were black. There were no blacks, disabled persons or women on the Board of Executive Officers. It is still a challenge for Cielo to fulfill Brazil’s quota law, which rules that 5% of the work force should consist of disabled persons. However, in recent years the number of disabled employees has been growing (see the table on Disabled persons, on page 42). [GRI LA13](#)

95%

OF CIELO EMPLOYEES ARE GRADUATES.

52%

HAVE AN MBA, POSTGRADUATE OR MASTER'S DEGREE.

Employees, by gender GRI LA1

	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Administrators*	6	0	6	0	7	0
Directors	20	6	23	5	24	6
Managers	90	38	74	43	64	38
Administrative	198	208	194	241	219	261
Operational	141	84	272	210	245	197
Supervisors	59	44	91	56	56	49
Technicians	150	88	170	85	172	79
Total by gender	664	468	830	640	787	630
Total	1,132		1,470		1,417	

Obs.: With respect to third-parties, Cielo does not hire manpower directly. The company maintains service contracts, but these do not specify the number of workers.

* Does not include members of the Board of Directors.

Employees, by region GRI LA1

	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
North	3	4	10	11	10	11
Northeast	24	13	45	29	29	28
Center-West	19	7	38	18	31	12
Southeast	594	431	687	543	672	553
South	24	13	50	39	45	26
Total by gender	664	468	830	640	787	630
Total	1,132		1,470		1,417	

Employees, by gender (%) GRI LA13

	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Administrators*	100	0	100	0	100	0
Directors	77	23	82	18	79	21
Managers	70	30	63	37	63	37
Administrative	49	51	45	55	46	54
Operational	63	37	56	44	55	45
Supervisors	57	43	62	38	53	47
Technicians	63	37	67	33	69	31

* Does not include members of the Board of Directors.

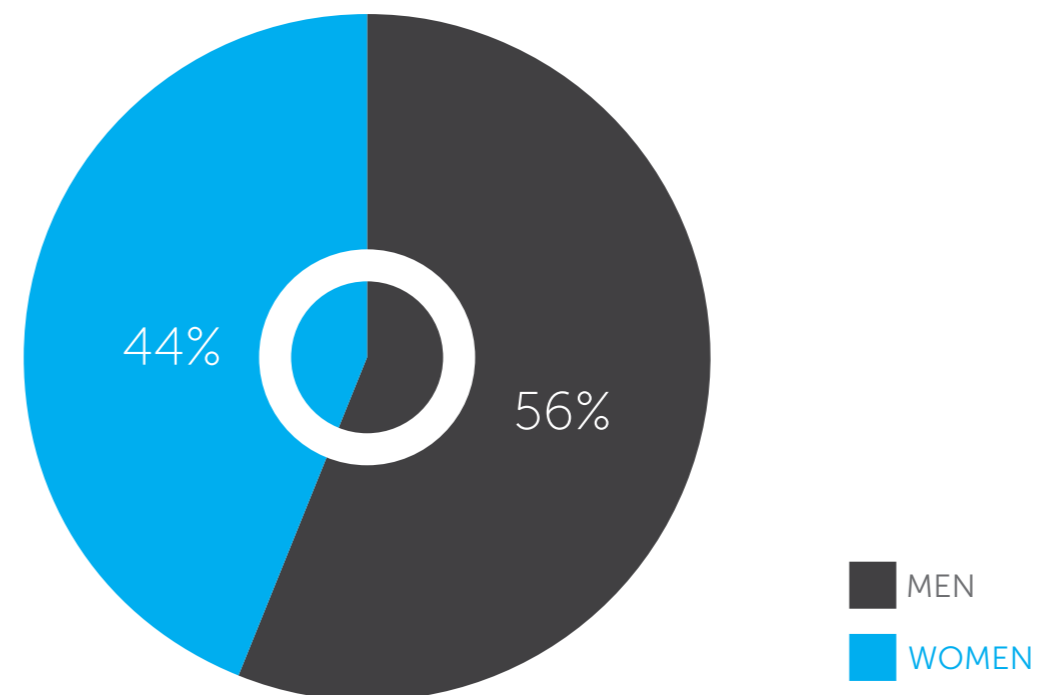


Employees, by age group (%) GRI LA13

	2010			2011			2012		
	Between 30 and			Between 30 and			Between 30 and		
	< 30	50	>50	< 30	50	>50	< 30	50	>50
Administrators*	0	83	17	0	83	17	0	56	44
Directors	0	81	19	0	79	21	0	86	14
Managers	1	88	11	1	91	8	2	89	9
Administrative	39	59	2	38	60	2	36	61	3
Operational	21	78	1	24	75	1	19	80	1
Supervisors	8	89	3	6	91	3	6	93	1
Technicians	9	81	10	10	79	11	8	80	12

*Does not include members of the Board of Directors.

EMPLOYEES, BY GENDER (%)



Blacks (%) GRI LA13

	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Administrators*	0	0	0	0	0	0
Directors	10	0	9	0	8	0
Managers	19	21	15	7	13	13
Administrative	28	27	27	24	29	23
Operational	26	14	24	17	26	17
Supervisors	17	32	23	30	11	33
Technicians	25	10	16	12	16	8
Total	2.3	2.8	2.0	2.2	2.2	2.7

* Does not include members of the Board of Directors.

Disabled persons (%) GRI LA13

	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Administrators*	0	0	0	0	0	0
Directors	0	0	0	0	0	0
Managers	0	0	0	0	0	0
Administrative	6.1	3.8	5.7	3.3	6.4	7.3
Operational	0	0	0	0	0.4	0.5
Supervisors	0	0	0	0	0	0
Technicians	0	0	0	0	0,6	0
Total	1.8	1.7	1.3	1.2	2.0	3.2

*Does not include members of the Board of Directors.

Cielo recognizes the value of its employees. They are focused on innovation and excellence to produce results that delight customers. Their main differentials are diversity of ideas and the capacity to work as a team, core attributes in the company's HR strategy.

Members of governance bodies, by age group (%) GRI LA3

	2010			2011			2012		
	Between 30 and 50			Between 30 and 50			Between 30 and 50		
	< 30	50	>50	< 30	50	>50	< 30	50	>50
Board of Directors	0	60	40	0	70	30	0	40	60
Administrators*	0	83	17	0	83	17	0	56	44

* Does not include members of the Board of Directors.

PERSONNEL MANAGEMENT MODEL

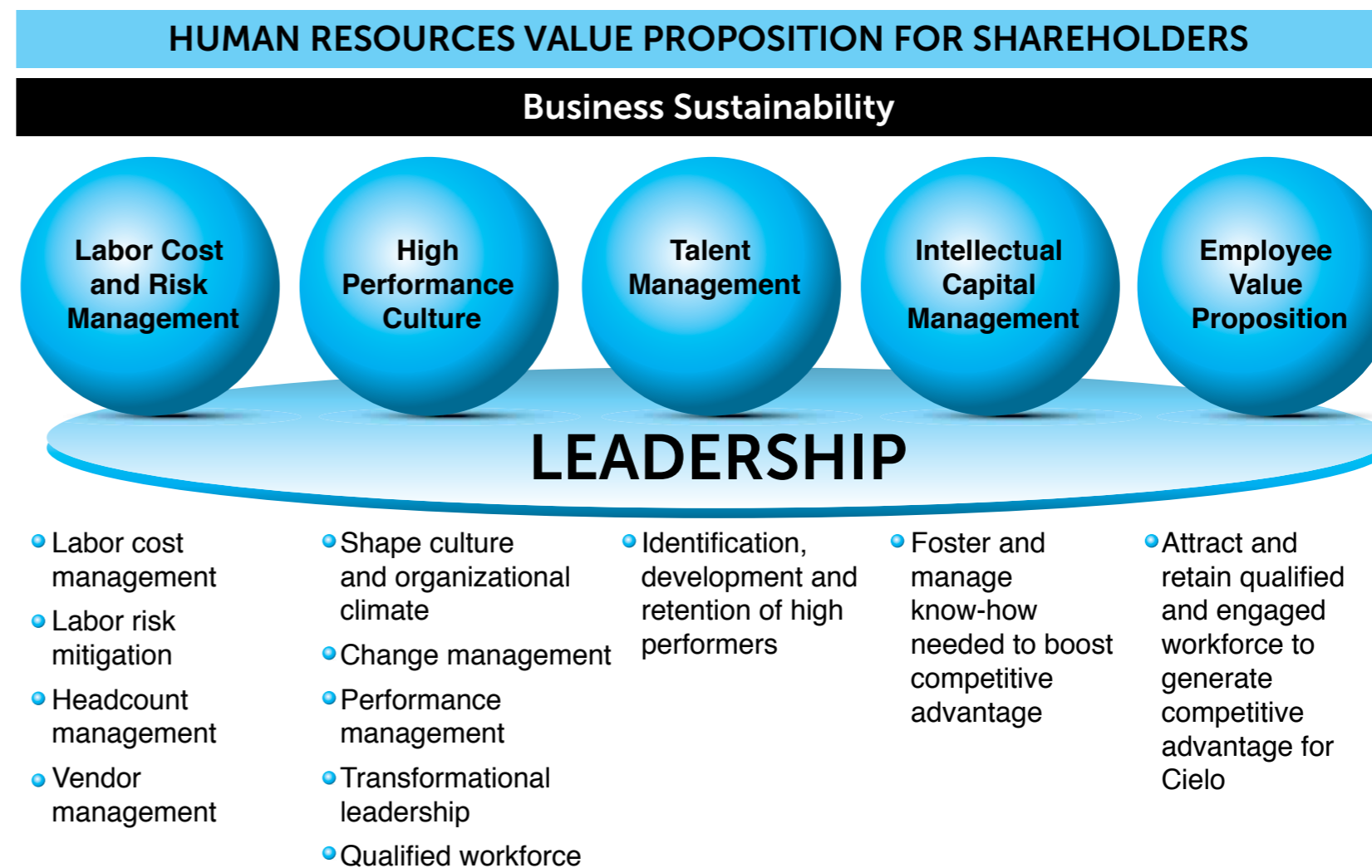
The Cielo governance model stipulates that strategic personnel management matters should be discussed by the Board of Executive Officers and, depending on the subject, also by the Personnel Committee (read more in the chapter Corporate governance, on page 18) and by the Board of Directors. The Organizational Development area is responsible for the personnel agenda and takes part in all board and committee meetings. This governance structure demonstrates the importance the company places on this question.

The human resources strategy is summarized in two value propositions which address the main employee-related questions, ensuring the generation of value for shareholders and for employees. The objectives of these propositions are:

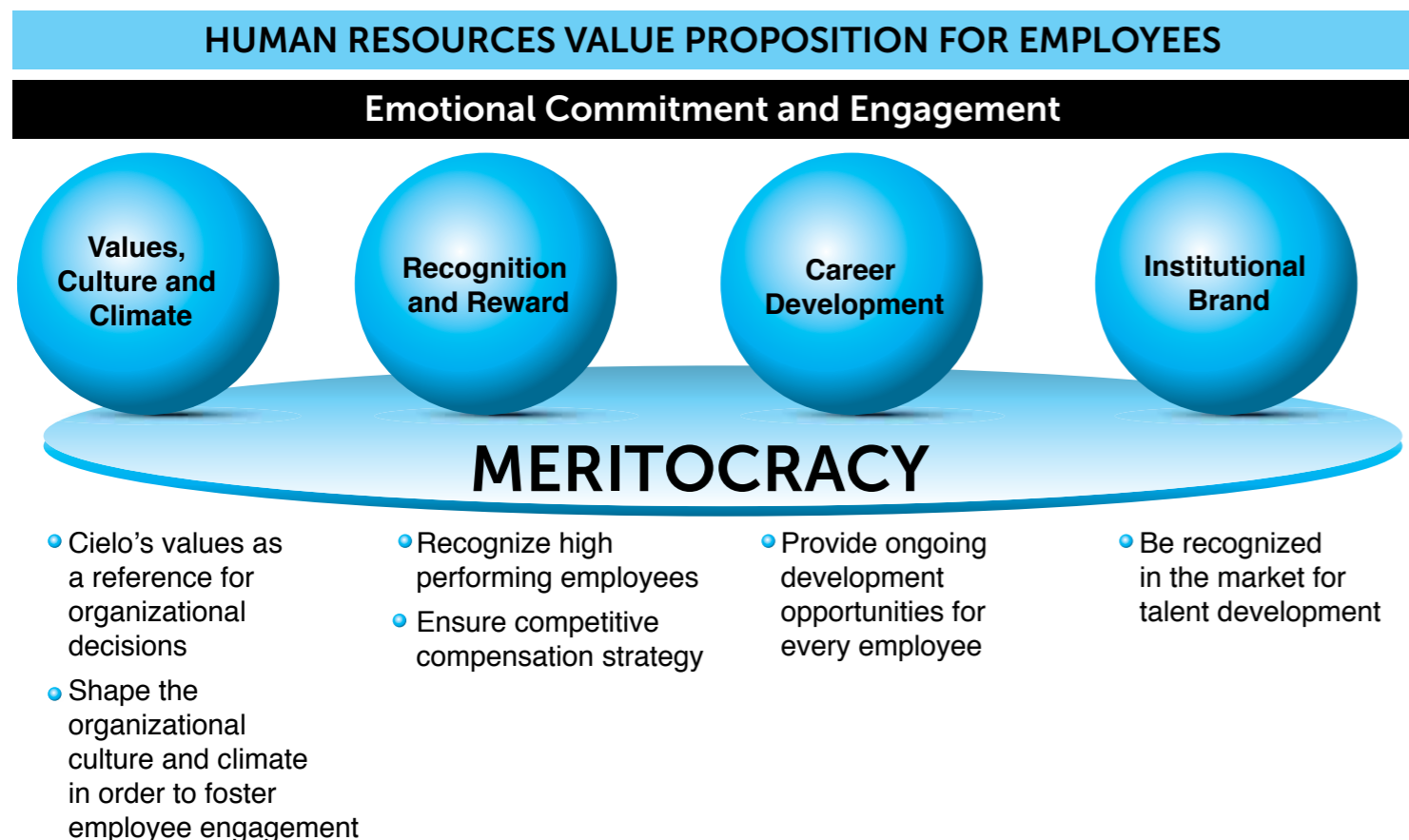
- » **To contribute to the sustainability of the business**, the purpose of the value proposition for shareholders.
- » **To offer employees the opportunity to have an emotional tie with their work and with Cielo**, ensuring their engagement, the purpose of the value proposition for employees.

The human resources strategy is summarized in two value propositions which address the main employee-related questions, ensuring the generation of value for shareholders and for employees.

The value proposal for shareholders also determines that the main channel for realizing value is the company leaders, thus establishing the importance of shareholder support for leadership development. The proposition is put into practice through actions segmented in five pillars:



The value proposal for employees makes it that the premise it is based on is merit. The proposition is put into practice through actions segmented in four pillars:



To make a strategic contribution to the fulfillment of the two value propositions, the human resources area has the following structure:

- » **HR Center of Expertise (CEX):** this is the HR innovation area, the purpose of which is to provide the company with the latest tools for personnel and intellectual capital management and for modeling organizational culture.
- » **HR Business Partners (BPs):** responsible for activating HR strategy, using the tools determined by the CEX. Acting strategically and tactically, the business partners provide guidance for leaders in managing personnel, culture, climate, structure, talent development and retention, shaping a meritocratic environment and driving engagement.
- » **HR Service Center (CSRH):** responsible for ensuring excellence in HR operations and tactical initiatives and for fulfilling routine employee needs. The center provides support for the strategic work done by the BPs.

VALUES, CULTURE AND ORGANIZATIONAL CLIMATE

Conducted annually since 2000, the Cielo Organizational Climate is an important organizational management tool. It is aimed at identifying opportunities and practices to foment employee engagement and the conditions necessary for employees to realize their potential, driving both their career and the company’s development.

To permit employees to provide frank responses, Cielo employs a process that ensures the confidentiality of individual responses and objectivity in the analysis of the results. This is organized and analyzed by the Hay Group, a consultancy specialized in this area. Participation is not mandatory, but all employees are invited to participate in the survey via the consultancy’s website. The survey analyzes two pillars (segmented in 11 topics) that determine the quality of organizational climate:

PILLAR 1 ENGAGEMENT

- » CLARITY AND DIRECTION
- » TRUST IN LEADERSHIP
- » QUALITY AND CUSTOMER FOCUS
- » RESPECT AND RECOGNITION
- » DEVELOPMENT OPPORTUNITIES
- » REMUNERATION AND BENEFITS
- » PERFORMANCE MANAGEMENT

PILLAR 2 ORGANIZATIONAL SUPPORT

- » AUTONOMY AND EMPOWERMENT
- » TRAINING
- » BALANCE BETWEEN WORK LOAD AND PRIVATE LIFE
- » COOPERATION AND STRUCTURE & PROCESSES

The results of the survey are presented to the Board of Executive Officers, the Personnel Committee and the Board of Directors. The conclusions are then fully disclosed to the entire company.



AMONG THE 150 BEST COMPANIES TO WORK FOR

For the 12th year running, in 2012 Cielo was elected one of the 150 Best Companies to Work For in the guide published by the magazine *Você S/A*. Its position in the ranking is a reflection of Cielo's human resources management strategy which seeks to continually develop the emotional link between employees and their work.

AMONG THE BEST IN PERSONNEL MANAGEMENT

For four years running, Cielo has been among the Best in Personnel Management (1,001 to 2,000 employee category) ranking published by Aon Hewitt and the newspaper *Valor Econômico*.

THE BEST TO START YOUR CAREER

Since the award was initiated in 2011, Cielo has been ranked among the Best Companies to Start Your Career, in the magazine *Você S/A*. **GRI 2.10**

ATTRACTING AND RETAINING TALENTS

Attributes such as team spirit, the courage to defend one's ideas, the capacity to influence people and the willingness to exceed targets are fundamental for an individual to be successful at Cielo. For managers, additional requirements are the ability to set up, inspire and develop a team and the capacity to work with peers and superiors. Evidently, professional experience and academic background are important requirements that are assessed in the selection process.

The company's HR strategy includes various sources for prospecting outside talents. One of these is the Cielo Trainee program, aimed at developing future company leaders. The selection process is based on assessing the extent to which candidates share company values and their leadership capacity. In 2012, there were 11,677 applications for 21 vacancies.

Trainees undergo technical, commercial and behavioral training designed to prepare them for leadership positions and to act as agents of change. According to feedback from participants, program differentials include: the possibility of choosing the area of activity, intense leadership participation in the selection process and the specific training given to direct managers to develop their capacity to deal with members of "Generation Y". [GRI LA11](#)

Another important source for prospecting talent is the Cielo Intern Program. In 2013, there were 4,264 applications, from which 27 interneers were selected to work in diverse company areas.

Career development is an important element in retaining talents, and one of the company's main tools for providing this is the "Opportunities Board" published weekly on the intranet. Virtually all vacant positions are offered to employees via the board before the company starts a market search. Employees must have one year in their present position and a good performance record in order to participate. In 2012, approximately 27% of company vacancies were filled internally. At director level, 72% of the positions were filled internally, compared with 50% in the commercial area. [GRI LA11, LA12](#)

REMUNERATION STRATEGY

The Cielo remuneration strategy is aimed at:

- » attracting the best professionals in the market;
- » rewarding and retaining high performing employees;
- » fomenting a meritocracy;
- » ensuring consistency with best market practice;
- » strengthening the link between shareholders' interests, company results and employee remuneration.

The remuneration standard establishes the entire governance process for managing remuneration at Cielo, ensuring that decisions are consistent, merit-based and exempt from personal favoritism. No employees at any Cielo unit receive the minimum salary. In 2012, the lowest salary for male employees was 143.8% higher than the national minimum salary, and 189.4% higher for women. In line with the principle of meritocracy, Cielo does not differentiate salaries in function of gender. [GRI EC5, LA14](#)

In 2012, the talent retention rate was 98%. A major tool for retaining talents is the share purchase and/or restricted share purchase options program aimed at senior managers and higher levels. Another Cielo

98%

IS THE TALENT RETENTION RATE.

differential is the payment of the equivalent of three monthly salaries for the group of “Key People”, comprising the top 4% of non-management level employees delivering high levels of performance during the year. [GRI LA3](#)

Total number of new hires and employee turnover, by gender (%) GRI LA2

	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Discharges	105	93	177	114	195	127
Discharge rate (%)	9.3	8.2	12	7.8	13.8	9
Total discharges	198	291	322			
Total discharge rate (%)	17.5	19.8	22.7			
Hires	119	120	345	287	152	117
Hire rate (%)	10.5	10.6	23.5	19.5	10.7	8.3
Total hires	1,132	1,470	1,417			
Total hire rate (%)	21.1	43	19			

By age group GRI LA2

	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Hires						
Under 25	3	5	11	10	11	12
Between 26 and 35	85	75	211	192	105	77
Between 36 and 50	26	38	118	81	34	26
Over 50	5	2	5	4	2	2
Hire rate						
Under 25 (%)	0.3	0.4	0.7	0.7	0.8	0.8
Between 26 and 35 (%)	7.5	6.6	14.4	13.1	7.4	5.4
Between 36 and 50 (%)	2.3	3.4	8.0	5.5	2.4	1.8
Over 50 (%)	0.4	0.2	0.3	0.3	0.1	0.1

By age group GRI LA2

	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Discharges						
Under 25	3	3	10	3	5	3
Between 26 and 35	48	64	93	65	102	79
Between 36 and 50	49	24	64	42	77	39
Over 50	5	2	10	4	11	6
Discharge rate						
Under 25 (%)	0.3	0.3	0.7	0.2	0.4	0.2
Between 26 and 35 (%)	4.2	5.7	6.3	4.4	7.2	5.6
Between 36 and 50 (%)	4.3	2.1	4.4	2.9	5.4	2.8
Over 50 (%)	0.4	0.2	0.7	0.3	0.8	0.4

By region GRI LA2

	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Hires						
North	0	0	9	7	4	5
Northeast	4	4	34	24	6	4
Center-west	2	1	25	17	10	7
Southeast	110	111	240	205	124	98
South	3	4	37	34	8	3
Hire rate						
North (%)	0.0	0.0	0.6	0.5	0.3	0.4
Northeast (%)	0.4	0.4	2.3	1.6	0.4	0.3
Center-west (%)	0.2	0.1	1.7	1.2	0.7	0.5
Southeast (%)	9.7	9.8	16.3	13.9	8.8	6.9
South (%)	0.3	0.4	2.5	2.3	0.6	0.2

By region GRI LA2

	2010		2011		2012	
	Men	Women	Men	Women	Men	Women
Discharges						
North	2	4	5	0	1	3
Northeast	10	9	8	6	19	6
Center-west	3	5	8	7	12	8
Southeast	87	72	146	94	149	94
South	3	3	10	7	14	16
Discharge rate						
North (%)	0.2	0.4	0.3	0.0	0.1	0.2
Northeast (%)	0.9	0.8	0.5	0.4	1.3	0.4
Center-west (%)	0.3	0.4	0.5	0.5	0.8	0.6
Southeast (%)	7.7	6.4	9.9	6.4	10.5	6.6
South (%)	0.3	0.3	0.7	0.5	1.0	1.1

Average remuneration paid to women as a proportion of that paid to men (%) GRI LA14

	2010	2011	2012
Administrators*	0	0	0
Board members	99.2	94.4	93.6
Managers	106.6	101.8	95.7
Administrative	96.1	95.1	93.8
Operational	107.2	103.8	100.4
Supervisors	88.7	93.3	90.4
Technicians	91.5	90.8	96.6

* Does not include members of the Board of Directors.

TALENT MANAGEMENT GRI LA11, LA12

One of the main Cielo Human Resources management strategy pillars is merit. All leaders and employees are appraised on an annual basis and all recognition decisions are based on the results of this appraisal. The stages of the Merit Cycle are:

Establishment of targets: every year the Board of Directors establishes macro-objectives for the president which constitute a reference for each vice president. This provides a basis for the establishment of individual targets. Each director establishes his/her individual targets consistent with those of his/her vice-president, each manager's targets must be consistent with those of his/her director, each coordinator's with those of his/her manager and each analyst's with those of his/her coordinator. The targets established must be approved by the immediate manager. This process ensures that:

- » all employee targets are fully consistent with the company's macro-objectives and strategic planning;
- » all employees are fully aware of what is expected of them during the course of the year;

- » the establishment of annual targets is done as rapidly as possible;
- » there is consistency between the actions of each company area, generating the necessary synergy.

Performance and Development Management: analysis of the individual's performance during the year, taking into account behaviors demonstrated and results achieved against established targets. The analysis is undertaken by the employee and immediate manager, ensuring two levels of analysis and approval.

Talent Management Forum: the main tool for identifying talents in the company. The tool takes into consideration the results from the previous stage (Performance and Development Management). The outputs include:

- » Identification of potential successors for key positions;
- » Identification of development and career opportunities;
- » Inputs for career development (salary increases, investment in training, promotions etc.).



Young Apprentice

Since 2006, Cielo has run its Young Apprentice program aimed at hiring socially vulnerable young people, in particular women and blacks. The apprentices work in diverse company areas in accordance with their profile and professional skills for a period of two years. At the end of this period, those with adequate performance who undertake university entrance in areas related to Cielo's activities are hired as interns. In two years, the program had absorbed 88% of the apprentices. **GRI LA10**

BENEFITS POLICY GRI LA3

The company benefits policy is based on best market practice and a comparison with company's competing with Cielo for the same professional profiles. It is an important element in attracting and retaining the professionals the company needs to realize its mission. These practices are monitored in periodic surveys and modified as necessary.

The main benefits are:

Health insurance: this covers all regular and statutory employees and interns and is extensive to dependents. To reinforce diversity, no distinction is made about the sex of the spouse. The plan has no waiting period, offering immediate coverage.

Check Up: the company promotes preventive medicine through periodic check-ups for management level employees and above. For those up to 40 years, the check-ups are every two years. From 41 years, they are annual. This policy is fundamental for controlling health care costs.

Dental insurance: Cielo provides a 50% subsidy for the dental plan, which is extensive to dependents.

Private pension plan: offered to all employees since 2001.

Meal/food allowance: offered to all employees and interns.

Payroll deductible loans: offered to employees who have worked to Cielo for at least six months.

Life insurance: covering regular and statutory employees and interns, as well as spouses and children.

R\$ 4,200

PER CAPITA INVESTMENT IN DEVELOPMENT.

CONSTANT DEVELOPMENT GRI LA11

The program portfolio offered to employees is determined from two perspectives:

- » strategic, based on the strategic plan, the annual budget and the shareholder and employee value propositions;
- » individual, based on the results of the Performance and Development Management system, the Talent Development Forum and the Individual Development Plan.

Cielo encourages employees to assume responsibility for their own learning and development, promoting access to courses available on the market and high quality internal programs. Managers are responsible for advising their teams on the best development

paths. It is up to employees to determine their Individual Development Plans in conjunction with their manager, with each person having the freedom to request training they deem important. Cielo also promotes on the job learning. The main priority in learning and development actions are leaders, because of their capacity to act as multipliers, and the sales force, in function of its direct contribution to company results.

In 2012, investment in specific or corporate training, postgraduate, MBA, Master's programs and language courses (the latter receive a 60% subsidy from the company) was R\$ 4,234.00 per capita. Each employee had on average three learning opportunities during the year.



LEARNING AND DEVELOPMENT

Cielo encourages employees to take responsibility for their own learning and development, promoting access to courses available on the market and high quality internal programs. It is up to the manager to provide employees with advice on the best development paths; the employee, together with the manager, determines the main actions in his/her Individual Development Plan.

All training is organized by the Cielo Corporate University (UCC in the Portuguese acronym), which comes under the Organizational Development area. The UCC comprises six business schools. These are:

- » Business vision
- » Management excellence
- » Leadership development
- » Innovation
- » Customer focus
- » Operational excellence

The UCC's objectives are:

- » help Cielo merchants to leverage their businesses;
- » be the company's main tool for managing intellectual capital;
- » be an agent for the transformation of organizational culture;
- » provide Cielo with differentiated leadership;
- » provide Cielo with a differentiated commercial team;
- » provide training and development solutions;
- » develop technical skills.

CAREER MANAGEMENT GRI LA11

Career management at Cielo is underpinned by eight principles, communicated to all employees:

- » career development based on merit;
- » results, attitude, skill and knowledge are key elements for career development;
- » employees are responsible for their career development;
- » Cielo managers are responsible for activating talent and career management strategy and the tools provided by the company;
- » talents belong to Cielo, not to specific areas;
- » ideal career paths are those offering a diversity of relevant experience to ensure success in the intended position;
- » on the job learning should offer both broad and in depth experience over the course of the individual's career;
- » Cielo appreciates the value of technical careers and leadership.

HEALTH AND SAFETY

Due to the nature of the company's activities, the main risks to employee health and safety are lifestyle-related, such as obesity and other diseases associated with sedentary living. Since 2003, the Feel Good about Life! program has encouraged employees to adopt healthy habits. In 2013, the program was relaunched based on research conducted by Dr. Ana Cristina Limongi França (founding member of the Brazilian Quality of Life Association) based on the concept of the "7 dimensions of health".

In the coming years, employees will be offered diverse activities related to these seven dimensions. In



2013, Cielo established an allowance for employees who engage in physical fitness activities but do not have access to gyms with which the company maintains agreements. GRI LA8

For the 2013 relaunch, employees participated in a survey designed to provide an overall diagnosis of the state of employee health in the company. GRI LA8

To improve quality of life, Cielo offers flexible working hours, enabling employees to start or end work one hour before or after formal office hours in accordance with their personal needs.

Every year, the occupational health and safety area and the Internal Accident Prevention Committee (CIPA in the Portuguese acronym) organize a Health /Occupational Accident Prevention Week (SIPAT), with talks on workplace risks, accident prevention and active health promotion. Committee members meet monthly and are responsible for identifying and requesting measures to eliminate risks in the workplace and for providing guidance on accident prevention. [GRI LA6, LA8](#)

Cielo implements a series of measures to promote employee health and well-being. In addition to Health Week /Occupational Accident Prevention Week, organized by the Occupational Health and Safety area and the Internal Accident Prevention Committee, the company has had its Feel Good About Life program since 2003, encouraging employees to adopt healthier habits. The program was reformulated in 2013, with the incorporation of the concept the "7 dimensions of health".

During the last three years, all those working at the Barueri unit in São Paulo were represented by 1.44% of the employees on the committee. In 2011 and 2012, 5.13% of the employees represented all those working at the Faria Lima unit in the city of São Paulo, and in 2012 5.59% of the employees at the Rio de Janeiro unit represented the team. By law, the other Cielo offices are not required to have internal accident prevention committees, but occasionally designated representatives may act in these locations. [GRI LA6](#)



COMMUNICATION STRATEGY

Communication is one of the most important instruments for driving employee engagement at Cielo. One of the company's main business management tools is its Internal Communication Strategy, which is based on three principles: transparency, timeliness and the relevance of information for the person receiving it. The strategy is executed by company leaders, ranging from directors to coordinators, with support from the Human Resources area.

COMMUNICATION CHANNELS

Corporate Portal (Intranet): this is the most important and most frequently used communication channel between Cielo and employees. It ensures the rapid, efficient transmission of information about the company and the business.

Click!: an electronic newsletter published on the intranet every Friday, with five strategic editorial focuses: brand, customer, business, people and sustainability.

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Video Blog: the corporate TV channel is updated weekly and broadcast over the intranet. The Video Blog is inspired by best practice and the most popular video resources on You Tube. The differential is the incentive for employees to produce content. Commercial team professionals have used this resource frequently to share business experiences.

Commercial Team National Convention: an annual meeting for the commercial team working nationwide. Every event includes sessions for employees to interact with the Board of Executive Officers.

Face to Face with the President: a quarterly encounter between the president and all employees. Employees working in other states can participate via audio link or videoconference. The meeting includes a completely uncensored question and answer session.

Exchanging Ideas: an encounter with the vice president of Organizational Development aimed at debating employee proposals for the Human Resources area. The topics addressed normally revolve around career management, remuneration strategy and development opportunities etc. Employees have the opportunity to clarify doubts, give suggestions and make criticisms during this chat session.

Direct Connection: quarterly meetings between the Board of Executive Officers and directors to discuss questions of strategy, enabling directors to communicate and disseminate relevant topics.

Ethics channel: one of Cielo's main corporate governance instruments (*read more in the chapter Corporate Governance, on page 21*).

Corporate Rites: these rituals foment the emotional bond between employees and the company, driving engagement. They also help strengthen the climate and company values, in addition to shaping culture. The Cielo rites are: the end of year party (celebrating results and the renovation of employee engagement with the company), the June bonfire party and the children's Christmas party, which strengthen bonds with Cielo employees' families.

Lunch with the President: a meeting with the president with no pre-established agenda, designed to promote dialog with employees about subjects of interest to the company and team. This is open all employees, who may apply to participate and ask questions and make criticisms or suggestions with no restrictions.

Itinerant Endomarketing: a meeting between the endomarketing area and members of the commercial team working outside the São Paulo metropolitan area. This is aimed at testing the efficiency of existing communication channels and finding ways of improving them.

STAKEHOLDERS

SUPPLIERS

ATTUNED PARTNERS

Some key Cielo activities are performed by service providers. In line with the requirements established by Brazilian labor law, these are mainly in the logistics area, servicing the merchant base through call centers and information technology centers. Although Cielo has not measured the indirect economic impacts of its business, the company estimates that it generated some four thousand jobs in partnering call centers alone. [GRI 2.2, 2.3, 4.14, EC9, LA1](#)

While it does not interfere directly in the management of service providers, Cielo does establish

guidelines to ensure its partners are aligned with company policy and practice. Since 2012, contract renewal has involved the inclusion of clauses requiring compliance with labor legislation. Through periodic monitoring, Cielo ensures that legal requirements, including those related to the health and safety of third-parties, are met fully.

Cielo also has a third-party management system run by a specialized company. In addition to minimizing deviations and fraud, the system provides Cielo with full control.

CODE OF ETHICS AND CONDUCT

In February 2012, Cielo published its Code of Ethics and Conduct for Suppliers. This sets forth guidelines and the responsibilities and conduct required of parties involved in contracting products and services for both the company and its suppliers.

The diverse areas covered include the prohibition of child/slave labor; freedom of association to unions; discrimination, diversity and harassment (moral, sexual, religious, political and organizational); conflicts of interest; presents, favors and services; and fair competitive practice.

The document also encourages compliance with voluntary pacts, agreements and commitments, such as the United Nations Universal Declaration of Human Rights and Global Pact and the Brazilian National Pact for the Eradication of Slave Labor. The code also provides information on the Cielo Code of Ethics, which may be accessed by any supplier to report actual or suspected breaches of the code or company policy.

Cielo organizes periodic meetings with suppliers to promote strategic alignment, reinforce the Code and disseminate use of the Ethics Channel. This helps suppliers better understand the purpose of this channel and provides for more homogenous conduct throughout the business chain. [GRI 4.8, HR4](#)

STAKEHOLDERS

MERCHANTS

SERVICE EXCELLENCE

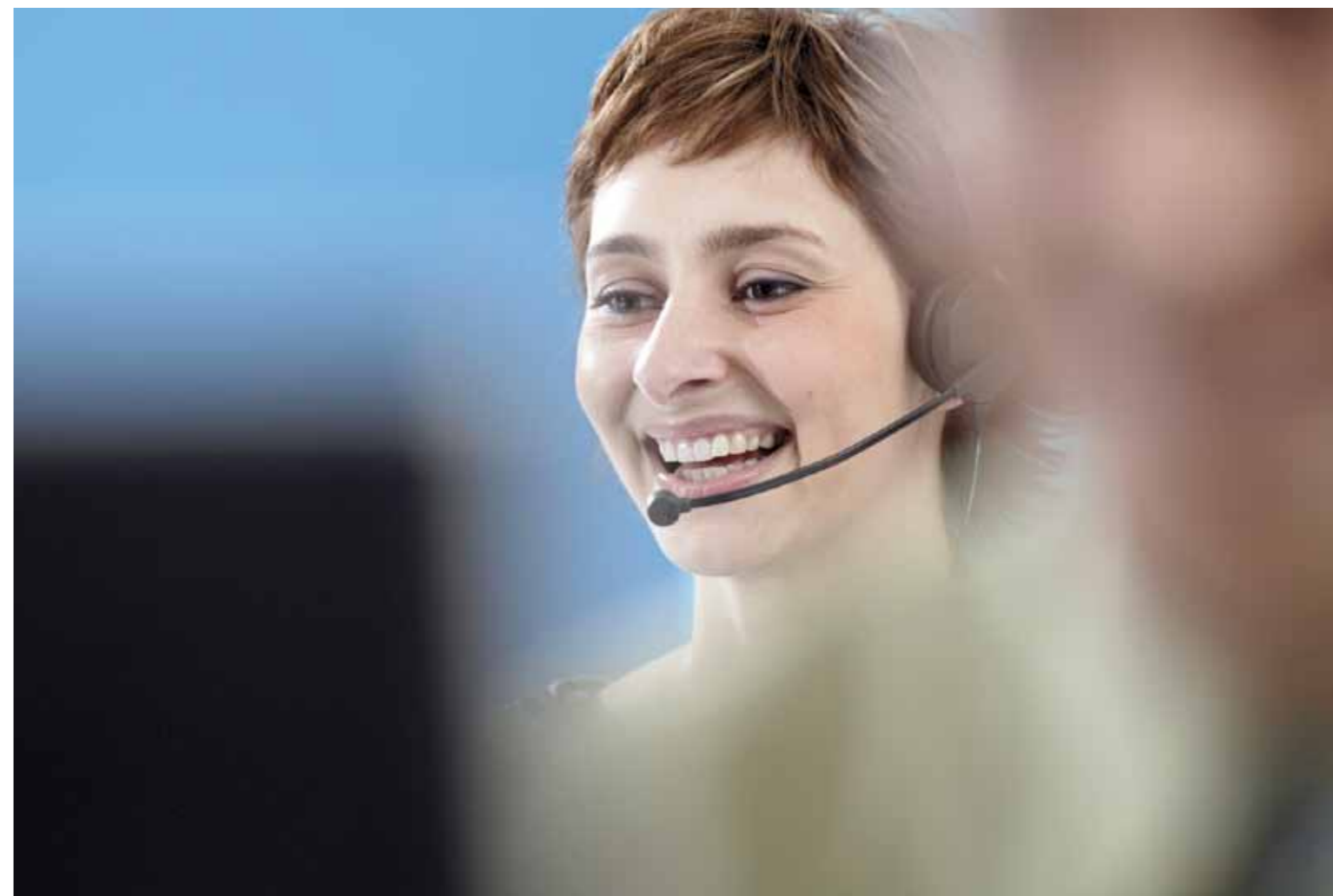
Cielo commercial strategy is based on service excellence and the provision of solutions that help merchants to grow their sales. With a merchant base of around 1.3 million points of sale throughout Brazil, the sales force is organized in two major pillars (retail and large accounts), in accordance with estimates of the establishments' revenues [GRI 4.14](#)

Service is proactive, based on a structured chronogram that includes periodic visits to merchants and a 24-hour call center operating 7 days a week. Other communication channels are the company's website and profiles on relationship networks such as Facebook and Twitter, in addition to the Cielo terminal, through which it is possible to request

products and services. The company also promotes relationship events with specific audiences to strengthen partnerships.

Spread nationwide, the sales team undergoes periodic training – mostly online. This training is aimed at preparing sales staff to understand the business of each of Cielo's merchants and potential merchants, so that they may act as consultants, proposing solutions that meet the customers' real needs.

The sales force has high technology tools designed to optimize work and drive service excellence. For example, since 2012 all the materials used by the sales force in the field is available in a smartphone, streamlining processes and reducing operational costs.



1.3 million

ACTIVE POINTS OF SALE THROUGHOUT EVERY REGION OF THE COUNTRY.

The major challenge for the company is to maintain its existing merchant base and to expand it year on year. To achieve this, in addition to the work done by the sales force, the company needs to invest continuously in new products and services. This involves integrating the work done by the commercial and product areas, providing for a constant interchange that drives the development of solutions meeting the needs of different customer profiles.

EXPANDING MARKETS

The sales force is also prepared to deal with specific market niches, such as franchises and establishments in what is called the new markets segment, sectors of the economy that historically do not use electronic means of payment, such as teaching institutions and vehicle dealers. Cielo also focuses on individual entrepreneurs who, with support from government incentives, have the opportunity to open their own businesses or graduate from the informal economy.

Boosting business

To strengthen merchants' cash flow and working capital, Cielo offers a Sales Prepayment option, enabling the customer to receive the total amount of a sale made in installments on the same day (for purchases made up to 2 p.m.) or the next day.

One of the most appropriate capture solutions for individual entrepreneurs, ranging from street vendors and door to door salespersons to owners of small businesses is Cielo Mobile, which transforms a cellular telephone into a Cielo terminal. In the service portfolio, Cielo Recarga (Cielo Recharge)

which permits users to top up credits on fixed or mobile telephone lines, is just one of the options that reinforce cash flow and boost business volume for small establishments.

Since formalization is a requirement for the acquisition of new merchants, Cielo plays an indirect role in raising levels of employment, consumption and tax revenues, positively impacting government investments and levels of social inclusion in the country. [GRI EC9](#)



The 2012 Customer Satisfaction Survey indicated that around 62% of the respondents gave the company a rating of 8, 9 or 10, the same rate as the previous year. The results foment specific action plans aimed at improving the perception of items that have not yet reached the levels of excellence desired by the company.

SATISFACTION

Since 1999, Cielo has conducted an annual survey with customers to measure satisfaction with company products, services and contacts. This employs a quantitative methodology with a broad cross section of merchants from different segments and regions, ensuring a margin of error of 2.3 p.p. within a 95% confidence interval. Until 2012, the survey consisted of face to face interviews with a sample of merchants from different segments and regions. From 2013, it will be done by telephone, streamlining the process and enabling the company to increase the scope and frequency of the survey. It is expected that the survey will take place three times a year. [GRI PR5](#)

According to the 2012 survey, around 62% of the respondents gave the company a rating of 8, 9 or 10 on a scale from 0 to 10. This rate was the same as the previous year. In general, the products and services offered by Cielo fully met merchant expectations, in particular in the areas of customer service and relationship. The results, which are presented to all company executives, foment specific action plans aimed at improving the perception of items that have not yet reached the levels of excellence desired by the company. [GRI PR5](#)

FORGING CLOSER RELATIONS

Implemented in 2010, Cielo Fidelidade (Cielo Loyalty) is currently the largest business to business (B2B) relationship program in Brazil, with more than 240 thousand participants. With the program, each sale made via the Cielo terminal generates points that may be exchanged for over 50 thousand products.

Aimed at the retail segment, the loyalty program also drives merchant profitability. This is because, in addition to prizes unrelated to the participant's commercial activity, such as trips, the merchant may exchange points for training courses or for items constituting an investment in the business. Participants in the program also have access to indicators and analyses that enable them to compare their performance with the market as a whole.

STAKEHOLDERS

SOCIETY

TRANSPARENT RELATIONS

To consolidate a sustainable business model, Cielo recognizes how important it is to build and maintain transparent, ethical relations with its diverse stakeholders in society. For this reason, the company has specific areas responsible for contacts with the main stakeholder groups. The Code of Ethics also sets forth the main principles governing relations between the organization and the community, government, the press, among other stakeholders. [GRI 4.14](#)

The Marketing area is responsible for press relations, and its work in this area is underpinned by the principles of transparency, excellence in the provision of information and ensuring communication with senior management.

The Institutional Relations area constitutes the company's interface with industry associations and government authorities. Cielo participates actively in Abecs (Brazilian Association of Credit Cards and Services), through which it seeks to positively influence the political process in areas that are relevant for the business. Thus, whenever pertinent, the company strives to refine legislation directly related to its area of activity, and contribute to the social and economic development of Brazil in general.

The point of contact with civil society is the Sustainability area, which oversees all of Cielo's private social investment. Currently, an effort is underway inside the company to better define the scope of the company's activities in this area. At present, social responsibility policy is focused on promoting



R\$ 1.4 million

WAS THE AMOUNT CIELO INVESTED IN SOCIAL PROJECTS.

Specific areas manage contacts with Cielo’s stakeholders: Marketing is responsible for press relations; Institutional Relations is the company’s interface with industry associations and government bodies; and Sustainability manages contacts with civil society and oversees private social investment.

educational, cultural, sports and health promotion initiatives for children and adolescents, as well as vocational training projects for young people in the retail, gastronomy and hotel sectors. Cielo has also been supporting cultural actions beyond the Rio de Janeiro-São Paulo axis and projects to improve accessibility for those suffering from visual, hearing and physical impairment. GRI EC8 In addition to private social investment, Cielo makes contributions using the Rouanet and Sports tax incentive laws and children’s and adolescents’ funds. In 2012, social investments totaled approximately R\$ 1.4 million. The company came in 11th place in the ranking of Rouanet law investments, with a total of R\$ 15.55 million. [GRI EC1, EC8](#)

For projects to be approved they must be aligned with established Cielo investment focuses and interests, as well as criteria of cost vs. socio-cultural impact. The company ensures that diverse types of initiative from all regions of the country may be included in the analysis and selection process, as set forth in the Incentive Laws Forum.



The Sponsorships section of the company’s website sets forth the areas in which the company makes social investments and guidelines for applying for support. Cielo ensures that diverse types of initiative from all regions of the country may be included in the analysis and selection process, as set forth in the Incentive Laws Forum. The main criteria for approval are: alignment with the established Cielo investment focuses and interests, as well as cost vs. socio-cultural impact. [GRI EC8](#)

Main initiatives in 2012 GRI EC8

Project	Total investment (R\$)	Purposes	Impacts	Type of donation
Grupo de Apoio ao Adolescente e à Criança com Câncer – Hospital Graacc (São Paulo-São Paulo) (www.graacc.org.br)	300,000	Equipment purchase for expansion of hospital	Increase in hospital's capacity to treat children with cancer	Financial – Incentive Law (Childhood and Adolescence Fund)
Hospital Pequeno Príncipe (Curitiba-Paraná) (www.hpp.org.br)	300,000	Equipment purchase for modernization of hospital	Improve treatment for children with coronary problems	Financial – Incentive Law (Childhood and Adolescence Fund)
Centro Infantil Boldrini (Campinas - São Paulo), specialized in treating children with cancer (www.boldrini.org.br)	150,000	Modernization of hospital	Increase capacity and improve treatment for children with cancer	Financial – Incentive Law (Childhood and Adolescence Fund)
The Dona Maria Alice Crissiuma Mesquita state school (Carapicuíba-São Paulo)	146,056	Investment through NGO Parceiros da Educação to train teachers and improve school administration	Improvement in school performance indicators such as Ideb (Basic Education Development Index) and Saesp (São Paulo State School Performance Assessment System)	Financial
Associação Marcos Salles Orquestra (Rio de Janeiro-RJ)	100,000	Music classes for low-income youth	Socialization and musical development for young people	Financial – Incentive Law (Rouanet)
Olhos de Dentro (São Paulo-SP)	75,000	Theater classes for the visually impaired	Inclusion of visually impaired persons through education and the performance of theater plays	Financial – Incentive Law (Rouanet)
Instituto Ayrton Senna (www.senna.globo.com/institutoayrtonsenna)	50,000	Improvements in primary education	Improvements in schooling indicators	Financial
Instituto Moinho Cultural (Corumbá-Mato Grosso do Sul)	50,000	Sponsorship of annual "Moinho in Concert" show, the highlight of the cultural activities performed by young people in the region	-	Financial – Incentive Law (Rouanet)
Instituto Anelo (Campinas-São Paulo) (www.anelo.org.br)	30,000	Music classes for low-income youth	Socialization and inclusion of young people in the Campinas region	Financial – Incentive Law (Childhood and Adolescence Fund)
Organização Civil de Ação Social (Ocas) Arsenal da Esperança Movimento de Defesa do Favelado (MDF) (São Paulo-SP)	7,500	Purchase and donation of blankets and clothing for socially vulnerable individuals in the city of São Paulo through specialized organizations	Provision of assistance for socially vulnerable populations	Merchandise

THE ENVIRONMENT

EVOLVING YEAR ON YEAR

Cielo carries out its greenhouse gas emissions inventory and advances in the implementation of energy and water reduction and waste disposal initiatives

Cielo’s activities do not provoke significant environmental impacts. Even so, the company adopts a series of mitigation measures and has been monitoring its real impacts in terms of waste generation, energy and water consumption and pollutant emissions. In 2012, the company undertook its second greenhouse gas (GHG) emissions inventory, the results of which will be used to establish future emission control targets. During 2012, the Cielo invested R\$ 35,300 in environmental protection. [GRI EN30](#)

Investment and spending on environmental protection (000's of R\$) GRI EN30

	2010	2011	2012
Waste treatment and disposal	26.5	32.2	32.8
Prevention measures¹	10.2	198.6	2.6
Total	36.7	230.9	35.3

¹ Prevention costs vary from year to year. In 2010, they included the installation of flow regulators on taps and motion sensors in bathrooms. In 2011, new curtains were installed aimed at improving the performance of air conditioning equipment. In 2012, the company installed motion sensors.

Cielo shares, traded on the BMF&Bovespa, were part of the Carbon Efficient Index (ICO2) portfolio in 2010, 2011 and 2012. [GRI EN16, EN17](#)

EMISSIONS INVENTORY

Cielo initiated the emissions inventory process in July 2010 with studies to identify the sources of emissions. The objective is to use the results to better understand the impacts caused by the company's activities in order to establish reduction initiatives in the future. [GRI EN16, EN17, EN18](#)

In 2012, the first official greenhouse gas (GHG) inventory – based on 2011 – was concluded and published under the Brazilian GHG Protocol Program (bronze seal). The results were also included in the Public Emissions Register of the Brazilian GHG Protocol Program (<http://www.registropublicodeemissoes.com.br/>) and in the Carbon Disclosure Project (CDP). [GRI EN16, EN17](#)

Cielo broadened the scope of its 2012 inventory, taking into account both branch offices and the subsidiaries Braspag, Multidisplay, Paggo and Orizon.

This modification, adopted to refine the process, was the main cause of the increase between the two years. The sum of scope 1 (direct emissions), 2 (indirect emissions) and 3 (third-party emissions) totaled 9,894 tCO₂eq in 2011, compared with 13,465 tCO₂eq for 2012 (see following table). Another advance in the second inventory was verification of the reported data by independent audit. [GRI EN16, EN17](#)

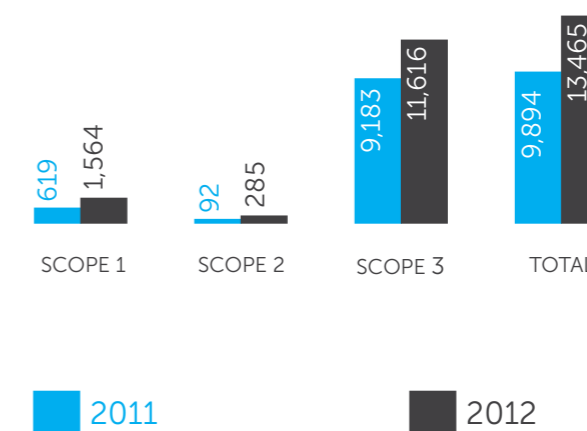
Due to the company's nationwide distribution network, transportation logistics constitute Cielo's main transportation impact. The company has two third-party logistics operators engaged in all stages of the integrated logistics (direct and reverse) process: reception, sorting, stocking, dispatch of terminals and other materials to Cielo merchants all over the country. The terminals are sent from the distribution centers, located in Barueri, to the operator's service centers via road and air and then dispatched to merchants by express delivery service. [GRI EN29](#)

Transportation-related emissions¹ [GRI EN29](#)

	2011	2012
Logistics emissions (tCO ₂ eq)	4,854	6,759
Emissions from employee transportation (tCO ₂ eq)	342	356

¹ Measurement used GHG Protocol methodology as a parameter. The data refer to Cielo emissions, not including subsidiaries.

DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS [GRI EN16, EN17](#)
TOTAL EMISSIONS (tCO₂eq)



ENERGY AND WATER

Between 2011 and 2012, direct energy consumption remained stable at Cielo, with a slight increase of 3.4%. Over the years, consumption at the company's head office in (Barueri-São Paulo) has decreased, but there has been an increase in the branch offices. [GRI EN4](#)

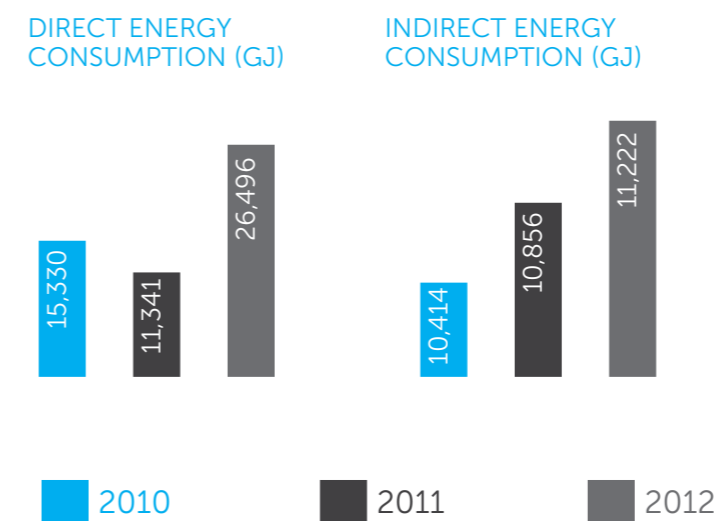
In 2012, there was a 135% increase in direct energy consumption, related predominantly to transportation. However, this significant increase is due to the fact that the company started to take into consideration the consumption of fuel by employees on visits to merchants and business partners, monitored via the reimbursement system. Previously, the figure only represented the company's own fleet and leased vehicles. The company also uses diesel-powered generators, which represented only 0.1% of total consumption in the year. [GRI EN3](#)

To reduce energy use, some measures were adopted in the head office, including the installation of motion sensors on all the basement floors, in the cyber cafés and bathrooms, as well as an alteration in the time the air conditioning equipment is turned off. It is estimated that these measures generated savings of 230 GJ compared with the previous period. In 2013, Cielo is studying the feasibility of investing in new technologies to reduce energy consumption. [GRI EN4, EN5](#)

The water consumed by the company (supplied by utilities) remained stable, with a 1% reduction in comparison with 2011. In 2012, Cielo installed taps with pressure valves in all its bathrooms, and aerators are scheduled to be installed in the taps in 2013. A study will also be carried out to verify the possibility of recycling grey water. [GRI EN8](#)

Measures to reduce energy consumption generated savings estimated at 230 GJ in 2012. To reduce water consumption, Cielo substituted regular taps with pressure valve models in all bathrooms, resulting in an economy of 1%. In 2013, the company intends to install aerators in taps.

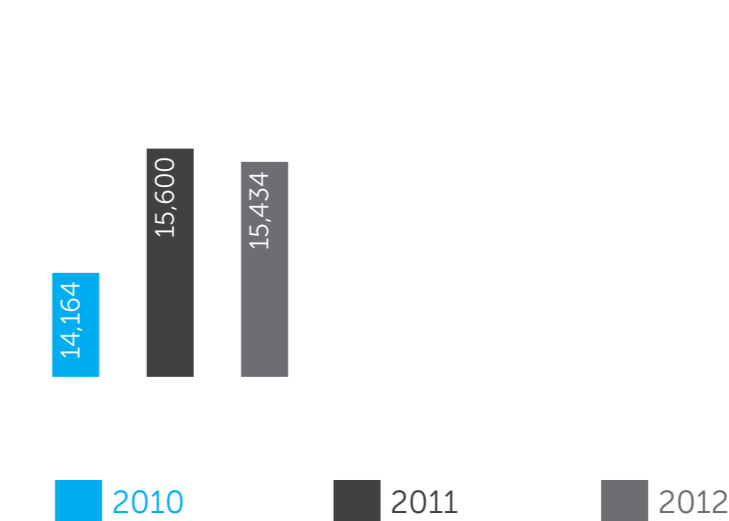
DIRECT¹ AND INDIRECT² ENERGY CONSUMPTION [GRI EN3, GRI EN4](#)



¹ All the direct energy consumed by Cielo comes from non-renewable sources.

² The indirect energy consumed at Cielo comes from utilities. Due to the characteristics of the SIN national energy grid it is not possible to determine the direct energy sources used to produce the intermediate energy consumed by the company.

WATER CONSUMPTION¹ [GRI EN8](#) (m³)



¹ The data relate to the Barueri unit in São Paulo, because the other units are located (SP) in cooperative facilities in which it is not possible to determine individual consumption.

WASTE

With an installed park of around 1.7 million terminals, Cielo has two partnering companies that are responsible for the disposal of obsolete models. In 2012, 78,077 terminals were recycled. During this process, the separated metals are used in the manufacture of electronic equipment and the remaining material that cannot be reused is shredded and packed in accordance with environmental standards. [GRI EN22](#)

Another 90,090 terminals were sent for co-processing, in full compliance with Cadri waste treatment criteria established by the São Paulo state environmental authority Cetesb, and in force until April 2015. In addition to meeting legal requirements, the

partner responsible for this process disassembles the equipment on the same day it is received in line with Cielo security standards. In 2012, 37,633 GPRS terminal batteries were returned to the manufacturers, in accordance with Brazilian national solid waste policy. [GRI EN22](#)

At the head office in Barueri (São Paulo), a specialized company collects organic waste and disposes of it in landfills in which emissions are controlled, providing Cielo with monthly monitoring reports. Another partnering company is responsible for decontaminating light bulbs. In this vacuum process, the mercury (a highly toxic metal offering high risk of contamination) is separated from other elements such as copper, phosphorous powder, glass and aluminum. The reutilization rate reaches 98%. Finally, the recyclable residue, the volume of which is weighed on a daily basis, is donated to Cooperyara (a waste recycling cooperative operating in the municipality of Barueri and the surrounding region). [GRI EN22](#)

98%

OF THE COPPER, PHOSPHOROUS POWDER, GLASS AND ALUMINUM IS REUSED AFTER SEPARATION FROM MERCURY VIA A VACUUM PROCESS.



Waste disposal [GRI EN22](#)

Non-hazardous waste (t)	2010	2011	2012
Recycling	12	11.5	10.2
Landfill	107.6	106.7	106.9
Total	119.6	118.2	117.1

Hazardous waste (t)	2010	2011	2012
Co-processing	357,210 ¹	59	54
Recycling	-	15.7	116
Total	357,210	74.7	170

¹ The terminal disposal process was initiated at the end of 2009, but the largest volume was disposed of in 2010.

ABOUT THE REPORT

This is the first Cielo Sustainability Report adopting Global Reporting Initiative (GRI) version G3.1 guidelines. The purpose of the publication is to inform all stakeholders about the company's financial-economic and socio-environmental performance in the period from January 1st to December 31st 2012. With responses to 39 indicators, the 2012 Sustainability Report reached GRI application level B+. Cielo intends to publish the report on an annual basis. [GRI 3.1, 3.3](#)

The content encompasses highlights of Cielo's 2012 performance in the economic, social and environmental areas. The report also takes into account the corporate governance standards and best practices followed by Cielo and the ten principles of the United Nations Organization (UNO) Global Pact, to which the company became a signatory in 2011, reaffirming its commitment the following year.

The Cielo Sustainability area worked on identifying the indicators and themes to be reported, including a benchmark study. This led to the selection of People Management, Governance, Environmental Impacts (particularly greenhouse gas emissions) and Risks as the main themes. [GRI 3.5, 4.17](#)

The report covers all Cielo operations and any variation in scope is discriminated throughout the text. This publication was audited by KPMG, as were the data in the Greenhouse Gas (GHG) emissions inventory. [GRI 3.6, 3.7, 3.8, 3.9, 3.13](#)

Please address any recommendations and doubts about the 2012 Sustainability Report to the following email sustentabilidade@cielo.com.br. [GRI 3.4](#)

GRI INDEX

The 2012 Cielo Sustainability Report meets the requirements of GRI application level B+, in accordance with the parameters set forth in the following table:

	C	C+ B	B+	A	A+	
REPORT CONTENT	G3.1 Profile	Respond to items: 1.1; 2.1 to 2.10 3.1 to 3.8, 3.10 to 3.12 4.1 to 4.4, 4.14 and 4.15	All profile and governance indicators: 1.1 – 4.17	WITH EXTERNAL VERIFICATION	All profile and governance indicators: 1.1 – 4.17	WITH EXTERNAL VERIFICATION
	G3.1 form of management	Not required	Information about management form for each aspect of indicator		Management form disclosed for each aspect of indicator	
	G3.1 Performance indicators & sector supplement performance indicators	Minimum of 10 performance indicators (essential or additional), including at least one from each dimension: economic, environmental and social. If available, sector indicators may be reported, as long as seven are not from the sector.	Minimum of 20 performance indicators (essential or additional) including at least one in each dimension. If available, sector indicators may be reported, as long as 14 are not sector indicators.		Report of sector indicators mandatory one year after the launch of the final version of the supplement.	

Indicator	Description	Reported	Page/Response
1.1	Message from president	Partial	Justification: part of the information is considered confidential, and for another part the company is preparing to report in the coming cycles. Further information on pages 3 and 5.
1.2	Description of main impacts, risks and opportunities	Partial	Justification: the reporting process was adopted this year and will be refined in the future. Further information on pages 3 and 5.

2. Organizational profile

Indicator	Description	Reported	Page/Response
2.1	Name of the organization	Complete	7
2.2	Primary brands, products and services	Complete	With respect to third-parties, Cielo does not hire manpower directly. The company has service contracts, but they do not specify the number of workers. Further information on pages 7; 8; 11; 12; 13; 55.
2.3	Operational structure	Complete	7; 8; 9; 55
2.4	Location of organization's headquarters	Complete	7
2.5	Countries in which organization and its main operations are located	Complete	7
2.6	Nature of ownership and legal form	Complete	8
2.7	Markets served	Complete	7
2.8	Scale of the reporting organization	Complete	8; 36; 37

Indicator	Description	Reported	Page/Response
2.9	Significant changes during reporting period	Complete	7; 10
2.10	Awards received in the reporting period	Complete	14; 37; 45

3. Report parameters

Indicator	Description	Reported	Page/Response
3.1	Reporting period	Complete	66
3.2	Date of most recent previous report	Complete	Publication of first report in 2012
3.3	Reporting cycle	Complete	2; 66
3.4	Contact information for questions about report or its content	Complete	2; 66
3.5	Process for defining report content	Complete	This report will be made publicly available for Cielo stakeholders. The expectation is that it will be used in particular by investors, shareholders, affiliated merchants and employees
3.6	Report boundaries	Complete	
3.7	Limitations on the report's scope or boundary	Complete	66
3.8	Basis for elaborating report	Complete	66
3.9	Data measurement techniques and bases for calculations	Complete	66

Indicator	Description	Reported	Page/Response
3.10	Reformulation of information from previous reports	Complete	Publication of first report in 2012
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	Complete	Publication of first report in 2012
3.12	Table identifying location of information in the report	Complete	67 to 75
3.13	Current policy and practice regarding external verification of report	Complete	65

4. Governance, Commitments and Engagement

Indicator	Description	Reported	Page/Response
4.1	Governance structure of the organization, including highest governance body committees	Complete	15; 16; 17; 18
4.2	Presidency of highest governance body	Complete	17
4.3	Independent or non-executive members of highest governance body	Complete	16; 17
4.4	Mechanisms for shareholder and employee consultation	Complete	19

Indicator	Description	Reported	Page/Response
4.5	Relationship between remuneration and organization's performance (including social and environmental)	Complete	In 2012, there was no correlation between variable remuneration of the company's highest governance body, the board of executive officers or other executives in general and the company's socio-environmental performance
4.6	Processes to avoid conflicts of interest	Complete	21; 22
4.7	Qualifications of members of highest governance body	Complete	16
4.8	Declarations of mission and values, codes of conduct and relevant internal principles	Complete	8; 20; 55
4.9	Responsibilities for implementation of economic, environmental and social policies	Complete	17; 18
4.10	Self-appraisal processes for highest governance body	Complete	In 2012, there was no formal process for appraising the economic, environmental and social performance of the Board of Directors
4.11	Explanation of whether and how the organization applies the precautionary principle	Complete	Up to 2012, Cielo did not apply the precautionary principle
4.12	Charters, principles or other externally developed initiatives	Complete	24

Indicator	Description	Reported	Page/Response
4.13	Participation in national/ international associations and/or organisms	Complete	20
4.14	List of stakeholder groups engaged by organization	Complete	Investors, market analysts, employees, customers, suppliers, press, government, third-parties and community. Further information on pages 37; 38; 55; 56; 59
4.15	Basis for identification of stakeholders to be engaged	Complete	22
4.16	<i>Approaches to stakeholder engagement</i>	Complete	22
4.17	Main themes and concerns raised through stakeholder engagement	Complete	The main themes are addressed in the chapters Corporate Governance, Business strategy, Stakeholders and Environment

Indicator	Description	Reported	Page/Response
Management approaches			
	Economic performance	Complete	15; 17; 23; 55; 56; 59
EC	Market presence	Complete	15; 17; 23; 55; 56; 59
	Indirect economic impacts	Complete	15; 17; 23; 55; 56; 59
	Materials	Not reported	
	Energy	Complete	17; 24; 64
	Water	Complete	17; 24; 64
	Biodiversity	Not reported	
EN	Emissions, effluents and waste	Complete	17; 24; 64
	Products and services	Not reported	
	Compliance	Complete	17; 24; 64
	Transportation	Complete	17; 24; 64
	General	Complete	17; 24; 64
	Employment	Complete	17; 43; 44; 46; 49; 52
	Relations between labor and governance	Complete	17; 43; 44; 46; 49; 52
LA	Occupational health and safety	Complete	17; 43; 44; 46; 49; 52
	Training and education	Complete	17; 43; 44; 46; 49; 52
	Diversity and equality of opportunity	Complete	17; 43; 44; 46; 49; 52

Indicator	Description	Reported	Page/Response
HR	Procurement process	Not reported	
	Non-discrimination	Complete	17; 55; 56
	Freedom of association	Not reported	
	Child labor	Not reported	
	Forced/slave labor	Not reported	
	Safety practices	Not reported	
	Indigenous people's rights	Not reported	
SO	Community	Not reported	
	Corruption	Complete	12; 17; 20; 25; 29; 58
	Public policies	Complete	12; 17; 20; 25; 29; 58
	Unfair competition	Complete	12; 17; 20; 25; 29; 58
	Compliance	Complete	12; 17; 20; 25; 29; 58
PR	Customer health and safety	Not reported	
	Product and service labeling	Complete	26; 28; 56; 59
	Communication and marketing	Not reported	
	Customer privacy	Not reported	
	Compliance	Complete	26; 28; 56; 59

Performance indicators

Indicator	Description	Reported	Page/Response	Global Pact
Economic performance				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee remuneration, donations and other community investments, retained profits and payments to financiers and governments	Complete	34; 35	
EC4	Significant financial assistance received from government	Complete	19; 35	
Market presence				
EC5	Variation in proportion of lowest minimum salary, discriminated by gender, compared with local minimum salary in important operating units	Complete	46	1
Indirect economic impacts				
EC8	Impact of infrastructure investments benefiting public	Complete	34; 35; 60; 61	
EC9	Identification and description of significant indirect economic impacts, including extent of impacts	Complete	55; 57	

Indicator	Description	Reported	Page/Response	Global Pact
Environmental performance				
Energy				
EN3	Direct energy consumption discriminated by primary energy source	Complete	64	8
EN4	Indirect energy consumption discriminated by primary source	Complete	64	8 and 9
EN5	Energy saved due to conservation and efficiency improvements	Complete	64	8 and 9
Water				
EN8	Total water withdrawn, by source	Complete	73	8 and 9
Emissions, effluents and waste				
EN16	Total direct and indirect greenhouse gas emissions, by weight	Complete	63	8
EN17	Other relevant indirect greenhouse gas emissions, by weight	Complete	63	8
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Complete	63	7, 8 and 9
EN22	Total weight of waste, by type and disposal method	Complete	65	8

Indicator	Description	Reported	Page/Response	Global Pact
Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions resulting from non-compliance with environmental legislation and regulations	Complete	In 2012, the company did not receive environmental fines or sanctions	8
Transportation				
EN29	Significant environmental impacts due to the transportation of products and other goods and materials used in the organization's operation, as well as the transportation of workers	Partial	63	8
General				
EN30	Total investment and spending on environmental protection, by type	Complete	62	7, 8 and 9

Indicator	Description	Reported	Page/Response	Global Pact
Social Performance – Labor And Decent Work Practices				
Indicator	Description	Reported	Page/Response	Global Pact
Employment				
LA1	Total number of workers, by type of employment, work contract and region, discriminated by gender	Complete	39; 40; 55	
LA2	Total number and rate of new employees hired and employee turnover by age group, gender and region	Complete	47; 48	6
LA3	Comparison of benefits offered to full-time and temporary employees, by significant operating unit	Complete	42; 47; 50	
Relations between labor and governance				
LA4	Percentage of employees covered by collective bargaining agreements	Complete	39	1, 2 and 3
Occupational health and safety				
LA6	Percentage of employees represented on formal health and safety committees comprising managers and workers, that help monitor and provide advice on occupational health and safety programs	Complete	53	1, 2 and 3

Indicator	Description	Reported	Page/Response	Global Pact
LA8	Educational, training, counseling, risk prevention and control programs in place to assist employees, family members or community members with respect to serious illnesses	Complete	52; 53	1
Training and education				
LA11	Competency management and continuous learning programs to support continued employee employability and end of career management	Partial	46; 49; 50; 52	
LA12	Percentage of employees receiving regular performance and career development analyses, discriminated by gender	Complete	47; 49	
Diversity and equality of opportunity				
LA13	Composition of groups responsible for corporate governance and discrimination of employees by functional category, gender, age group, minority group and other diversity indicators	Complete	40; 41; 42	1 and 3

Indicator	Description	Reported	Page/Response	Global Pact
LA14	Ratio of men's base salary to women's base salary, discriminated by functional category and by significant operation	Complete	46; 48	1, 2 and 3

Social Performance – Human Rights

Indicator	Description	Reported	Page/Response	Global Pact
Non-discrimination				
HR4	Total number of cases of discrimination and corrective measures taken	Complete	20; 21; 55	

Social Performance – Society

Indicator	Description	Reported	Page/Response	Global Pact
Corruption				
SO2	Percentage and total number of business units submitted to corruption-related risk evaluations	Complete	All employees at all units are committed in this respect through the Code of Ethics which addresses this subject - 20; 21; 25; 29	10
SO3	Percentage of employees trained in anti-corruption policies and procedures	Complete	29	10

Indicator	Description	Reported	Page/Response	Global Pact
SO4	Measures taken in response to cases of corruption	Complete	25	10
Public policies				
SO5	Positioning in relation to public policies and participation in formulation of public policies and lobbying	Complete	20	10
SO6	Total amount of financial and in kind contributions to political parties, politicians or related institutions, discriminated by country	Complete	20	10
SO7	Total number of legal actions incurred due to unfair competition, formation of cartels and monopolistic practices and results thereof	Complete	20	10
Compliance				
SO8	Monetary value of significant fines and total number of non-monetary sanctions resulting from non-compliance with legislation and regulations	Complete	20	

Indicator	Description	Reported	Page/Response	Global Pact
Social Performance – Product Responsibility				
Product and service labeling				
PR5	Practices related to customer satisfaction, including survey results	Complete	26; 58	
Communication and marketing				
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communication, including publicity, promotion and sponsorship	Complete	All Cielo communication pieces are developed in compliance with the regulations of Conar (the Brazilian advertising self-regulatory council). Cielo is not active in reviewing these regulations. No Cielo products have been the object of questioning in the market	

Indicator	Description	Reported	Page/Response	Global Pact
PR7	Total number of cases of non-compliance with regulations and voluntary codes related to marketing communication, including publicity, promotion and sponsorship, discriminated by type of result	Complete	In 2012, the company was not subject to questioning about non-compliance with Conar standards	
PR8	Total number of proven complaints related to the breach of customer privacy and loss of customer data	Complete	28; 29	
Compliance				
PR9	Monetary value of significant fines resulting from non-compliance with legislation and regulations related to the supply and use of products and services	Complete	In 2012, there were no fines resulting from non-compliance with legislation and regulations related to the supply and use of products and services	

STATEMENT GRI APPLICATION LEVEL CHECK



Global Reporting Initiative™

Statement GRI Application Level Check

GRI hereby states that **Cielo S.A.** has presented its report “2012 Sustainability Report” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 25 June 2013



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The “+” has been added to this Application Level because Cielo S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter’s own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 3 June 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

INDEPENDENT AUDITOR'S ASSURANCE REPORT



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Independent auditors' assurance report

To
The Board of Directors and Shareholders
Cielo S.A.
Barueri - SP

Introduction

We have been engaged by Cielo S.A. ("Company") to present our limited assurance report on the compilation of the information disclosed in the Sustainability Report of Cielo S.A. for the year ended December 31, 2012.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the information included in the Sustainability Report, in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative – GRI (GRI-G3.1), and for such internal control as Management determines is necessary to enable the preparation of information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility of the Independent

Our responsibility is to express an opinion on the information included in the Sustainability Report, based on our limited assurance engagement performed in accordance with Technical Notice (CT) 07/2012, approved by the Federal Accounting Council (CFC) and prepared based on Brazilian Standard NBC TO 3000, "Assurance Engagements Other than Audits and Reviews", also issued by CFC, which is equivalent to the international standard ISAE 3000, issued by the International Auditing and Assurance Standards Board (IAASB), applicable to non-historical information. Those standards require that we comply with ethical requirements, including independence requirements, and plan and perform our engagement to obtain limited assurance about whether information included in the Sustainability Report, taken as a whole, is free from material misstatement.

A limited assurance engagement performed in accordance with NBC TO 3000 (ISAE 3000) consists mainly of making inquiries of the Company's management and other Company professionals involved in the preparation of the information included in the Sustainability Report and applying analytical procedures to obtain evidence that allows us to issue a limited assurance opinion on the information taken as a whole. A limited assurance engagement also requires the performance of additional procedures when the independent auditor becomes aware of matters that lead them to believe that the information included in the Sustainability Report, taken as a whole, might present significant misstatements.



The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the information included in the Sustainability Report, other circumstances of the engagement and our analysis of the areas in which significant misstatements might exist. Our assurance procedures performed included:

- (a) planning the work taking into consideration the materiality and the volume of quantitative and qualitative information and the operational and internal control systems that were used to prepare the information included in the Sustainability Report of Cielo;
- (b) understanding the calculation methodology and the procedures adopted for the compilation of the indicators through interviews with the managers responsible for the preparation of the information;
- (c) comparing, on a sample basis, the quantitative and qualitative information with the indicators disclosed in the Sustainability Report;
- (d) comparing the financial indicators with the financial statements and/or accounting records.

We believe that the evidence obtained in our job is sufficient and appropriate to support our conclusion in a limited manner.

Scope and limitations

The procedures applied in a limited assurance engagement are substantially less in scope than those applied in a reasonable assurance engagement for the purpose of issuing an opinion on the information included in the Sustainability Report. Consequently, we were unable to obtain enough assurance that we became aware of all the significant matters that might have been identified in a reasonable assurance engagement. If we had performed our engagement for the purpose of issuing an opinion, we might have identified other matters and potential misstatements in the information included in the Sustainability Report. Therefore, we will not issue an opinion on this information.

Non-financial data is subject to more inherent limitations than financial data, given both the nature and the diversity of the methods used for determining, calculating or estimating such data. Qualitative interpretations of the relevance, materiality and accuracy of the data are subject to individual assumptions and judgments. In addition, we have not performed any procedures in relation to the information presented for prior periods, forecasts and goals.

Conclusion

Based on the procedures performed, described herein, nothing has come to our attention that causes us to believe that the information included in the Sustainability Report has not been compiled, in all material respects, in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative – GRI (GRI-G3.1), as well as with the records and files which served as the basis for its preparation.



Other information

The information related to the year ended December 31, 2011 and prior periods, which is being presented by Management for comparison purposes, has not been reviewed by us or any other independent auditor.

Osasco, June 28, 2013

KPMG Auditores Independentes
CRC 2SP 014428/O-6
Original Report in Portuguese signed by
André Dala Pola
Accountant CRC 1SP 214007/O-2

CORPORATE INFORMATION

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C/o American Stock Transfer & Trust Company

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Email: DB@amstock.com

Shareholder Assistance Service (free)

Tel.: (866) 249-2593

Shareholder Assistance Service (international)

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