

Sustainability
Report
2016

cielo



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Presentation

Report reflects commitment to sustainability

For the fifth year in a row, Cielo is publishing its Sustainability Report to present to stakeholders the activities it implemented and their results, in line with the pillars of sustainability: economic, social, and environmental. [GRI G4-30](#)

This document refers to the 2016 fiscal year and was created based on the directives of the Global Reporting Initiative (GRI), version G4, Core option. With this document, the Company shows the forms utilized to add value to the market, to the economy, to society, and to the environment. [GRI G4-28 | G4-32](#)

In this content there is no meaningful reformulation of any information provided in previous versions – the most recent one having been

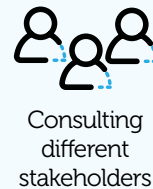
published in April 2016 – nor any alterations with regard to the scope and limit of those aspects. The information provided follows, for the most part, the same methodologies of calculations and management that were applied in previous years. The indicators that have undergone any changes in calculations are individually specified. The report passed through outside verification that evaluated samples of general indicators and of performance, and information about forms of management. [GRI G4-22 | G4-23 | G4-29 | G4-33](#)

For more information about this report and sustainability practices, Cielo has made available a communication channel at sustentabilidade@cielo.com.br. [GRI G4-31](#)

Process of revising Materiality Matrix

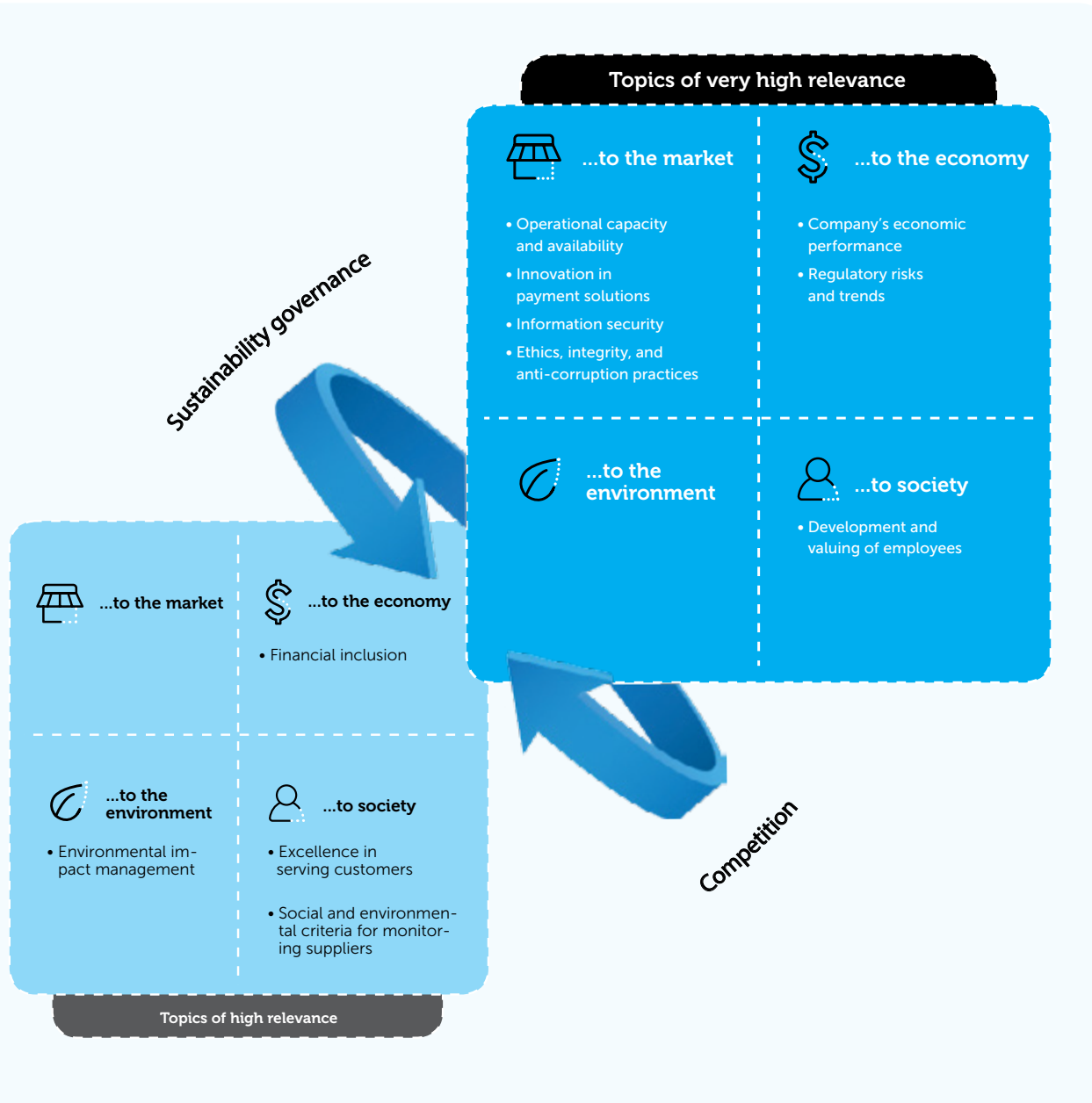
To define the content of this document and ensure that the interests and expectations of the main stakeholders with whom the Company interacts are taken into account, a process of reviewing the materiality was carried out, with a focus on updating and validating the relevant topics defined in previous years.

This review included the analysis of industry studies and of documents from the financial segment. Following that, using an online questionnaire, various Company stakeholders were consulted, including employees, partners (suppliers and financial institutions), customers, civil society organizations, communities, the press, investors, shareholders, academics, the government, and others. [GRI G4-24](#)



Validation by Board of
Executive Officers +
Sustainability
Committee

Cielo adds value...



This process resulted in the selection of 11 topics, of which seven received more than 90% approval from the people consulted (highlighted on the left). The stakeholders selected were the same ones chosen for the materiality process in previous years, where priority was given in accordance with aspects such as relation of dependence and interest in relation to the Company. [GRI G4-25](#)

Two specialists in strategy and sustainability were also interviewed, both of them active in the financial market, who contributed with opinions and challenges regarding each material topic. The approved topics were then organized into four pillars, in accordance with the Company's positioning, in order to demonstrate in what way it adds value to the market, to the economy, to the environment, and to society. Among all the topics evaluated, two of them, Competition and Sustainability Governance, were no longer treated in isolation and began to be viewed transversally, affecting all material topics.

The final result of the materiality review process was presented during meetings with the Board of Executive Directors and, afterwards, to members of the Sustainability Committee, which validated the process and its results. [GRI G4-17](#) | [G4-18](#) | [G4-19](#) | [G4-20](#) | [G4-21](#) | [G4-24](#) | [G4-25](#) | [G4-26](#) | [G4-27](#)

As a result of this process, it was possible to map out the potential impact of the topics on stakeholders – inside and outside the Organization – and, following that, to complete Cielo's management report with regard to these impacts, utilizing aspects of the GRI, in accordance with the table below:

Pillar	Material topic	GRI aspect	GRI indicator	Is the aspect material within the organiza-tion?	Is the aspect material outside of the organization?
Market	Operational capacity and availability	Economic performance	G4-EC1 Direct economic value generated and distributed	Yes	Yes (customers, governments, investors, shareholders, banks, suppliers and community)
	Innovation in payment solutions	Sectorial – financial system	G4-FS1 Policies with specific socioenvironmental aspects applied to business fronts	Yes	Yes (customers, governments, regulatory agencies, investors, shareholders, banks, suppliers, general public and community)
	Information security	Customer privacy	G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Yes	Yes (customers, governments, regulatory agencies, investors, shareholders, banks, suppliers, general public and community)
	Ethics, integrity and anti-corruption practices	Anti-corruption	G4-SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Yes	Yes (customers, governments, investors, shareholders, banks, suppliers, general public, Civil Society Organizations – CSO, community and media)
			G4-SO4 Communication and training on anti-corruption policies and procedures		
			G4-SO5 Confirmed incidents of corruption and actions taken		
		Public policy	G4-SO6 Total value of political contributions by country and recipient/beneficiary	Yes	Yes (customers, governments, investors, shareholders, banks, suppliers, general public, CSO, community and media)
Economy	Financial inclusion	Indirect economic impacts	G4-EC7 Development and impact of infrastructure investments and services provided	Yes	Yes (governments, investors, shareholders, general public, CSO, community, media, customers, suppliers and partners – banks and suppliers)
			G4-EC8 Significant indirect economic impacts, including the extent of impacts		
		Sectorial – financial system	G4-FS13 Access points in low-populated or economically disadvantaged areas, by type	Yes	Yes (government, investors, shareholders, general public, CSO, community and media)
	Company's economic performance	Economic performance	G4-EC4 Significant financial assistance received from government	Yes	Yes (customers, governments, investors, shareholders, general public, banks, suppliers, CSO, community and media)
	Regulatory risks and trends	-	G4-45 Role played by highest governance organ in identifying and managing impacts, risks, and opportunities derived from economic, environmental and social issues	Yes	Yes (academia, customers, governments, regulatory agencies, investors, shareholders, banks, suppliers, general public and community)
		-	G4-47 Frequency with which the highest governance organ analyzes impacts, risks, and opportunities derived from economic, environmental and social issues		
		Compliance	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		

Pillar	Material topic	GRI aspect	GRI indicator	Is the aspect material within the organization?	Is the aspect material outside of the organization?
Environment	Environmental impact management	Energy	G4-EN3 Energy consumption within the organization	Yes	No
		Water	G4-EN8 Total water withdrawal by source	Yes	No
		Emissions	G4-EN15 Direct greenhouse gas emissions	Yes	Yes (customers, partners – banks and suppliers; CSO, communities, media, general public, governments and regulatory agencies)
			G4-EN16 Indirect greenhouse gas emissions resulting from energy acquisition		
			G4-EN17 Other greenhouse gas emissions		
		Effluents and waste	G4-EN23 Total weight of waste by type and disposal method	Yes	Yes (customers, CSO, communities, media, general public, partners – banks and suppliers; governments and regulatory agencies)
			G4-EN25 Weight of transported, imported, exported, or treated waste deemed hazardous	Yes	Yes (customers, CSO, community, media, general public, governments, regulatory agencies and partners – banks and suppliers)
		Compliance	G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Yes	Yes (customers, CSO, community, media, general public, government and regulatory agencies)
Community	Development and valuing of employee	Overall	G4-EN31 Total environmental protection expenditures and investments, by type	Yes	Yes (customers, CSO, community, media, general public, governments and regulatory agencies)
		Economic performance	G4-EC3 Coverage of pension plan benefits obligations	Yes	Yes (governments, regulatory agencies, community and general public)
		Market presence	G4-EC5 Change in proportion of lowest salary, by gender, compared with local minimum wage in important operational units	Yes	Yes (governments and community)
		Employment	G4-LA1 Total number and rate of new hires of employees and turnover, by age group, gender, and region	Yes	Yes (governments, regulatory agencies, community and general public)
		Training and education	G4-LA9 Average hours of training per year per employee by gender and by employee category	Yes	Yes (governments, regulatory agencies, community, general public and customers)
			G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		
			G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and employee category		
	Excellence in customer service	Diversity and equal opportunities	G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Yes	Yes (general public, CSO, community and media)
		Product and service labeling	G4-PR5 Results of surveys measuring customer satisfaction	Yes	Yes (customers, investors, shareholders and partners – banks and suppliers', governments, regulatory agencies and general public)
		Social and environmental criteria for monitoring suppliers	G4-FS2 Procedures for assessing and screening environmental and social risks in business lines	Yes	Yes (customers, investors and shareholders, banks, suppliers, CSO, community, media and general public)
			G4-FS3 Processes for monitoring customers in the implementation and fulfilment of environmental and social requirements included in contracts		

Message from the president

GRI G4-1 | G4-2

In a year that was politically and economically sensitive, with a challenging outlook and heightened competition, Cielo reaffirmed its commitment to offering the market the best and most complete and intelligent payment solutions.

At the same time, it underwent internal changes, for which the Company proved to be prepared and serene. One of them was carrying out, in a transparent, integral and natural way, the transition at its Board of Executive Officers, which I now have the pleasure to lead.

To maintain the Company's leadership and solidity as it develops technological solutions and continues to invest in a structure that is trustworthy, modern, and secure, both for buyers and sellers, we have defined our actions around four major guiding pillars.

The first of these is "People," because we understand that it is only possible to face these challenging scenarios if we rely on people who are engaged and passionate about what they do. In this sense, we highlight the recent initiatives to bring areas and people closer together through the creation of a more agile and efficient decision-making environment.

Another pillar is "Customer," whose focus is on creating closer relationships in order to deliver not only products but solutions that in fact meet their needs.

"Cost efficiency" remains as a priority for management, and translates into the expectation that costs and spending should be firmly controlled, and grow at rates below inflation over the coming years during the course of delivering structural projects.



The fourth pillar that guides us is “Digital transformation,” a key to the future when responding to the need for an environment that is agile, modern, and ready for challenges, and will allow us to operate in a market that is constantly and rapidly evolving. This involves strategic and complex internal changes, from processes and work methods to a new organizational culture. Therefore, we are working to change our way of doing things, always focused on the customer and seeking solutions that promote good experiences and provide information so that they make well-founded decisions, streamlining processes and reducing costs.

This new focus should intensify even more the Company’s performance, which, as a result of the series of actions adopted in 2016, along all dimensions of sustainability, reported a growth of 14.2% in net income, jumping from R\$3.5 billion, at the end of 2015, to R\$4.0 billion.

On the path to a successful future, the Company is also counting on its commitment to sustainability. Since 2011, it has been a signa-

tory to and respectful of the premises of the United Nations’ Global Compact, and in 2016 it was included for the first time in the Dow Jones Sustainability Index (DJSI) on the New York Stock Exchange, which recognizes organizations utilizing sustainable best practices across the world.

This stance strengthens us in the face of the long and challenging road ahead, potentially marked by changes, especially in the regulatory environment. However, we are preparing every day to innovate and continue to gain strength to deliver in 2017 even more significant results.

We are grateful for the willingness of everyone who has joined us in building and reinventing our future. We continue to have a strategy of offering the best services to our customers, recognizing and supporting employees, strengthening relationships with suppliers, ensuring financial health to shareholders, and respecting society, always in line with the values and ethics that guide us.

People, Customers, Cost Efficiency, and Digital Transformation are the pillars that guide our management, aimed at delivering not only products, but solutions that in fact meet the needs of the market

Eduardo Camposana Gouveia
President

Identity

Innovation drives protagonism

A technology and services company for the retail sector, a leader in the electronic payment industry in all of Latin America, Cielo S.A. ranks among the ten largest Brazilian companies in terms of market value. A publicly traded company, it works in the registration, transmission, processing, and financial settlement of transactions and capturing of the main Brazilian and international brands of credit and debit cards, such as Visa, Mastercard, Elo, American Express, Diners Club, among others. In 2012, with the acquisition of Merchant e-Solutions through an overseas subsidiary, the Company began operations in the United States. [GRI G4-3 | G4-4 | G4-6 | G4-7](#)

To this end, it adopted a multi-service, multi-label, and multi-channel platform, available to anyone who wishes to sell a product or service, be it at a physical point of sale, be it in e-commerce or by mobile phone. As a result, Cielo

has in its portfolio a wide variety of customers – from small merchants to major retailers, and including independent professionals and freelancers – and economic segments. [GRI G4-8](#)

With a history going back more than 20 years, the Company employs 2,279 people in Brazil. Its headquarters is located in Alphaville, in the city of Barueri, São Paulo state. In 2016, the Company was responsible for R\$584.9 billion in transactions, growth of 6.7% in comparison with the previous year. [GRI G4-5 | G4-9 | G4-10](#)

During this period, it was listed on the Corporate Responsibility Index (Índice de Sustentabilidade Empresarial – ISE) of BM&FBOVESPA and joined, for the first time ever, the Dow Jones Sustainability Index (DJSI).

2016 highlights

- Transaction financial volume of R\$584.9 billion, growth of 6.7% in comparison with the previous year.
- EBITDA of R\$5.5 billion, growth of 5.8% in comparison with 2015.
- Net income of R\$4,005.5 million, 14.1% higher than in 2015.
- Inclusion in the DJSI, in the World category.
- Launch of Cielo LIO, a platform that contributes to customers' business management.
- Conclusion of formalities to increase Cielo's stake in direct subsidiary Multidisplay from 50.10% to 91.44%. The investment seeks to consolidate its role as a protagonist in technology platforms that encourage the adoption of mobile payment in Brazil. It also represents increased control over strategic decisions, increasing synergies and targeting to meet the needs of Cielo. [GRI G4-13](#)

Mission

GRI G4-56

Delight our customers with the best solutions created by a leading, profitable, and sustainable company, which has passionate employees.

Values

GRI G4-56

Employees with attitude, team spirit and passion in everything they do

Surpassing customer expectations

Ownership posture

Ethics in all relationships

Excellence in execution

Innovation oriented to results

Sustainability and Corporate Responsibility

Products and services for all profiles GRI G4-4

The Cielo portfolio was strengthened in 2016 thanks to three product launches:

Cielo LIO: a platform for controlling and managing business, conceived to meet the needs of retailers with autonomy and speed (learn more on page 14).

Cielo Control: customized plans for business owners with monthly revenue from R\$1,000 to R\$5,000. The aim is to facilitate the acceptance of cards by small retailers and provide business owners with greater financial control. Among the advantages of this solution are the receiving of the full sale amount without discounts, and the possibility of receiving credit transactions in up to two days. All this allows for the better management of business, because it is the only option on the market that allows the client to know exactly how much they will pay if they exceed their hired plan.

Cielo Lighthouse: a market-intelligence tool for small and medium retailers, launched in the second half of 2016. It allows for an x-ray of business performance and compar-

isons with a group of similar businesses. For monthly fees starting at R\$9.90, clients can access Lighthouse directly on Cielo's site and analyze information such as: sales growth, average spending per purchase, day of the week and time of day with greatest revenue, customer income profile, and other data that are updated daily.

In addition to these innovations, the Company continued to invest in other solutions that allow it to stand out in the market and that strengthen its strategy of capturing and retaining clients:

Cielo POS (Point of Sales) terminal: ideal for small and medium establishments, available in wireless version, equipped with mobile phone or fixed-line cards, or connected to phone or local broadband networks.

Cielo TEF (Electronic Funds Transfer): indicated for large establishments that have an elevated volume of transactions and are connected to commercial automation and fiscal printer. Available in fixed-line and mobile options, depending on client profile.

Fast Checkout: allows for integration of Cielo's mobile payment solution with any sales management application used by the merchant. With

this integration, store sales can be initiated and finalized by the salesperson directly on a mobile phone, without the need for clients to stop at the checkout counter, making the purchase experience more agile and efficient, with no lines.

Cielo E-commerce: package of offers for clients who wish to carry out business via the internet. The Company makes available to small and medium retailers the complete structure necessary to open a virtual store. For those already active in e-commerce, there are two solutions available: Checkout Cielo, which integrates the payment page with the customer's already existing store, and Cielo E-commerce 3.0, with an Application Programming Interface (API) that is open and integratable with any customer solution or device.

Three product launches strengthened Cielo's portfolio during the year: Cielo LIO, Cielo Control, and Cielo Lighthouse, products that increase customer convenience

Cielo Mobile: solution that transfers to smartphones all the functionalities and advantages of the Cielo terminal. Ideal for professionals with their own business (micro entrepreneurs, door-to-door salespeople, independent professionals, etc.). It does not include printouts of receipts, which reinforces Cielo's policy of offering products and services aligned with best socioenvironmental practices.

The array of services is also diversified and allows customers to meet all their needs:

Cielo App: customers can accompany sales and payments on their mobile phones. Merchants access the application with the same information they use to access the Cielo site and manage their commercial establishment from wherever they are, in addition to being able to hire products and services and visualize their registration information and contracted ways of accepting payments. Available for free for Android and iOS.

Safety Services Package: Cielo offers fraud-prevention tools for all market segments. Key Account customers serving goods and services networks have a specific set of products that increase the security of in-store and online transactions, reduce losses from fraud and disputes, and increase the level of adherence to good international information

security practices. These benefits and goals are achieved through a basket of security services consisting of several items such as: testing and certification of the physical and logical security of the customer's environment, monitoring transactions using neural systems, preventive alerts for fraud, and tools to aid defense against disputes. These services are offered by specialized consulting firms that help orient actions and prepare trend diagnoses and market comparisons relating to fraud and electronic transaction disputes.

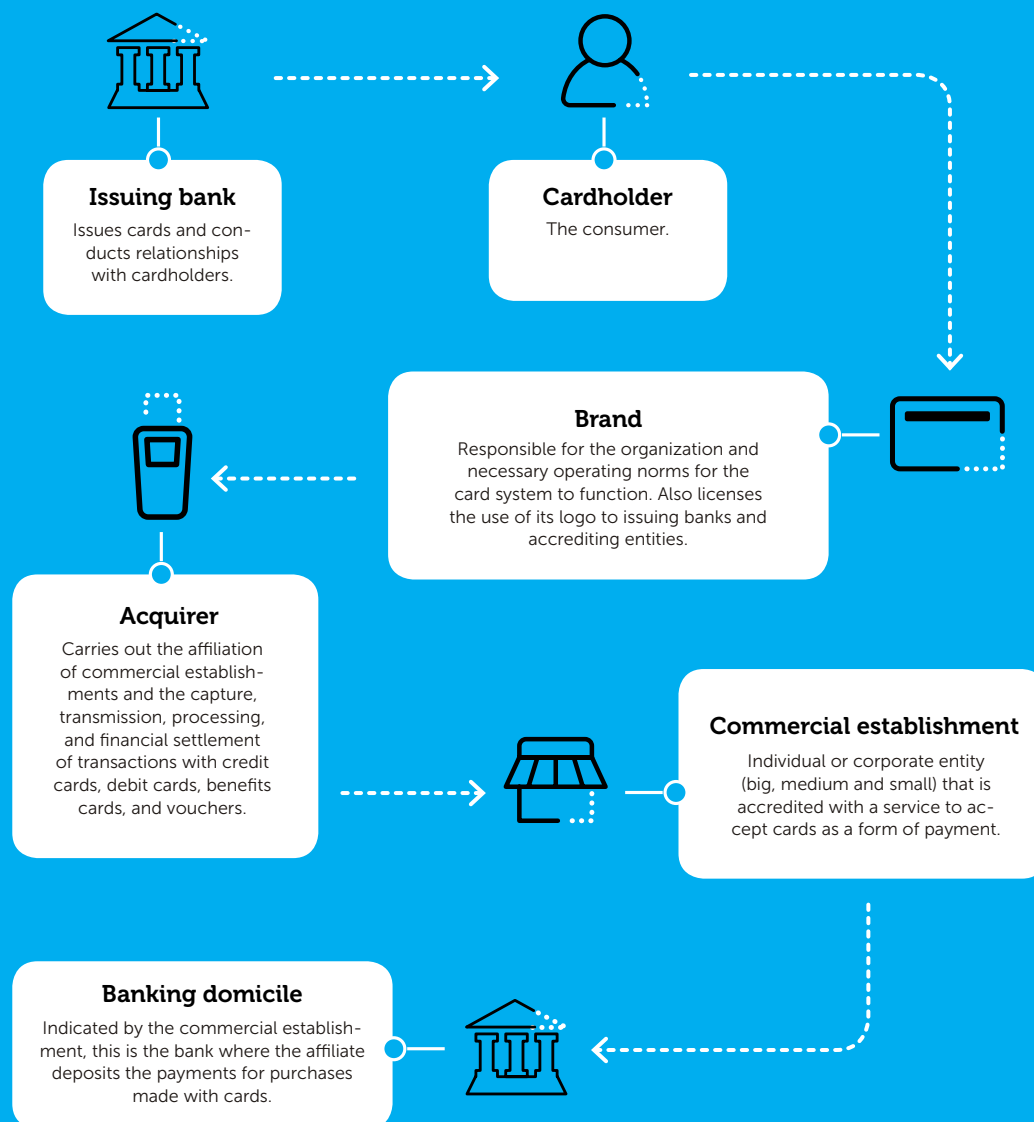
Cielo Big Data: Cielo has the largest database of Brazilian retail transactions – more than 6.2 billion transactions at almost 2 million points of sale – and using this information it has structured analytic intelligence products to aid its clients in making business decisions. In 2014, we launched the Cielo Expanded Retail Index (ICVA) to measure year-by-year sales revenue growth for more than 20 retail sectors. Starting in 2015, in order to meet growing demand for market performance and consumer behavior reports, the Company developed big data products, such as Cielo Benchmark – which provides an x-ray of the business and comparisons with similar businesses, and Cielo Expansion – which measures the potential of retail sales and consumers and sectors by region, being able to drill down to the level of neighborhoods.

Cielo Loyalty: program dedicated to merchants that concentrate their sales via Cielo. They accumulate points that can be redeemed for prizes and business improvements. In 2016, the program was expanded to the Entrepreneurs segment.

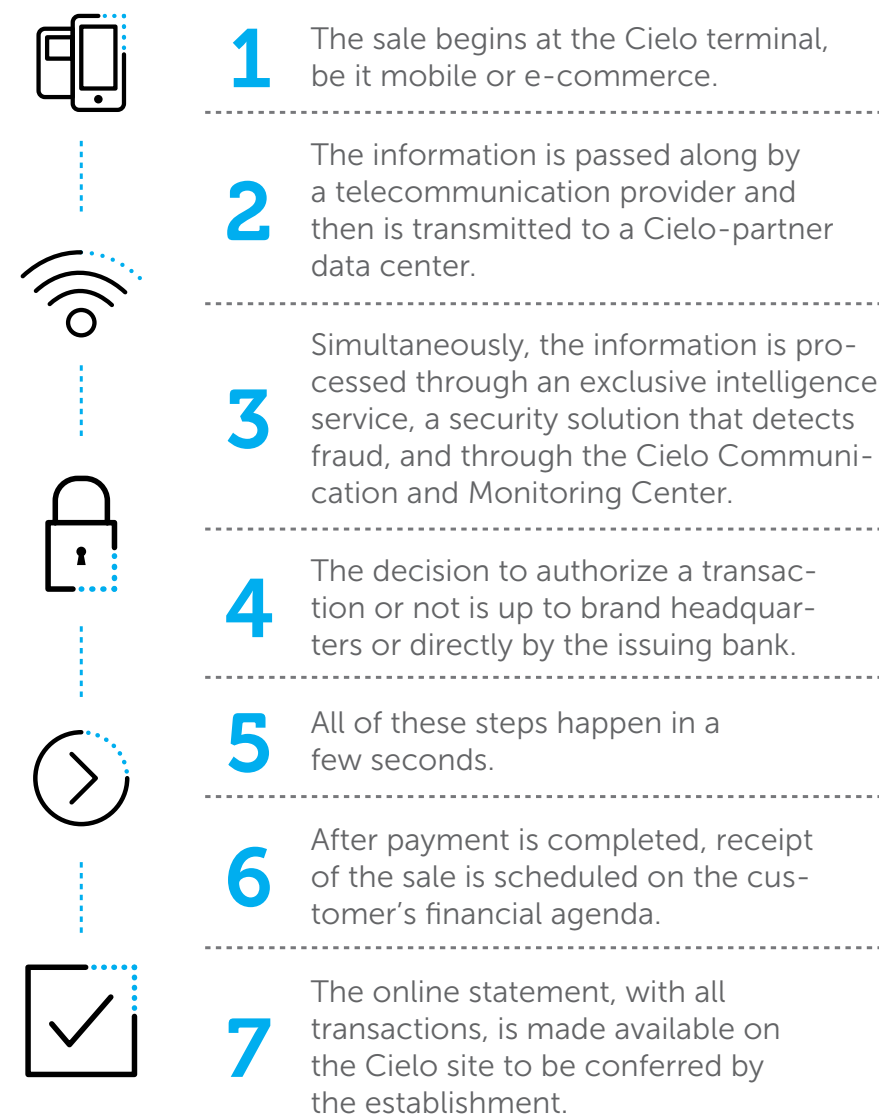
Cielo Promo: merchants can create and manage promotions directly on Cielo's terminal in a quick and easy way at competitive costs. All controls over the operations are automatic and printed on the terminal's receipts.

Currency Conversion: Cielo pioneered the launch of this service in the domestic market in 2014. It allows foreigners visiting Brazil to make their payment with their credit cards in the currency of their country of origin at the moment of purchase. Merchants receive sales in Brazilian reais with reduced rates.

Participants of the electronic chain of payments with cards



The path of a transaction in the electronic payment method





Ally of the customer

Launched in 2016, Cielo LIO is an open platform that guarantees merchants not only are able to carry out financial transactions, but also provides centralized and mobile management of their businesses. Through its individual operational system, it can integrate the payment functions with the management of the establishment. All the software updates are made remotely by Cielo and are available for download on the device itself through the Cielo Store.

Cielo LIO was developed for the Android platform, and its Application Programming Interfaces (API) allow partners and developers to create customized applications, such as for managing supply, commercial automation, loyalty programs, and employee hours, among others, and integrate them into the platform.

Other advantages of Cielo LIO:

- Contains an integrated camera with which the merchant can register their products with a barcode reader.
- Allows for control of ongoing and completed orders, which permits merchants to manage their establishment.
- Stores merchants' digital receipts and sends them to their email provider, eliminating the need for paper.
- Provides access to transaction statements for specified periods.
- Offers options to connect via Wi-Fi or 3G.
- Includes physical keypad for entering passcode, which facilitates operation by the visually impaired.
- Includes tutorial videos, quick tips, frequently asked questions, and online chat via messenger application to facilitate service.

E-commerce everywhere

In partnership with subsidiary Braspag, in 2016 Cielo carried out the first tests in Brazil, incorporating the concept of the Internet of Things (IoT). With this technology, already adopted by online retailers, it's possible to buy products with a simple click, be it via a physical button attached to any object, be it via an application, without even leaving home or needing to access any virtual store.

The initiative was tested during the second half of the year by close to 100 Rio de Janeiro customers of the online supermarket Organomix, a distributor of organic products. Other experiences utilizing projects linked to IoT were also carried out through partnerships with suppliers.

Agility and innovation as competitive advantages

At Cielo, two pillars form the basis for innovation – aimed at facilitating and monetizing customer businesses and, consequently, contributing to advances, including technological ones, in the retail segment. The first pillar includes more agile methods for developing and offering products, with new functionalities and improved relationships with customers. The second one is aimed at exploring and testing prototypes to adopt these new solutions over the medium and long term.

To engage on these two fronts, the Company maintains its innovation team, which accompanies the evolution of other players in the market and works to come into ever-closer contact with startups, be it through investment incentives, be it through co-working.

The Company accompanies growth opportunities in the e-commerce segment, which has surpassed growth in traditional retail. Therefore, Cielo developed its new e-commerce platform with capabilities to connect to any device or object and automatically receive purchase orders. In 2016, it focused primarily on the launch of Cielo LIO, an intelligent platform whose advantages include applications

capable of integrating business management and payment solutions (read more on page 14), and on the development of its new E-commerce 3.0 platform, which is more flexible and easier to integrate with client solutions or any device (read more about the E-commerce 3.0 platform on page 11).

At the end of the year, the Company also launched Cielo Control to simplify the way that micro and small businesses are paid, offering advantages to control and reduce their costs. With this solution, the customer pays a fixed monthly fee, and their sales via credit can be received in up to two days. The business owner can count on a customized plan that is adjusted to their monthly revenue. In addition, they receive the full amount of transactions without any discounts (see more information at the site www.controle.cielo.com.br). This solution allows for better business management, which contributes to the customer's financial sustainability.

For 2017, the Company is preparing to evolve along this path of digital transformation, and the focus will be on strengthening investment in applications (apps), refining its digital platform, and offering customers ever more complete and intelligent solutions. By reaffirming its position as a leader in the sector, Cielo is moving towards intensifying communication with all customers, from the small to the big business owner, improving the quality of services offered.

Effort is recognized by the market

Prizes and awards

- **Champion in Financial Services sector** in Época Negócios 360° Yearbook by Época Negócios magazine, for the fifth year in a row.
- **Among the Best Companies to Start Your Career**, according to Você S/A magazine, for the 6th year in a row: sixth place in the overall ranking for best company in the Leadership category.
- **Included in Most Attractive Companies in Brazil ranking**, developed by LinkedIn.
- **Only Brazilian company among the 100 most innovative in the world** list developed by Forbes magazine.
- **Among the most innovative**, according to the Innovation Brazil ranking developed by Valor Econômico newspaper together with the consulting firm Strategy&.
- **First place in the Services category in the Biggest and Best ranking**, by Exame magazine, for the 10th time in a row.
- **Champion in the financial/non-banking sector** by Latin America Executive Team 2016, an annual ranking by Institutional Investors, for the fifth time in a row.
- **Company with greatest rate of satisfaction** according to PME Choice award by newspaper O Estado de S. Paulo, in the Card Terminal category.
- **Champion in the Services sector**, for the Empresa Mais prize from newspaper O Estado de S. Paulo. Among the 10 best companies in the country in terms of corporate governance, according to the same prize.
- **Tenth Most Valuable Brazil Brand** according to the ranking by global consulting firm Interbrand and IstoÉ Dinheiro magazine, in partnership with Millward Brown Vermeer.
- **Among the 100 Best Companies for Corporate Citizenship**; the top 10 in the category of Ethics and Relationship with Stakeholders; and Most Admired by HR, given by Grupo Gestão RH.
- **Winner of 20th Anefac-Fipecafi-Serasa Experian prize** among companies with net revenue of more than R\$5 billion, having been recognized with the 2016 Transparency Trophy.
- **Champion in the Financial Services sector** for the award The 150 Best Companies To Work At, by Você S/A magazine. Present in the ranking for the 16th time in 20 years.



Market indexes

Dow Jones Sustainability Index (DJSI): the world's main sustainability index, which evaluates the performance of companies listed on the New York Stock Exchange. The Company is one of nine in the IT Services & Internet Software and Services, among the respondent of the World category.

Corporate Sustainability Index (ISE): Cielo is part of the BM&FBOVESPA index for a fourth time in a row, a tool for evaluating the performance of publicly traded companies with re-

gard to social, environmental, economic, and corporate governance practices.

RobecoSAM Sustainability Yearbook: for the second year in a row, Cielo was included in RobecoSAM's Sustainability Yearbook, which specializes in sustainable investments, which evaluates companies tied to the DJSI on the New York Exchange. Available in digital format, the yearbook presents the most sustainable companies in each industry that makes up the index. They evaluate manage-

ment policies and practices along the economic, social and environmental dimension for the area in which the Company is active.

Euronext-Vigeo Sustainability Index: promoted by the European exchange, Euronext, it encompasses 70 companies with elevated performance in corporate responsibility in emerging markets. Cielo is part of the index for a second year in a row.

A photograph of two women, one with curly brown hair and one with long dark hair, looking at a small handheld electronic device. The woman on the left is holding the device. There are faint icons of a piggy bank and a dollar sign with an upward arrow, connected by dotted lines, overlaid on the image.

Value to **market**

Strategy and management

Vital partner for customers

In 2016, Cielo reinforced its leadership in the payments market. With the slogan "Idea Machine," it seeks to bring clients new services and contributions for them to increase their sales. The intention is to become much more than a payment solution; the plan is to be an essential partner for its customers, offering them complete ideas for the market.

The Company's new positioning was presented to the public using the greatest 360° campaign in its history, called "Fantastic Entrepreneurs," launched simultaneously via the media and the Company's own channels. The idea is to bring Cielo to the customer's day-to-day operations with the jingle "Cielo is more than swiping a card, it's a machine full of ideas and innovation." The characters in the campaign are fantastic entrepreneurs and they show how the brand's

services contribute to the success of their businesses. The campaign can be viewed at the hot site www.cielomaquinadeideias.com.br along with all the details of the portfolio presented in the films. In addition to interacting with the public, the characters function as virtual consultants, clearing up questions about the products and services.

The Company is working to universalize the use of cards and enter market segments that provide synergies with its main activities and that still make little use of cards, such as health (clinics, laboratories, and hospitals), education, insurance, government, non-governmental organizations, and religious institutions, among other areas. In this way it continually develops areas of services and opportunities to generate revenue for its business.

As another aspect of its strategy, it seeks to maintain its offer of innovative services for accredited establishments, encouraging client loyalty and improving its operating efficiency, reducing costs and spending without sacrificing its competitive advantages, generating value for shareholders and investors.

Transparency guides corporate governance

Cielo seeks to adopt the best practices in corporate governance, ensuring transparency in management, equilibrium between shareholder rights, providing reports to investors and society, ethical treatment with various stakeholders, and the sustainability of its business. Since 2009, it is listed on the Novo Mercado segment of BM&FBOVESPA, and since 2011, it trades American Depositary Receipts (ADRs) at over-the-counter markets in OTCQX international, the premium segment of US markets.

The Company has created 20 policies that must be observed when carrying out its activities, and these are revised periodically, among them Credit Risk and Liquidity Risk Management; Taxes; Sustainability; Corporate Management; Publication of Material Facts; and Securities Trading (learn more about these policies at the Cielo's IR site www.cielo.com.br/ri).

It also has a Code of Ethical Conduct that describes commercial practices and procedures and relationships between employees and other stakeholders, which was revised starting in 2016 and will be concluded in April 2017, after passing through all requisite areas of validation: Board of Executive Officers, Corporate Governance Committee, and Board of Directors. Another document that was revised and released during the year was the Code of Ethics and Conduct of Suppliers (read more on page 48). [G4-DMA: Public policy](#) | [G4-DMA: Anti-competitive behavior](#) | [G4-56](#)

Reinforcing its commitment to transparency, Cielo disclosed on its website in 2016 the results of the Board of Directors' annual self-evaluation process, as well as the methodology used for this process and its main points, with opportunities for improvement identified. Two evaluations are used: a self-evaluation, where the directors evaluate their performance individually and of the board as a whole, conducted by Corporate Governance Secretariat and by the Corporate Governance Committee Coordinator; and another coordinated by an outside consultant.



The topic of sustainability is another that is constantly broached at the Board of Directors through: **GRI G4-45**

- Reports on Sustainability Committee meetings that seek to support the highest echelons with regard to the topic, seeking to conciliate issues of economic development with that of social responsibility.
- Reports of delivered sustainability actions, presented every six months to the Board of Directors. In this way, Senior Management closely accompanies the Company's performance in regard to activities focused on sustainability.

Ethics Channel

This channel can be accessed via www.canaldeetica.com.br/cielo or by phone at 0800 775 808, operated by an independent company in order to ensure total confidentiality and anonymity to those who wish to communicate improper conduct. The follow-up on reports is carried out by the Internal Audit Office, an independent branch of the Board of Executive Officers that makes monthly reports on the examination of accusations made to the Audit Committee and, every six months, to the Board of Directors. Activities are monitored until cases are concluded.

All employees are included in required annual training about the Code of Ethical Conduct and should sign, understand, and adhere to the document through a digital signing of a consent form.

GRI G4-57 | G4-58

Although during the year no cases were reported of corruption involving any government agent, the Company received 131 accusations of nonconformity with the Code of Ethical Conduct, all of them investigated by the Internal Audit Office, and 45 of those were substantiated. The increased number of accusations and of substantiated cases is due to increased efforts by employees to register, on the Ethics Channel, the existence of employees or relatives who are accredited by Cielo and, therefore, with installed electronic equipment. This situation can generate possible conflicts of interest in cases where the employee has access to the Company's internal systems, such as for example the attribution of incentives to customers.

All cases classified as substantiated are analyzed by immediate supervisors and maintained in the records of the Human Resources office.

The measures applied to each one of these cases include: guidance regarding how to deal with situations of conflicts with clients; dismissal of employees involved in harassment; dismissal of employees involved in processes of competition without due transparency; and guidance about irregular offers of accreditation services done in the name of Cielo on social networks.

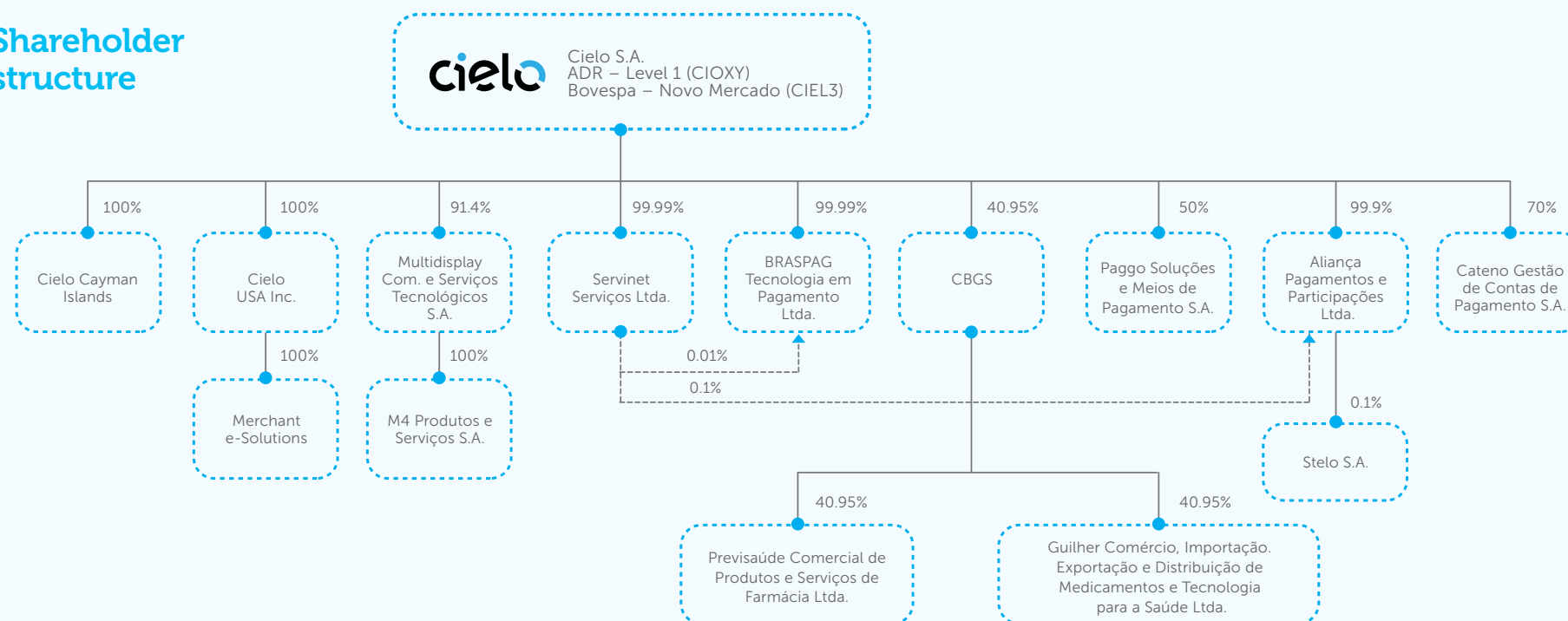
G4-DMA: Compliance | G4-SO5

Commitments to society GRI G4-15

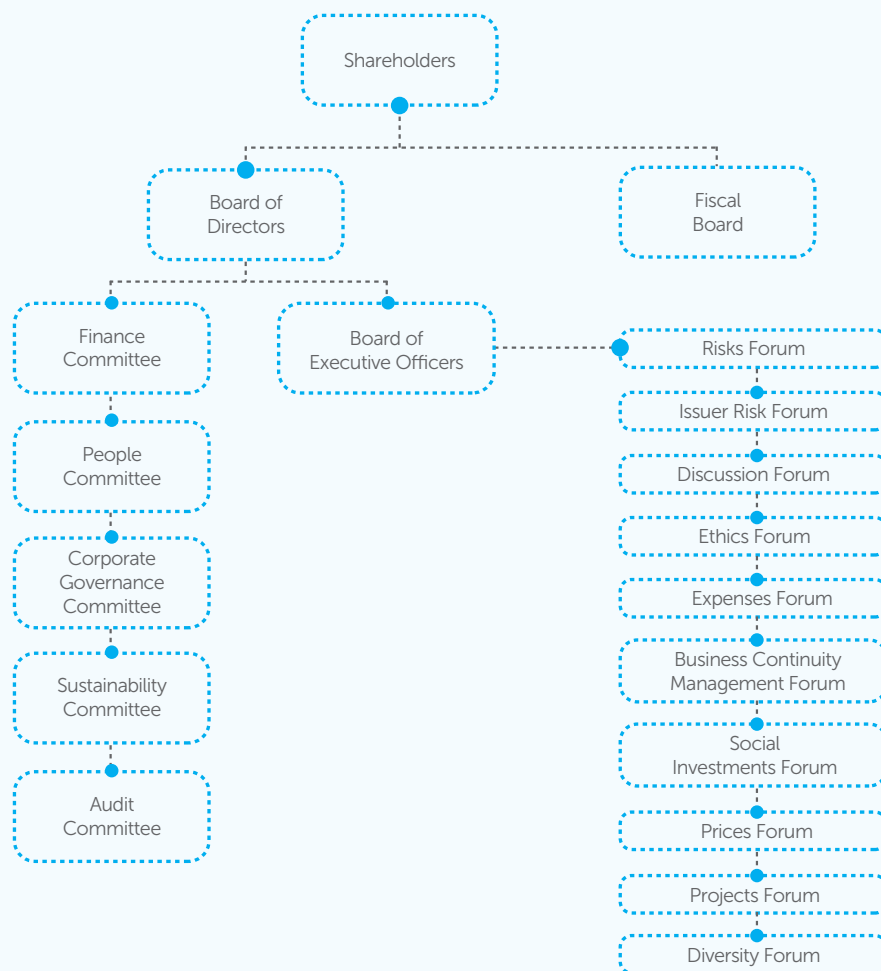
- Adherence to the United Nations' Global Compact.
- Participation in Corporate Initiatives of the Fundação Getulio Vargas (FGV) Center for Sustainability Studies: Brazilian GHG Protocol Program, Companies for the Climate, and Innovation and Sustainability in the Value Chain.
- Carrying out, since 2011, of the Greenhouse Gas Emission Inventory (GHG).
- Adherence to the Ethos Institute's Open Letter to Brazil about Climate Change.
- Euronext-Vigeo Sustainability Index, Emerging Market 70.

- Disclosing, since 2012, its Sustainability Report in accordance with GRI directives.
- Participation in the GRI GOLD Community, which includes various companies, organizations, civil society, and universities, among other agents, that share knowledge regarding trends in sustainability and reports.
- Participation (4th year in a row) in the ISE index on BM&FBOVESPA.
- Participation (1st time) in the DJSI.
- Participation in the Institutes, Foundations and Companies Group (Gife).
- Participation in the "Nós Podemos" ("We Can") National Movement for Sustainable Development Goals of the city of Barueri, in the state of São Paulo.

Shareholder structure



Governance structure GRI G4-34



Main corporate governance practices

- The Board of Directors is composed of 11 members, three of them independent, of whom 36% are between 30 and 50 years of age and 64% are older than 50. With regard to racial diversity, one member is of Asian descent and one member is of mixed African-European ancestry. [GRI G4-DMA: Diversity | G4-38 | G4-LA12](#)
- The Internal Regulations of the Board of Directors, as well as those of the Board of Executive Officers, determines that the nomination of members should respect different areas of knowledge in order to provide opportunities to capable and efficient professionals based on meritocracy, regardless of gender, age, race, ethnicity, nationality, and educational background.
- The positions of president of the Board of Directors and Chief Executive Officer should be occupied by different persons, in accordance with the bylaws. [GRI G4-39](#)
- The Board of Executive Directors is composed of five statutory directors and two executive directors (non-statutory). One member is older than 50 and the others are between 30 and 50 years old. One of the members is a woman. [GRI G4-LA12](#)
- Directors of Strategic Planning and of Risk and Compliance Management take part in meetings of the Board of Executive Directors.
- Maintenance of a Corporate Governance Secretariat, which reports directly to the CEO, and whose objective is to ensure the observation of systematic process adopted by the Company when making decisions, seeking to safeguard the interests of its investors and the quality of the decision-making process, which contributes to a better performance and reduction of business risks.

- Maintaining an electronic portal of corporate governance to exchange information between members of the Board of Directors and Advisory Committees, ensuring confidentiality and the simultaneous distribution of information to all members.
- Having a minimum agenda for recurring themes to be discussed at the Board of Directors and an annual calendar of ordinary meetings of the Board of Directors, Supervisory Board, and Advisory Committees.
- The formalization of the Board of Directors' deliberative process is done by Deliberation Proposals, which leads to greater clarity in the process.
- There are estimates for and monitoring of time spent on discussing themes scheduled for meetings of the Board of Directors, with a focus on strategic aspects.
- Senior Management is committed to promoting diversity.
- The governance directives of the Company and its subsidiaries are aligned by means of corporate documents
- There is a manual available for shareholders to participate in shareholder meetings.
- Review, every two years, of policies, norms, and procedures.
- There is a Policy for Transactions with Related Parties and for situations involving conflicts of interest, with the main directive being the assurance that Company controllers don't participate a priori in decisions that benefit them. This policy is composed of a set of rules that combine rules already addressed in legislation as well as best practices in corporate governance.
- The Sustainability Committee is composed of two independent members of the Board of Directors, a statutory director, the Sustainability manager, and those responsible for internal areas, with the objective of applying them transversally at the Company.
- The Board of Directors directly analyzes every month the impacts, risks, and opportunities derived from economic issues based on information received from the Finance Committee, which meets monthly. The deep analysis of impacts, risks, and opportunities resulting from environmental and social issues is carried out quarterly by the Sustain-

ability Committee, and its coordinator passes along to the Board of Directors the topics discussed and their evaluation. It is the responsibility of member of the Board of Directors to provide guidance about the approach and the actions to be taken. [GRI G4-47](#)

- The Company is a member of the Brazilian Corporate Governance Institute (IBGC), the main Brazilian point of reference for developing best practices. [GRI G4-16](#)

Learn more about Cielo's corporate governance and members of the Board of Directors and Board of Executive Directors and their respective résumés at the www.cielo.com/ri.

Open dialogue with shareholders

Cielo's capital structure is composed of 2,264,012,551 shares that at the end of 2016 attributed the Company a market value of R\$63,188,590.30, positioning it among the ten most valuable in the Ibovespa index.

Cielo shares are part of the theoretical portfolio of the following indexes:

- Bovespa Index (Ibovespa)
- Special Corporate Governance Stock Index (IGC)
- Special Tag-Along Index (ITAG)
- Corporate Sustainability Index (ISE) of BM&FBOVESPA
- Brazil 100 Index (IBrX-100)
- Brazil 50 Index (IBrX-50)
- Financial Index (IFNC)
- Carbon Efficient Index (ICO2)
- Mid-Large Cap Index (MLCX)
- Corporate Governance Trade Index (IGCT)
- Brazil Broad-Based Index/ BM&FBOVESPA (IBrA)
- Novo Mercado Corporate Governance Equity Index (IGC-NM)
- Euronext-Vigeo Sustainability Index EM70
- Dow Jones Sustainability Index (DJSI) on the New York Exchange

Since 2010, Cielo has maintained a program whose objective is to issue Company shares, using the ticker: CIOXY, on United States over-the-counter markets via American Depositary Receipts (ADRs). The issuance of ADRs is authorized and regulated by the Securities and Exchange Commission (SEC). In order to issue shares abroad, Cielo hired Deutsche Bank as its depositary bank, responsible for transfer and mediation services of the program. Each share issued in the program cancels out a share circulating on the BM&FBOVESPA exchange at a ratio of one to one.

In order to communicate with investors and shareholders, Cielo provides the channel www.cielo.com.br/ri, which consolidates all the information released to the market, as well as constant meetings between stakeholders and the Investors Relations team.

In 2016, more than 250 interactions with these stakeholders were carried out, in addition to roadshows with analysts, investors, and capital market professionals in São Paulo, in partnership with Apimec (the Association of Capital Markets Analysts and Investment Professionals). Cielo Day (Investor's Day) was also held in 2016 at the Company's headquarters in Barueri, in the state of São Paulo, with presentations from Cielo's various business areas.

Shareholding structure	Ordinary shares	%
Controlling shareholders	1,329,131,660	58.71
Banco Bradesco	680,531,616	30.60
<i>Columbus Holdings S.A.</i>	648,599,904	28.65
<i>Tempo Serviços Ltda.¹</i>	31,931,712	1.41
Banco do Brasil	648,600,044	28.65
Treasury	4,388,706	0.19
In circulation²	930,492,185	41.10
Total	2,264,012,551	100

1. Shares of Tempo Serviços Ltda. are not included in the Shareholder Agreement signed by Columbus and BB Banco de Investimento.

2. Shares in circulation have a lot of exposure to foreign investors.

Risk management GRI G4-14 | G4-FS2

The Risk and Compliance Office supports the implementation of effective risk management practices by executive areas and adopts methods to support them in identifying, evaluating, responding, monitoring and reporting of risks, seeking to maintain them within levels acceptable to the Company. It also evaluates, in an independent manner, the management of risks through monitoring and certification of the adequacy and efficacy of internal controls, taking into consideration the Company's risk appetite.

In line with best practices in corporate governance, risks and the control environment are periodically reported to competent forums and accompanied by Senior Management.

An important aspect in ensuring ethical conduct, the rejection of any form of corruption is permanently disseminated at Cielo. In accord with prevailing legislation (Anti-corruption Law No. 12,846, of 08/01/2013), the Company reiterates its stance in regard to combatting all forms of corrupt conduct.

Cielo also does not tolerate practices of money laundering, and employees are instructed to pay close attention to suspicious situations. Transactions of the Company's customers are evaluated in order to ensure compliance with

the Law for Preventing and Combating Money-Laundering (Law No. 12,683, of 07/09/2012) and, depending on the outcome of analyses, suspicious operations are reported to the Council for Financial Activities Control (Coaf).

In cases of deviation from norms established in the Company's Code of Ethical Conduct, Cielo also offers guidance regarding whistleblowing, handling of cases, and penalties.

Training and risk culture

GRI G4-DMA: Anti-corruption | G4-SO3 | G4-SO4

In order to train its employees and strengthen the culture of risk management, Cielo provides e-learning that are held annually. These deal with relevant topics, such as Risk Management, Code of Ethical Conduct, Preventing Money Laundering, Business Continuity Training, Information Security, and Anti-corruption.

All employees working directly for Cielo and for its subsidiaries, as well as all members of the Board of Directors, signed an agreement adhering to the Company's anti-corruption policy. As for suppliers, out of a total of 863 in 2016, only 3.1% didn't sign the agreement adhering to directives related to the topic. This percentage refers to companies that are exempt from the requirement to sign, for ex-

ample those participating in the same shareholder group, companies certified by regulatory agencies, or those that do not represent a risk for Cielo.

Other activities are developed with the same objective. In 2016, 2,343 employees and interns completed the on-line anti-corruption course. In 2016, both headquarters and 100% of branch offices were subjected to an evaluation of corruption-related risks.

Cielo also relies on its Code of Ethical Conduct and normative instruments to guide professionals in maintaining risks at acceptable levels.

As a guarantee of ethical conduct, Cielo rejects any form of corruption, and does not tolerate money-laundering practices

Industry regulation

Cielo received authorization from Brazil's Central Bank ("Central Bank") to operate as a payment institution in the modality of an accrediting entity.

This authorization is the result of Law No. 12,865/2013 and a set of norms issued by the National Monetary Council (CMN) and the Central Bank, which define the new regulations applicable to payment arrangements and payment institutions that are part of the Brazilian Payment System (SPB), including the activity of accreditation of commercial establishments, such as is carried out by the Company. This set of norms seeks primarily to modernize payment instruments with a focus on the efficiency and security of the SPB, with their enforcement, as well as the supervision of so-called payment institutions (such as the Company), now falling under the responsibility of the Central Bank.

As a result of the authorization, the Company must now observe common rules applicable to payment institutions that make up the SPB, and must adopt processes and internal controls regarding its accreditation activities, including the development and disclosure of financial reports in accordance with criteria and accounting rules defined in the Accounting Plan of the Institutions of the National Financial System (COSIF). The adoption of such processes should be undertaken

in a gradual manner starting on the present date and, if necessary, their implementation will be subject to disclosures to the market.

Therefore, this authorization represents a major institutional achievement for the Company, which now is subject to the specific regulation and supervision of the Central Bank, reinforcing Cielo's role in the Brazilian payments industry, with its solid systems, robust internal controls, and governance practices currently adopted by the Company.

Furthermore, we estimate that in 2017 norms may be published that alter not only the regulation of the card industry, but also the market as a whole, and affect the Company in a relevant manner. Also, matters are being discussed in Brazil's congress that directly impact the card industry, such as:

- Limitation on administration fees charged of establishments, and a reduction in the period of payment to merchants.
- Possibility of establishing different prices for the sale of goods or the provision of services paid with credit and debit cards versus other forms of lump sum payment.
- Charging of tax on services of any nature (ISSQN) in a pulverized manner across the municipalities where Cielo terminals are installed.





Value to economy

Operational performance

EBITDA (R\$ million)	2015	2016
Net income	3,511.4	4,005.5
Attributable to non-controlling shareholders	140.0	178.0
Financial income	(1,103.1)	(1,451.3)
Income tax and social contributions	1,783.4	1,837.3
Depreciation and amortization	901.8	965.7
EBITDA	5,233.5	5,535.1
EBITDA margin (%)	47.1	45.0

Financial income is growing

GRI G4-DMA: Economic performance

In 2016, Cielo reported net revenue of R\$12,300.8 million, an increase of 10.6% in comparison with the previous year, as a result of the continuous expansion of its businesses and of its subsidiaries, and as a result of an appreciation during the year of the dollar, used to consolidate revenue generated in the United States by subsidiary Merchant e-Solutions.

EBITDA, which corresponds to net income in addition to income taxes and Social Contribution (IR) on Net Profits (CSLL), depreciation and amortization costs, and the financial income, totaled R\$5,535.1 million during the year, an increase of 5.8% in comparison with the previous year.

Financial income, meanwhile, totaled R\$1,451.3 million, which represents an increase of 31.6%, or R\$348.2 million, from the previous year, when it totaled R\$1,103.1 million. The increase was essentially due to the following factors:

1. Financial revenue increased R\$100.3 million, from R\$144.5 million in 2015 to R\$244.8 million. This growth, of 69.4%, was due to the increased average monthly balance invested by Cielo and by Cateno – as a result of the minimal required prudential capital that was invested by the subsidiary.
2. Financial expenses increased R\$19.0 million, or 1.6%, to R\$1,192.5 million, compared with R\$1,173.5 million in 2015. This increase is the result of increased interest on public and private debentures as a result of the increase in the ID (Interbank Deposit) rate, and due to variations in mark-to-market adjustments, partially compensated by the reduction of debt held by third parties.

3. Net proceeds from the acquisition of receivables, carried out by the Parent Company and by the Receivables Investment Fund, the net of cost of funding with third parties and of taxes on financial revenue, totaled R\$2,409.8 million, an increase of R\$280.0 million, or 13.1%, in comparison with the R\$2,129.8 million reported in 2015. This growth is a result of the increased financial volume of receivables purchased, of the growth in the share of acquisitions of retail customers in comparison with Key Accounts, and the reduction of funds raised to promote the product, partially compensated by increased taxes (effective since July 2015).

Value Added Statement (VAS) GRI G4-EC1

(R\$ million)	2014	2015	2016
Shareholders (equity capital remuneration)	1,833	1,066	1,237
Payroll (wages, benefits, and labor costs)	479	605	669
Government (taxes, fees, and contributions)	2,412	3,030	3,313
Remuneration on third-party capital (interest and rent)	397	1,403	1,363

Economic impacts

GRI G4-DMA: Indirect economic impacts |

G4-DMA: Local communities | G4-DMA: Product portfolio | G4-EC7 | G4-EC8

Cielo is present in almost 100% of Brazilian municipalities, not only through its POS terminals, but also as a result of a series of advantages for customers, from services to help them better manage their businesses to the robust infrastructure that assures uninterrupted service that allows the Company to be available 100% of the time for customer operations.

The financial transaction volume is equal to about 9.3% of Brazil's GDP, and the service infrastructure maintained by the Company stimulates commerce and local companies, as well as contributing to social development by boosting the economy. This creates new markets and reduces instances of theft and robbery, as well as defaults, through the substitution of cash and check payments by electronic payments. **GRI G4-FS13**

The added value also extends to the democratization of access to electronic payments. According to the Brazilian Association of Credit Card Companies and Services (Abecs), card payments represent 28.5% of consumption by Brazilian families. The increasing share of cards to make payments, in

this context, is the result of the substitution of other means of payment, since Brazilians have been increasingly adopting cards in the place of cash and checks.

Thanks to its structure, Cielo keeps businesses operating with cutting-edge technology, efficient logistics, and the strictest security standards available. The Company was responsible for paving the way for accepting payment via NFC (Near Field Communication) in Brazil, having carried out the first tests in 2008. Today it contains one of the largest parks with this technology in the world, with equipment in operation capable of carrying out this type of transaction.

Furthermore, the internal Sustainability Policy establishes directives for the insertion of social, environmental and governance aspects in its business, influencing decisions made about existing or future products and/or services. Other policies work toward the same end, such as anti-corruption, purchasing, competitive compliance, and data privacy. **GRI G4-FS1**



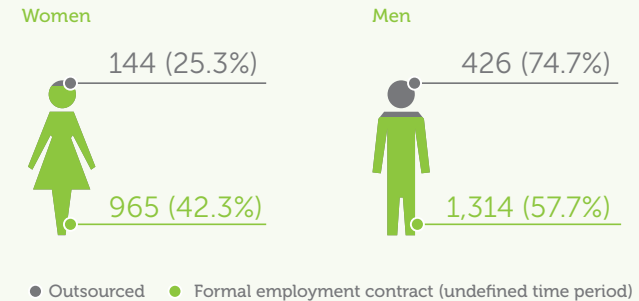
Value to **society**

Relationship with employees

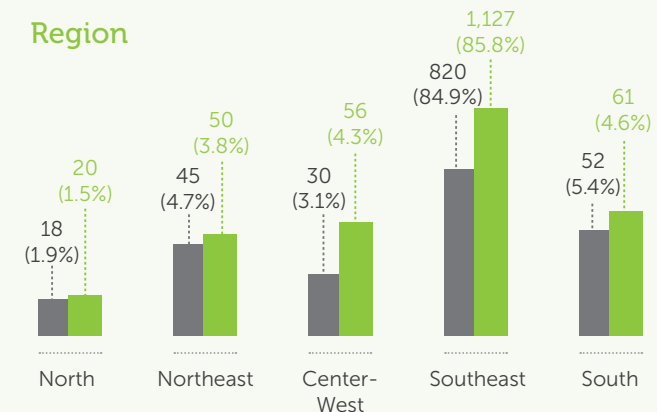
Qualified team to continue leading the industry GRI G4-DMA: Employment

Employees are strategic partners on the path to innovation, sustainability, and achieving the goals that position Cielo as a leader in its segment. With 654 hires and 426 terminations, at the end of 2016 the Company worked with 2,279 professionals, of whom 965 were women and 1,314 men. The rate of turnover is greatest in the Southeast, the region that concentrates the largest number of employees, reaching 6.49% for those below 30 years of age (2.5% for women and 4.04% for men) and 12.20% for those between 30 and 50 years of age (5.2% for women and 6.95% for men). For the other regions and age groups, the rate is close to 1%. **GRI G4-10 | G4-LA1**

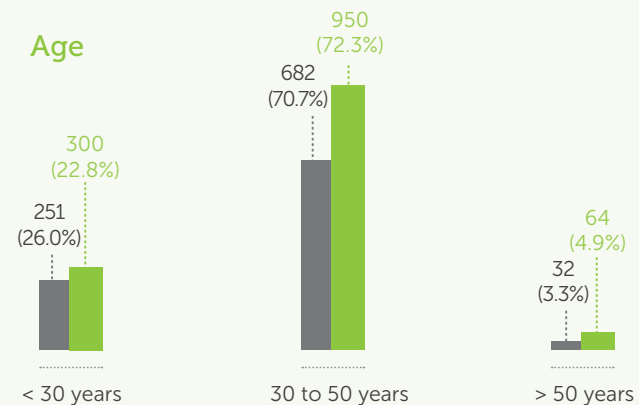
Race	Women (individuals)	Men (individuals)
Asian	31	54
Caucasian	713	952
Indigenous	1	0
Black (total of black and mixed-race)	220	308
Total	965	1,314



Region



Age



All professionals have access to the Human Resources policy, established to attract and retain talent and to meet the challenge of providing an excellent service to the market. The job openings are internally publicized first on the Opportunities Panel. If no candidates sign up for the opening or none are approved, they become available to the external public, through social networks and recruiting sites. In 2016, 324 employees assumed new roles through internal promotion.

Retaining talent is also carried out through the Talent Management Forum, a group that evaluates all employees at the close of the meritocratic cycle and, thereby, defines promotions, merit, and recognition for the entire Company, based on the annual results of each professional. They are also

identified according to strategic Human Resources indicators, whose result is reflected in the yearly bonus from leadership. In 2016, this retention indicator noted that 98% of talent remained at the Company.

The Company also has internship and trainee programs. For internships, there is a monthly selection process focused on students in their second-to-last year of university; in 2016, there were 9,672 registrations per semester. The Trainee Program is annual and seeks to find youths who have graduated up to two years previous. During the year, there were 9,407 candidates for 14 available slots.

Salaries and benefits

GRI G4-DMA: Market presence

Every year, Cielo organizes the “Speak Your Mind” study, which includes all executives, leaders and employees, and evaluates, among other internal practices, its pay and benefit policy – which does not differentiate between genders. In 2016, the study found that 62% of participants were satisfied with their annual salaries, considering the position they hold in comparison with other companies. This index places Cielo seven points above the average for companies with the best results that also adopt this evaluation method.

98% is the retention rate for Company talent during the year





In 2016, the lowest monthly salary paid by the Company was R\$1,802.07, equivalent to 2.05 times the national minimum wage for the same calendar year. Considering the minimum wage defined for this labor union category, the proportion is 1.54 times. At Cielo, the policy is common for all genders. **GRI G4-EC5**

All eligible employees are covered by collective bargaining agreements. This group and their dependents are eligible for a set of benefits. These benefits can vary depending on hierarchical level, meeting best practices prevailing in the Brazilian market. A Private Pension Plan is also provided, with voluntary participation by employees, which in 2016 totaled R\$23 million in investment, R\$12 million of which were contributed by Cielo, complementing contributions of R\$11 million by participants, about 70% of the all employees. **GRI G4-11 | G4-EC3**

The Company also has an outplacement policy for terminated employees. This outplacement is directed at employees in management level positions and up, and includes three specialized consulting services that offer support in finding new employment. The program varies from six months to one year (depending on level) and is 100% paid for by Cielo. The service is offered to professionals right after termination. **GRI G4-LA10**

The Human Resources Policy is structured to attract and retain talent and to meet the market's demand for quality service

Benefits	Characteristics	Target group
Health plan	Three unique plans depending on position. Payment is 90% by the Company and 10% by employee	Employees and dependents
Medical check-up	Preventive health plan. Fully paid for by the Company	Employees older than 45
Dental plan	Wide-ranging coverage and possibility of reimbursement. 50% of costs covered by the Company	Employees and dependents
Outpatient clinic	Occupational medical assistance, nurses, psychotherapy, and visits with nutritionists	Employees
Private pension plan	Private Pension Plan (PGBL) and Redeemable Life Insurance (VGBL)	Employees
Advance of 13 th salary	The first installment of the 13 th salary for the calendar year is paid in January	Employees
Additional support for retirement	Provides specialized consulting services and outplacement	Employees
Partitioned vacation time	Five options of plans for vacation negotiated with the union and in line with CLT labor laws	Employees
Consigned loans	Value requested can be repaid in 60 installments, and installments are discounted from wages. This modality provides below-market interest rates	Employees working at least six months at the company
Life insurance	Fully covered by the Company, includes payment in case of disability or death	Employees, spouses, and children up to 21 years of age (or 24 if enrolled in university)
Family funeral assistance	Funerary service assistance	Employees and dependents
Meal and food plan	Beneficiaries can choose every month the percentage they wish to receive in each category (meal or food vouchers) or choose to receive 100% of benefits in just one category	Employees
Transportation vouchers and chartered buses	Company covers more than 90% of costs	Employees
Parking	Free	Employees at headquarters
Flex car	R\$750 to pay for expenses such as fuel, parking, and light vehicle maintenance	Employees at management level
Maternity leave	Period of 6 months	Employees
Child care support	Monthly value of up to R\$300	Employees with children younger than two years

8 Career Principles of Cielo:

- 1 Career development at Cielo is based on **meritocracy**.
- 2 **Results, attitude, skill, and knowledge** are the key elements for career development at Cielo.
- 3 Every employee is **responsible for developing** their own career.
- 4 Managers at Cielo are **responsible for activating the strategy and instruments for talent and career management** made available by Cielo.
- 5 **Talent** belongs to Cielo, not to specific areas.
- 6 Ideal career paths are those that offer a **diversity of relevant experiences to ensure success** in the aimed-for position.
- 7 **Breadth and depth** are both important in the set of on-the-job experiences during the trajectory of one's career.
- 8 Cielo values both **technical and leadership careers**.

Development and training

GRI G4-DMA: Training and education

The basic premise for building a career at Cielo is meritocracy. Employees should demonstrate a capacity to reach individual goals, maturity in expected behavior through a set of competencies, and willingness to take on additional responsibilities. To strengthen this premise, 100% of employees receive regular performance and development analyses.

GRI G4-LA11

Career Management is governed by Eight Career Principles for professional reflection and development.

Just as the Company recruits talent on the market, valuing diversity of professional experiences, it maintains a Succession Plan to identify potential members of the Board of Executive Directors and candidates for posts that report to vice presidents. The plan defines the preparation time required for each successor and the most relevant experiences, such as participating in significant projects and in areas

that the potential successor can be moved to in order to strengthen and consolidate technical and behavioral competencies.

All employees are evaluated and received feedback from their leaders, including recent hires and promotions through the Talent Management Forum. The evaluation and performance process is tied to the Profit-Sharing Plan (PPR) and is open to all employees hired before September 30 of the evaluation year. For employees hired between October 1 and December 31, a standard score is defined through an agreement with the union. This process, which demonstrates the level of commitment from leadership to the continuous development of employees, does not include apprentices, interns, temporary workers, and service providers.

In 2016, for the second year in a row, a Feedback Study was carried out, with the aim of monitoring the quality of feedback received by employees following the Talent Management Forum. The study was filled out by 43% of eligible employees. The perception with regard to feedback was positive: 94% said they had received feedback in 2016, 82% of whom said they received it within stipulated deadlines. With regard to Quality, feedback had an average score of 8.6, and with regard to Contribution to development, 8.9.

With an eye to the balance between the ratio of men and women in the Company, the understanding is that meritocracy is the ideal criteria for determining internal careers. The process of identifying merit and promotions and the definition of Key People (a program for recognizing employees with the best performance and outstanding behavior) are the result of outputs from the Talent Management Forum.

The competencies expected from employees in carrying out their functions were revised at the end of 2015 and in 2016, and relied on a massive campaign to disseminate those innovations. They began to be divided according to levels of complexity, which makes the process even more transparent and clear with regard to behaviors expected by Cielo, in addition to providing support to professionals' career plans. Competency workshops were also promoted, with groups organized at commercial areas and at headquarters.

On the Cielo University Portal, the Odyssey track, where the employee finds in one location all the information regarding the meritocratic cycle and the management of their development and their career, a guide was launched for the development of competencies, and the manual with directives from the Talent Management Forum. A new platform was adopted to evaluate competencies, with a career planning form. **GRI G4-LA11**



Cielo also offers specific trainings, 100% paid for by the Company, that contribute to the development of employee skills in accordance with the business. They specifically cover: certificates, congresses, workshops, seminars, and other educational events.

In 2016, the average hours of training totaled 46.29, lower, therefore, than the 91.24 registered in the previous year. The drop is due to changes in the calculation method. The data provided in 2015 considered formal and continuing education hours as training that was completed. In 2016, however, the Company understood that these hours should not be counted, in accordance with market practices.

2016	
Employee category GRI G4-LA9	Average hours
Board of Executive Officers	16.30
Board of Directors	20.55
Managers	58.49
Supervisors	36.99
Technical	35.76
Administrative	48.01
Operational	52.26
Interns	52.70
Total	46.29

2016	
Gender	Average hours
Men	45.68
Women	47.12
Total	46.29

Investment¹

Category	2015			2016		
	Participants	Investment (R\$ million)	Average investment per participant	Participants	Investment (R\$ million)	Average investment per participant
Corporate training ²	2,384	6.80	2,857	2,757	5.69	2,065
Specific training	532	1.90	3,680	369	2.00	5,433
Formal and continuing education	325	1.9	5,975	302	2.56	8,497

1. This includes training for employees, statutory members and interns.

2. In-person, online, and web conference courses.

Cielo University, meanwhile, opened up its platform to stakeholders it engages with (customers, partners, and society) and made available 44 content items on its site dedicated to outside audiences (www.cielo.com.br/universidadecielo) that were accessed by more than 7,894 people. This expansion is in line with the Cielo University mission, and will be a relevant instrument for investing in transforming people's future.

Quality of life

The quality of life program, in place since 2003, seeks to motivate employees and their families to adopt healthy habits. Called "De Bem Com a Vida!" ("Feeling Good About Life!"), it is based on the notion of Seven Dimensions of Wellness (emotional, spiritual, financial, physical, intellectual, professional, and social), an academic study by the University of São Paulo (USP).

The initiative takes into account, among other sources of information, the results of the Health Survey carried out every two years with all employees, with the technical support of Albert Einstein Hospital in São Paulo. The last study, from 2015, included the participation of 86% of internal stakeholders. The resulting diagnosis guided the prioritization of program activities and also personnel management.

As part of the program's evolution in 2017, the focus will be on integrated health management, taking into account the activities underway regarding quality of life, health benefits data, occupational health, leaves of absence, and check-ups. The main vehicle will be the launch of the initiative to encourage employees to practice physical activities, through a concept of versatility and mobility, with below-market prices.



“Feeling Good About Life!” Activities

Feeling Good About Life! floor | Headquarters has a floor dedicated to the program for relaxing and hanging out, in addition to a restaurant that offers balanced and healthy meals, free of fried foods, and with prices below those offered in the region.

Organizational rituals | Meetings with the president, commercial conventions, internal events (*Festa Junina*, Christmas for kids, end-of-year party) and other activities.

Vitality voucher | Monthly reimbursement of up to R\$70 to encourage the practice of physical activity and to combat sedentarism, focused on employees outside the Greater São Paulo area.

Feeling Good About Life! partnerships | To facilitate and encourage healthy habits, the Company forms strategic partnerships with gyms and manufacturers of healthy foods.

Running and Walking Club | Encourages jogging and walking with trained instructors and sports assistants to guide activities.

Feeling Good About Life! Olympics | Annual internal games held at headquarters, with the possibility of involving family members.

Vaccination | Annual flu vaccine for employees and dependents.

Court rental | Soccer court for practicing the sport.

Commemorative occasion bazaars | At headquarters, products with promotional prices and fitting for special dates.

Baby book | Cielo celebrates the birth of employees' children with the gift of a copy of the book “Um Dia Memorável” (“A Day to Remember”).

ConTact | Service for referrals and personal support with specialties services such as: psychological, social, legal, nutritional, physical therapy, personal trainer, nursing, financial, and educational. Service is 24-hours, seven days a week, for employees and dependents.

Blood drive | Two annual campaigns encouraging solidarity through blood donation drives.

Weight Watchers | Permanent company support to participate in Weight Watchers weight-loss program.

Zero Smoke | Program for those who wish to stop smoking and seek out healthy habits.

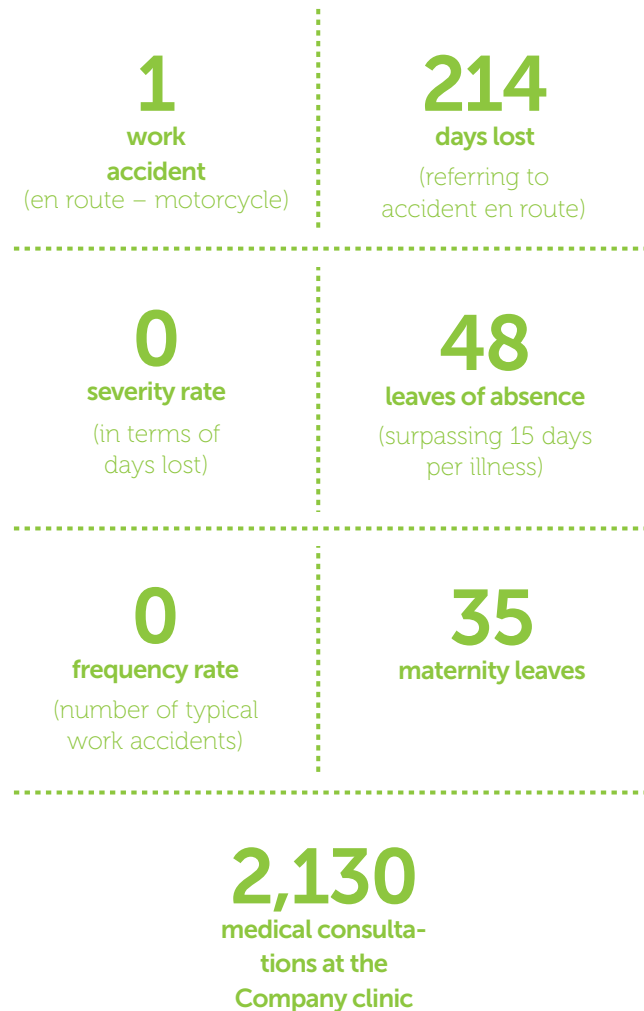
Workplace exercises | Carried out three times a week at headquarters and São Paulo office.

Oral health | Educational communiques and provision of mouthwash and dental floss in bathrooms.

Feeling Good About Life! cart | Passes twice a day through all workstations at headquarters, offering healthy snacks for balanced meals distributed during the course of the day.

Fruit on the table | At headquarters, based on employee preference, fruit is delivered in the morning and the afternoon to encourage healthy snacks between meals. The cost is paid for by the employee.

Occupational health and safety (2016)



Health and safety

The Company's Occupational Health and Safety (OHS) practices seek to minimize or mitigate possible risks to the health and safety of employees and visitors. During the year, the following initiatives were adopted:

- Medical Emergency Plan and First Aid at headquarters in Alphaville, in the state of São Paulo.
- Emergency Exit Drill, together with authorities of building where headquarters is located.
- Occupational health exams.
- Legal services: Program for Prevention of Environmental Risks (PPRA), Ergonomics Evaluation, and Occupational Health and Safety Control Program (PCMSO).
- Technical report of main events (commercial area convention and *Festa Junina*, children's party, and end-of-year party), accompanied by OHS team.
- 13th Internal Accident Prevention Week (Sipat) – "We are care, we are innovation, we are prevention" – for headquarters employees, with educational and preventive presentations, ergonomic "blitzes" at workstations, massage section, dermatologic station, halitosis measurement, and bioimpedance.
- Online version of Sipat focused on salesforce (external activities) with topics such as traffic safety, personal safety in urban centers, secure use of technology outside the Company, and tips for health and well-being.
- Practical and theoretical training for 200 fire brigade members.
- Setting up of Internal Accident Prevention Commission at Cielo headquarters and at selected offices (São Paulo, Rio de Janeiro, Curitiba, and Belo Horizonte).
- Serving Cielo and affiliates.

Relationship with customers

Solutions anticipate needs

Cielo draws upon its strong presence in retail – more than 1.7 million points of sale – to listen to its customers, anticipating needs and introducing innovative solutions in its segment of the market. It also brings together quality service, cutting-edge technology, commercial intelligence, and an efficient logistics operation – which even includes the use of boats, for example, to carry out deliveries and maintenance in regions in the Amazon.

In this way, it relies on a specialized logistics team responsible for installing terminals, delivering paper rolls and promotional materials, and other services.

The main role of the Logistics Directorate is to keep equipment functioning so that customers' business never stops. To do this, the team works with the other areas of Cielo to avoid any problem with the terminals that may cause an interruption in services, and when that is not possible, to resolve customer needs in the shortest time possible.

To meet these commitments, in 2016 various projects were carried out, contributing to the following reductions in comparison with 2015:

Operations in 2016

- Cielo is present almost 100% of Brazilian municipalities.
- Maintains 150 distribution posts across the country.
- Carries out more than 500,000 monthly trips to commercial establishments to deliver paper rolls, carry out installation, replace terminals, and other services.
- Answers 30% of maintenance/replacement calls within four hours.
- Has network of more than 2,000 third-party couriers.

The role of Cielo's logistics operations



Avoid swapping
out equipment
(Solução em Linha)



Avoid equipment
failure



Equipment **working**
as long as possible



Respond to
customer within
stipulated timeline



Execute effectively
and efficiently

- Increase of 1.6 p.p. in fulfilling agreed-upon deadlines with customers' Service Level Agreement (SLA), reducing complaints related to service time by 37%.
- Reduction of 9% in replacements, through actions that avoid equipment failure.
- Reduction of more than 100,000 visits to deliver paper rolls (learn more on page 44).

The Logistics area also was able during the year to reach its target of a 5% reduction in indirect GHG emissions in its terminal and paper-roll delivery operations. To do this, it reduced the consumption of fuel during visits, optimizing deliveries and adopting actions that avoid equipment breakage.

The various activities also led to savings of more than R\$20 million during the year. Another example of the focus on customers is the work of evaluating the cellular service provider most appropriate for each region, which reduces signal problems for the mobile terminals that operate using this kind of communication.

The Logistics area reached its goal of reducing indirect GHG emissions by 5% in operations to deliver terminals and paper rolls through a reduction in fuel use during visits

Channels for services and interaction

GRI G4-DMA: Labeling of products and services

Cielo maintains a channel for dialoguing with customers on social networks such as Facebook and Twitter, and sales and technical support channel at its physical locations, a unique model in the global segment. The first location was inaugurated in 2014 at the Ibirapuera Shopping Mall, in São Paulo. Another two followed in 2016: one at Nova América Shopping Mall, in Rio de Janeiro, and another in the Brás neighborhood of São Paulo. The plan is to open another location in early 2017 in the Bahia Shopping Mall, in Salvador.

The aim is to simplify as much as possible the accreditation process with the benefit of in-person service. The main advantage of this format is the possibility of leaving the store with the terminal ready to carry out sales – fixed-line and mobile terminals, Cielo Mobile, or Cielo LIO. Other communications channels provided for customer service are:

- Service center with specialized telephone service (4002-5472 in capital cities and major metropolitan areas, and 0800 570 8472 elsewhere), appropriate for each customer profile, from Monday to Saturday between 8 a.m. and 10 p.m., as well as a 24-hour technical support (4002-9111 in capital cities and major metropolitan areas, and 0800 570 0111 elsewhere).

- The site www.cielo.com.br/atendimento, with a channel for automated service.
- Cielo Terminal, which allows customers to request products and services.
- Comptroller for suggestions, to report wrongdoing, complaints, and compliments, available Monday to Friday between 8 a.m. and 6 p.m., except holidays, through the number 0800 570 2288 or the site www.cielo.com.br/portal/cielo/fale-conosco/ouvidoria.

The Company also carries out a survey twice a year with 3,000 establishments that accept cards as a form of payment. The interviews are carried out over the phone across various regions of the country, which provides representation of each macroregion. During a second wave of interviews carried out in November, around 73% of customers evaluated services and service rating of 7, 8, 9, or 10, which indicates that the quality of relationships, service, equipment, and products, in addition to commercial conditions and other factors, are viewed positively by customers. The results of the studies are used to carry out action plans for continuous improvement, and the rating is used to calculate variable compensation to employees every year. **GRI G4-PR5**

Less paper in the terminals, fewer visits

- Increase in the “No” icon on the termin to print customer copy and reduction of the “Yes” icon raised the quantity of customers that, when asked, dispensed the need to print out their copy.
- Reduction in the grammage of paper in rolls led to expressive savings in 2016.
- Adhesion of consumers to Cielo iD, an application on the terminal that allows cardholders to receive receipts by email and check their transactions online using an application.
- Adhesion of customers to Cielo Mobile and Cielo LIO, which do not use paper.

Marathon for good service

More than 400 Cielo professionals were active during the Rio 2016 Olympic Games, with a focus on providing excellent customer service. The challenge included distributing and activating 8,000 terminals, replacing batteries and paper rolls, and carrying out maintenance on point-of-sale equipment at the 42 event arenas. The terminals were standardized with the Visa logo, the official sponsor of the event, and were ready to accept card payments using the contact option, such as Apple Pay and Samsung Pay.

The team was prepared ahead of time, in addition to going through training and planning for preventive actions. Starting in February, they took part in test events to verify possible improvements to be incorporated into daily operations, and logistics interventions that would have to be applied in case of problems, such as lack of electric power and risk of theft of equipment.

In addition to efficient service, another gain from the experience was the capacity to deal with challenges and work as a team.

Cielo scoreboard



Information security

GRI G4-DMA: Customer privacy

The Company's operations are guided by policies based on global best practices for information security, with solutions and platforms certified by organizations such as the Payment Card Industry Security Standards Council (PCI SSC) and the Brazilian Association of Credit Card Companies and Services (Abecs).

Cielo is also a representative of Latin America at the World Council on Information Security and is on the Board of Advisors of the PCI Security Standards Council, which brings together best practices in security for commercial establishments, equipment manufacturers, software developers, and any other entity involved in payment systems. **GRI G4-16**

Its internal security system, available for all customers, detects fraud quickly and monitors equipment for attacks and all sales continuously. In addition, it relies on online alerts, analyzed by prevention teams and passed along to banks, who adopt the necessary measures to block suspect sales.

A fraud control platform is also maintained, whose self-learning system identifies fraud, with rules (more than 2,000) that lead to alerts depending on the transaction behavior of each consumer monitored. The continuous monitoring system, together with the teams' technical knowledge, makes it so that the Company reports the lowest rate of fraud in Brazil's card market. In 2016, as in previous years, there were no substantiated cases of violation of privacy or loss of customer data. **GRI G4-PR8**

The Company also is committed to raising awareness and promoting the topic of prevention and information security among its employees, customers, and suppliers through e-learning, annual training, and qualification courses, respectively.

The Security and Prevention area, which encompasses Fraud Prevention, Charge Back (when the cardholder challenges the Issuing Bank on a transaction that was executed), Solutions and Capture Security, Relationships with Key Accounts, and Cielo's Information Security, has the yearly challenge of anticipating attempts at fraud and attacks, which are constantly evolving. Because of this, in order to manage its infrastructure securely and reliably, saving time and avoiding costs, Cielo is testing cloud-computing solutions in its technological environment.

As a result of all these precautions, no substantiated complaints were received about suspicious incidents related to information security on the Ethics Channel or on any other customer service channel. **GRI G4-PR8**

**Cielo is the Latin American
representative on the World Council
of Information Security**

Relationship with suppliers

Partners also in sustainable development

Of the 863 suppliers of different sizes, segments, and regions that were maintained by Cielo at the end of the period, 50 of them concentrated 80% of Company spending, which totaled R\$2.2 billion. Because of their weight in operations, both in economic terms and socioenvironmental terms, 17 of them are considered strategic and critical from the sustainability point of view: large companies that work in the areas of logistics, call center, technology, and, among other services and products, serve Cielo customers across the entire country. These partners are audited to confirm the practices reported in a socioenvironmental questionnaire filled out by them.

GRI G4-12 | G4-FS3

The suppliers are fundamental in managing Company business insofar as they align their values, seek out and invest in innovation, and work as partners in sustainable development. The relationship with these stakeholders is guided by a transparent policy of

hiring, selection, and evaluation, as well as objective criteria established in the Strategic Purchasing Matrix. Partners are valued that meet requirements of the Supplier Code of Ethics and Behavior and work in sync with aspect of socioenvironmental responsibility. In 2016, six socioenvironmental questions were included in the Purchasing Matrix that are seen as important from a strategic point of view and, therefore, capable of exposing the Company to supply risks.

To reinforce the ties of trust with suppliers of products and providers of active services, Cielo has a Supplier Monitoring Program, and in 2015 adopted the Balanced Score Card (BSC) method to monitor, map, analyze, and improve management. The Ariba – SAP Brazil platform was adopted. Here, the supplier is registered and certified, as well as evaluated quarterly by internal areas that attribute grades to services provided. As a result of this operation, 59 suppliers were

evaluated by 36 managers from 20 different boards along four categories: competitive attitude, quality, speed, and sustainability.

Cielo also promotes annual meetings with suppliers. At this event, called Face to Face, held since 2010, the Company provides its market stance, reinforces its mission, and aligns with partners on topics such as performance, sustainability, and ethics. At the event, Cielo also reinforces its ethical principles on essential topics, such as the prohibition of slave/child labor, discrimination, diversity, and harassment (psychological, sexual, religious, political, and organizational), fair competition, and others. Suppliers compete for five prizes, based on the pillars of Quality, Speed, Competitive Attitude, Sustainability, and Cielo Supplier, the winner of which should provide good performance on all those aspects.

With regard to labor issues, during the year there was a redesign of the flow to monitor documentation and receiving of taxes and fees from suppliers, with third-party resource allocated on Cielo premises, including SLA and penalties for violating agreements regarding delivery of these documents. As a result, the Company reduced by 98% its labor liabilities and by 45% the quantity of outstanding documentation needed to be delivered by suppliers (baseline: January 2016; measurement: August to December 2016), as well as reducing the cycle of analyses from 40 days to 28 days.



Code of Ethics and Supplier Conduct

Revised in 2016, the document had its content updated and validated by the Information Security, Sustainability, Auditing, Marketing, and Legal areas at Cielo. Guidelines were strengthened regarding the topics: Anti-corruption law, Social responsibility, Freedom of association, Abuse of power/harassment, Social networks, Sexual exploitation of children and adolescents and child pornography, Transparency of information, and Information security. These concepts enrich the already-existing chapters in the document, such as Conformity to legislation, Ethics in commercial relationships, Human rights, Environment, and Confidentiality and privacy. Among the directives, for example, related to the environmental aspect, the Company recommends that business partners adopt the proper disposal of waste in general and develop products that contribute to the preservation of the environment.

Relationship with communities

In its Sustainability Policy, Cielo reaffirms its commitment to sustainable development, establishing directives to insert social, environmental, and governance aspects into business.

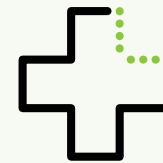
The Company supports social projects aligned with the United Nations' Sustainable Development Goals. These initiatives are distributed along five axes:

- Improvement of childhood education through sport and culture.
- Training youths for the labor market.
- Promoting health, especially of children and adolescents.
- Accessibility.
- Initiatives to support the elderly.



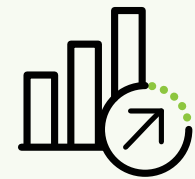
R\$21.7 million

was the amount provided by Cielo, in 2016, to sponsor...



42 social projects

through direct investment and tax incentive laws. That amount is...



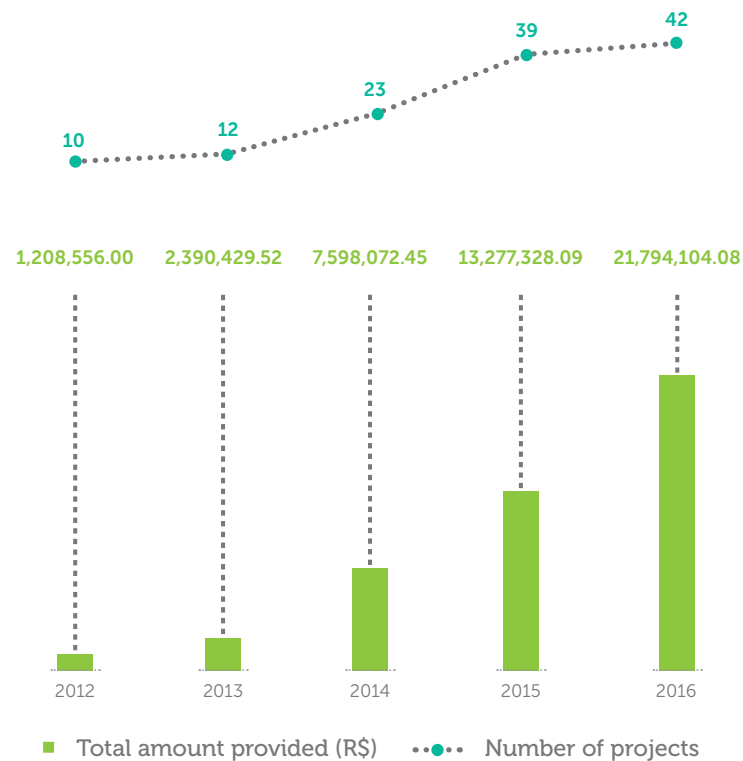
63% more

than invested in the previous year.

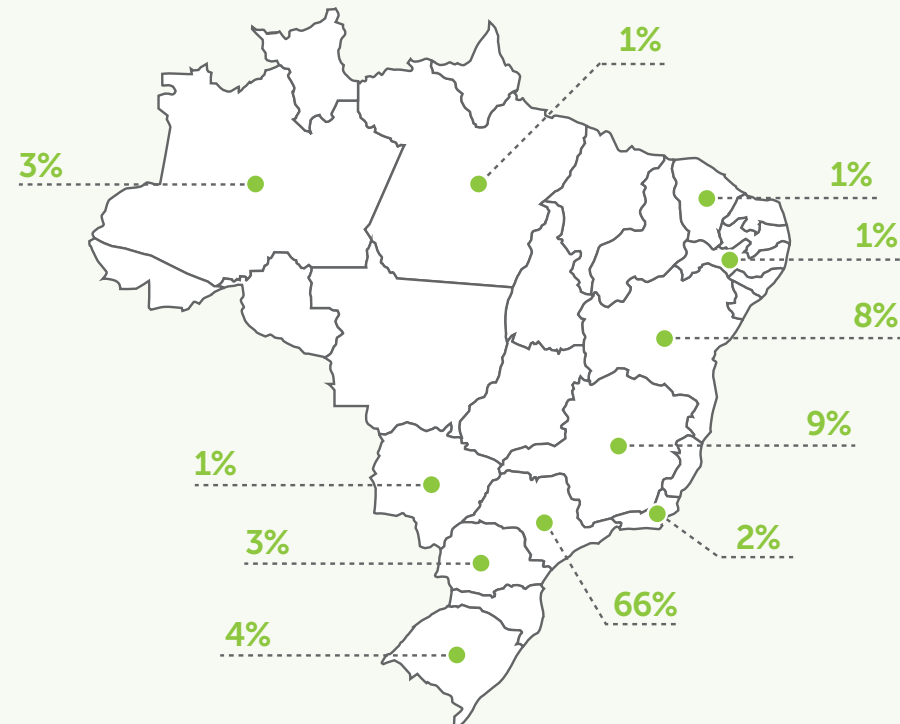
Social project by area of focus

Accessibility	Training youths for work	Education...			Support for elderly	Child and adolescent health
		...through culture	...through sport	...basic		
R\$2.2 million	R\$4.9 million	R\$2.7 million	R\$2.2 million	R\$884 thousand	R\$5.6 million	R\$3.2 million
5 projects	13 projects	6 projects	5 projects	2 projects	4 projects	7 projects

Private social investment



Map of social investment – by amount invested



Main projects

Focus	Institution	Project	Objective	Investments (R\$)	Beneficiaries
Education through sport	Janeth Arcain Institute	Educational Sports Centers in Santo André (state of São Paulo)	Offer educational sport services through basketball in before/after school program to improve physical and intellectual capacity of children and youths	370,000.00	100 children and adolescents
Education through culture	Aria Social Association	Cultural Workshops by Grupo Aria Social, in Jaboatão dos Guararapes (state of Pernambuco)	Promote free workshops for continuous professional education in dance and music for children and youths from low-income communities, as well as organizing, as a result of the workshops, presentations at a theater	300,000.00	420 children and youths between 6 and 25 years of age
Training youths for work	Associação PRO-JOV – Programa Rotário para Jovens (PROJOV Association – Rotary Youth Program)	Professional Work Training, in Barueri (state of São Paulo)	Promote the development of adolescents, strengthening family ties and behavior through activities that promote culture, values, history and points of reference, in order to provide better conditions for insertion in the labor market	193,820.86	160 youths between 15 and 17 years old
Promoting health, especially among children and adolescents	Charitable Works Foundation of Sister Dulce Association	Olhai os pequenos (Look at the Little Ones), in Salvador (state of Bahia)	Promote the purchase of equipment that aims to improve and increase the respiratory capacity of patients served by the Children's Hospital – Charitable Works Foundation of Sister Dulce	590,200.00	320 children
Accessibility	São Paulo Modern Art Museum (MAM)	Olhar de Perto (Close Look), in São Paulo (state of São Paulo)	Provide integration between visually impaired people through sensory experiences. The project introduces audio guides and audio descriptions for each exhibition at the São Paulo Modern Art Museum, sensory visits to exhibits, audio description courses for educators, and a photography course	150,000.00	200 people with blindness or impaired vision
Support for the elderly	Barretos Cancer Foundation	Support for the Elderly, in Barretos (state of São Paulo), Jales (state of São Paulo) and Porto Velho (state of Rondônia)	Increase and improve training for initiatives that involve the treatment of the elderly and support for their families during the entire process of treating disease, at absolutely no cost, through the Unified Health System (SUS)	3,246,994.60	SUS patients

Exercising social responsibility

To encourage employees to work in activities that improve the quality of life of people and meet some of their needs, Cielo promotes the Movimento do Bem, its corporate volunteering program. Through this program, it is possible to strengthen relationships between employees and society, getting them engaged in social causes. The initiative operates along two fronts of action:

- Indication of social programs approved by the incentive laws, to be analyzed by Cielo's Social Investment Forum (in case of approval, up to R\$100,000 is provided).
- Organization of donation campaigns.

Result of 2016 volunteer campaign

1 tonne of food, 439 personal hygiene items and 92 units of cleaning products

were sent, during the Natal do Bem Campaign (headquarters), to the Lar Batista da Criança – CEI Jardim Umuarama and to the Sister Clara Fraternity in São Paulo – institutions indicated by employees.

2,154 clothing items

were collected during the Winter Campaign, which benefited socially vulnerable populations served by the Social Solidarity Fund (FSS) in Barueri (state of São Paulo).

414.9 kg of non-perishable food

was donated during the *Festa Junina*, also for people served by FSS in Barueri.

5,000 tax receipts

without tax numbers were sent monthly to the Dorina Nowill Foundation.

434 toys

were sent to children served by Tucça – Association of Children and Adolescents with Cancer, in São Paulo, collected by employees' children during the Children's Christmas event.

GRAACC

Children served by hospitals in the organization were benefited by the sale of Big Mac sandwich tickets and McDonald's institutional products for the McDia Feliz Campaign. A total of 1,994 tickets were sold and R\$13,914.00 raised through the sale of products, for a total of R\$44,821.00. The campaign was coordinated by Cielo trainees with the support of Sustainability Management.

R\$1,500

were used for presents donated during the Natal do Bem (branches) to the Casa de Apoio Sete Anjos in Colombo (state of Paraná).

Pink October Campaign

220 headscarves were sent to patients undergoing cancer treatment at the Santa Paula Hospital, in São Paulo.

Breast cancer

Presentation about breast-cancer prevention was carried out for employees at headquarters.

A man with short, light brown hair, wearing a light blue button-down shirt, stands with his arms crossed and a slight smile. The background is a blurred office setting with other people. A green leaf icon is positioned to the left of the man's head.

Value to **environment**

Commitment to conservation

Cielo seeks to ensure the long-term success of its business in order to contribute to the construction of a just society, to economic development, and environmental preservation. This commitment is expressed both in its Code of Ethical Conduct as well as its Sustainability Policy, which includes the respect for environmental aspects during the cycle of developing activities, products, and services. The document also provides for, among other aspects:

- Management and reduction of GHG emissions.
- Rational use of natural resources.
- Use of renewable energy.
- Adoption of certified source material.
- Management and adequate disposal of waste.
- Recycling of materials.

This responsible environmental practice involves internal activities to raise awareness about the best practices, solutions, and technologies capable of reducing the impacts of its activities, and which also includes promoting topics such as the rational use of natural resources and climate strategies, for example.

In 2016, the Company invested approximately R\$1,685,319.35 in the sustainability of its operations. Of this amount, close to R\$96,000 went towards initiatives such as: consulting and participation in groups or forums with the aim of dialoguing about managing climate change, among other issues related to sustainability and carbon offsetting; and R\$1.4 million was directed to property reform to adapting sus-

tainability standards, in terms of furniture, of headquarters and branch offices.

Therefore, it carried out in 2016 a restructuring of Curitiba, Rio de Janeiro, Belo Horizonte and Goiânia branch offices, and structured the Salvador office, seeing as how the inauguration of the new store is scheduled for early 2017. Some of the numerous materials used are in line with the concept of sustainability, as well as of higher standard of quality. **GRI G4-DMA: Compliance | G4-DMA: General | G4-EN31**

Energy GRI G4-DMA: Energy | G4-EN3

The Company monitors the use of electric energy at headquarters, offices, and physical stores based on information provided by Electric Utilities. In 2016, with the move to an area that is 103% larger, the consumption of energy increased 29% in comparison with the previous year – when the new structures had yet to be completely installed and occupied – and reached 3,912,549.11 kWh. To comply with the concept of sustainable construction, the new structure includes a series of innovations, such as an intelligent refrigeration system, low-energy lighting, and power generators in case of emergencies.

In terms of fuel, the total consumed during the year was 43,437.55 GJ, with 100.35 GJ being for diesel for the power generator located at Cielo headquarters, and 43,337.20 GJ being for gasoline for commercial-use vehicles.

Direct and indirect energy use (GJ)

Direct energy	2014	2015	2016
Diesel oil	181.08	111.84	100.35
Gasoline	33,044.87	42,631.38	43,337.20
Total non-renewable energy	33,225.95	42,743.22	43,437.55
Indirect energy			
Electricity*	10,210.70	10,908.47	14,127.58

* All energy purchased by Cielo comes from utilities.

Water GRI G4-DMA: Water | G4-EN8

In 2016, the Company changed the measurement methodology, which until 2015 took into account the sum of water and sewage. As a result, water use in 2016 totaled 3,969.43 m³, which represents a 74.27% reduction in comparison with the previous year, when the total for water still counted the inflow and outflow of the resource.

A large part of the reduction in use, in addition to the change in calculation methods, is due to the new building where Cielo headquarters is located. The location has a Wastewater Treatment Plant (WWTP) located in the building basement, and has the proper structure to collect used water that drains down the building pipes, and is then treated for re-use, in conformity with rules established by the Environmental Agency of the State of São Paulo (CETESB).

In addition to the WWTP, the building carries out, via a collection system, the collection of rainwater to maintain gardens and for cleaning outside areas. Cielo's branch offices and physical stores are located in condominiums, a fact that makes it impossible to measure individual use.

The Company had a target of reducing per capita water use by 2% at the headquarters building, taking 2014 as the base year. In 2016, this target was reached and surpassed, as is shown on page 59.

Climate strategy

GRI G4-DMA: Emissions | G4-EN15 | G4-EN16 | G4-EN17

Cielo has adopted as its strategy for managing the impacts of its activities that contribute to global warming four pillars that take into account its various practices.

Pillar 1 – Evaluation of impacts

The company carried out, for the sixth year in a row, its inventory of GHG and of its subsidiaries relative to 2016 emissions, which was then submitted to external auditors. It will be published in the Public Emissions Registry of the Brazilian GHG Protocol Program (www.registropublicodeemissoes.com.br) as well as in the Carbon Disclosure Project (CDP) during the first half of 2017.

Evaluation of impacts, reduction of emissions, offsetting unavoidable GHG emissions, and a structuring of and commitment to transparency are part of the impact management strategy

Categories	Disaggregated emissions by category (in tCO ₂ e)		
Scope 1	2014	2015	2016
Stationary combustion	12.74	7.87	-
Mobile combustion	1,848.60	2,495.63	2,533.45
Fugitive emissions	0.56	1,274.98 ¹	0.20
Total Scope 1	1,861.90	3,778.48	2,533.64

Scope 2			
Acquisition of electric energy	499.52	498.07	398.52
Total Scope 2	499.52	498.07	398.52

Scope 3			
Transportation and distribution (upstream)	11,465.55	7,123.93 ²	10,297.72 ⁴
Waste generated in operations ³	0	60.37	106.80
Business travel	1,129.90	1,208.62	1,167.56
Employee commuting (home-work)	2,166.05	2,652.33	2,257.86
Purchased goods and services	-	-	20.73
Total Scope 3	14,761.49	11,045.26	13,850.67

GHG Inventory Scope	Cielo, Servinet, Braspag, and M4U	Cielo S.A., Servinet Serviços Ltda., Cateno, Braspag, and M4U	Cielo AS, Servinet Serviços Ltda., Cateno, Braspag, M4U, and Aliança
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1. Increase in fugitive emissions due to substitution of R-22 gas for R-410A in headquarters' refrigeration systems.
2. Review of logistics processes.
3. The methane generated is removed and burned.
4. The increase in transportation and distribution emissions occurred as a result of refinements of calculations of emissions related to air transport of equipment (direct and reverse logistics).

Pillar 2 – Reduction of emissions

GRI G4-EN15 | G4-EN16 | G4-EN17

In 2016, a total of 2,533.64 tonnes of Scope 1 carbon dioxide equivalent (tCO₂e) were emitted. That volume is 32.9% lower than the previous year as a result of there not having been a refilling of refrigerant gas during the year. In 2015, this refill represented 1,274.88 tCO₂e of the total emissions for the year. Another factor that contributed to the reduction in 2016 was the change in the scope of stationary emissions that resulted from burning diesel oil, seeing as how Cielo began to purchase energy coming from diesel generators (Scope 2).

Despite this change and the 25% increase in consumption of electric energy coming from electric utilities, Scope 2 emissions also declined as a result of the decline in the emission factor of the National Electric Grid (SIN). Meanwhile, with regard to indirect emissions (Scope 3), there was a 25.4% increase in comparison with the previous year. However, Cielo reduced emissions in some categories, such as business travel, and changed – seeking to provide greater precision – the methodology to calculate other categories, such as transportation and distribution and employee commutes from home to work.

Pillar 3 – Offsetting unavoidable GHG emissions

Direct and indirect GHG emissions – regarding Scope 1 and 2 – at Cielo and its Brazilian subsidiaries were offset in 2015 through the purchase of carbon credits from the Ecomapuá Project, which gives incentives for environmental protection in the state of Pará, at the mouth of the Amazon River. This is an initiative that contributes to the generation of income for more than 100 families that live in the region and depend on natural resources to survive. From the environmental point of view, in addition to conserving close to 90,000 hectares of the Amazon biome, it also carries out the responsible management of the forest through courses about seed collection and sustainable production of açai for local communities.

With regard to 2016 emissions, the total of Scope 1 and 2 emissions was offset by the purchase of carbon credits from the Reducing Emissions from Deforestation and Forest Degradation plus Conservation, Sustainable Management of Forests, and Enhancement of Forest Stocks (REDD+) project Rio-Preto Jacundá, which is developed at the state Extractive Reserve of the same name. The reserve has an area of 95,300 hectares, is close to the Machadinho D'Oeste and the Cujubim municipalities in Rondônia state, and is threatened by illegal

loggers and land invaders. To promote conservation, activities that generate income from standing forests are developed, such as improvements in Sustainable Forest Management, extraction of non-wood products and subsistence planting, training for the Residents Association on self-managing the reserve, establishment of infrastructure such as housing, communications, and community center, all of which directly involves more than 30 families.

Pillar 4 – Structuring of and commitment to transparency

Cielo is a member of the Business for Climate Platform of the Center for Sustainability Studies at FGV and has adhered to the Open Letter to Brazil on Climate Change of the Ethos Institute, a voluntary commitment to encourage the development of a low-carbon economy.

Every year it discloses information about emissions as a result of commitments to the Public Emissions Registry of the Brazilian GHG Protocol Program; the Carbon Disclosure Project (CDP); and the Carbon Efficient Index (ICO2) of the BM&FBOVESPA.

Cielo's strategy for managing impacts is guided by: evaluation; reduction and offsetting of emissions; and a commitment to transparency



Waste GRI G4-DMA: Effluent and waste

The process of discarding generated waste follows best practices in environmental management. The disposed material includes obsolete terminals, marketing materials, cabling, power adapters, and organic waste. In 2016, the Company headquarters generated 47,777 kilos of organic waste, which was sent to landfills and where all the methane generated is removed and burned. Of the remaining waste, in the non-hazardous category there were 276,962 kilos of cabling and power adapters that were recycled, and 316,090 POS terminals and marketing materials that were sent off for co-processing (incineration). In accordance with the Brazilian National Solid Waste Policy (PNRS), batteries used in the terminals that functioned as mobile electronic terminals (of the General Packet Radio Services, or GPRS, type) are returned to their manufacturer for proper disposal. During 2016, 194,923 units were returned, for a total of 9,590 kg. Spending on proper disposal of waste – POS terminals and marketing materials – totaled R\$186,000 (R\$113,000 in 2015), an increase that is proportional to the discarded volume. **GRI G4-EN23 | G4-EN25**

During the same year, 78 common light bulbs, substituted by LED bulbs, which are more efficient, were delivered to the condominium where headquarters is located, which stores them during the year and properly disposes of them when the quantity reaches a minimum volume stipulated by the company responsible and certified for the task. **GRI G4-EN25**

Waste collected (kg)






Type of waste	2015	2016	Destination
Cielo Terminal (POS)	174,210	253,220 ¹	Co-processing (incineration)
Marketing materials	4,460	62,870 ²	Co-processing (incineration)
Supplies (cabling and power adapters)	139,802	276,962	Recycling
Organic waste	114,265	47,777 ³	Landfill

1. The volume of Cielo terminals (POS) and Supplies (cabling and power adapters) is superior to 2015 because that year the discard process was irregular. In other words, much of the material accumulated during a period of two or three months before being sent to their final destination. In 2016 the discard process was carried out monthly.
2. Superior volume of marketing material waste due to the implementation of an evaluation process of the material and subsequent discard of accumulated stockpiles.
3. Due to the process of moving and transition of headquarters to a new building, in 2015 waste from both sites was considered. In 2016, waste from only the new building was considered.

Responsible operations

The Cielo Logistics team is spread out across the entire country to serve customers every day. When equipment suffers irreparable damage, they are sent to waste processing, where Cielo, in partnership with third parties certified by the Environmental Agency of the State of São Paulo (Cetesb), destroys the material and provides for its co-processing, that is, its grinding and incineration, providing raw material for cement companies.

Result of goals

Goals	Status	Consideration
Reduce by 2% the per capita use of water at headquarters (base year 2014)	 Accomplished	In addition to working to raise internal awareness about conscientious consumption of water, in 2015 Cielo headquarters moved to a new commercial building that has its own WasteWater Treatment Plant (WWTP), a system for treating and reusing water. In addition, it has a rainwater collection system. These factors contributed to reaching the goal.
Reduce by 1% the per capita use of electric energy at headquarters (base year 2014)	 Not accomplished	In 2015 and 2016, consumption of electric energy was monitored, as well as an internal awareness campaign to save energy. However, because the square footage of the new headquarters building is 103% larger than the previous building, the Company had difficulty reaching its goal.
Reduce by 3% direct GHG emissions – Scope 1 (base year 2014)	 Not accomplished	In 2015, R-410A gas was purchased to begin operations at the new headquarters location, which increased Scope 1 emissions. In 2015 and 2016, there was also an increase in the consumption of fuel by the commercial fleet.
Reduce by 1% indirect GHG emissions – Scope 2 (base year 2014)	 Accomplished	Even with the increased energy use in terms of kWh, the decline in the emission factor from the National Electric Grid (SIN) justified the change and achieving the monitored numbers.
Reduce by 5% indirect GHG emissions in logistics of delivering POS terminals and paper rolls – Scope 3 (base year 2015)	 Accomplished	Activities carried out in 2016 to prevent faults with equipment and reduce kilometers traveled during operations to deliver terminals and paper rolls contributed to reaching the goal.

Next goals

2017

Maintain water use at 10 liters per person/per day at headquarters

Reduce by 1% direct GHG emissions – Scope 1 (base year 2016)

Reduce by 1% electric energy use at headquarters – Scope 2 (base year 2016)

Reduce by 5% kilometers traveled to replace POS terminals and to deliver paper rolls, contributing to the mitigation of indirect GHG emissions – Scope 3 (base year 2016)

GRI index



The GRI indicators reported in this report are provided below, with indication of their page location. Also provided are the corresponding Global Compact principles and the Sustainable Development Goals (SDG) for each indicator/topic dealt with in the document*, in order to show Cielo's contribution to reaching those commitments.

Global Compact Principles



Respect

and support internationally proclaimed human rights in your area of influence



Ensure

that your Company does not participate in any way in the violation of human rights



Support

freedom of association and recognize the right to collective bargaining



Eliminate

all forms of forced or compulsory labor



Eradicate

all forms of child labor in your production chain



Stimulate

all practices that eliminate any form discrimination in the workplace



Assume

a responsible, preventive, and proactive posture toward environmental challenges



Develop

initiatives and practices to promote and divulge socio-environmental responsibility



Promote

the development and dissemination of environmentally responsible technologies



Fight



corruption in all its forms, including extortion and bribery

* Making the Connection: Using the GRI G4 Guidelines to Communicate Progress on the UN Global Compact Principles; and SDG-Compass-Linking-the-SDGs-and-GRI.



Sustainable Development Goals (SDG)

 1 NO POVERTY End poverty in all its forms everywhere	 7 RENEWABLE ENERGY Affordable and clean energy Ensure access to affordable, reliable, sustainable and modern energy for all	 13 CLIMATE ACTION Climate action Take urgent action to combat climate change and its impacts
 2 NO HUNGER Zero hunger End hunger, achieve food security and improved nutrition and promote sustainable agriculture	 8 GOOD JOBS AND ECONOMIC GROWTH Decent work and economic growth Promote inclusive and sustainable economic growth, employment, and decent work for all	 14 LIFE BELOW WATER Life below water Conserve and sustainably use the oceans, seas, and marine resources
 3 GOOD HEALTH Good health and well-being Ensure healthy lives and promote well-being for all at all ages	 9 INNOVATION AND INFRASTRUCTURE Industry, innovation, and infrastructure Build resilient infrastructure, promote sustainable industrialization and foster innovation	 15 LIFE ON LAND Life on land sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
 4 QUALITY EDUCATION Quality education Ensure inclusive and quality education for all and promote lifelong learning	 10 REDUCED INEQUALITIES Reduced inequalities Reduce inequality within and among countries	 16 PEACE AND JUSTICE Peace, justice and strong institutions Promote just, peaceful and inclusive societies
 5 GENDER EQUALITY Gender equality Achieve gender equality and empower all women and girls	 11 SUSTAINABLE CITIES AND COMMUNITIES Sustainable cities and communities Make cities inclusive, safe, resilient, and sustainable	 17 PARTNERSHIPS FOR THE GOALS Partnership for the goals revitalize the global partnership for sustainable development
 6 CLEAN WATER AND SANITATION Clean water and sanitation Ensure access to water and sanitation for all	 12 RESPONSIBLE CONSUMPTION Responsible consumption and production Ensure sustainable consumption and production patterns	

GENERAL STANDARD INDICATORS

Strategy and analysis		Page/Response	Global Compact Principles	Sustainable Development Goals (SDG)
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	7		
G4-2	Provide a description of key impacts, risks, and opportunities. The organization should provide two concise narrative sections on key impacts, risks, and opportunities. Section one should focus on the organization's key impacts on sustainability and effects on stakeholders, including rights as defined by national laws and relevant internationally recognized standards. This process should take into account the range of reasonable expectations and interests of the organization's stakeholders.	7		
Organizational profile				
G4-3	Report the name of the organization.	9		
G4-4	Report the primary brands, products, and services.	9 and 11		
G4-5	Report the location of the organization's headquarters.	9		
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	9		
G4-7	Report the nature of ownership and legal form of the organization.	9		
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	9		
G4-9	Report the scale of the organization.	9		
G4-10	Report the total number of employees by employment contract and gender.	9 and 32		




GENERAL STANDARD INDICATORS

Strategy and analysis		Page/Response	Global Compact Principles	Sustainable Development Goals (SDG)
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	34		
G4-12	Describe the organization's supply chain.	47		
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	9		
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	26		
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	22		
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization plays an active role.	24 and 46		
Identified material aspects and boundaries				
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents covered or not by the report.	<p>The Company's financial statements include all companies in which Cielo has interest, as per the accounting consolidation rules. For companies Servinet, Cielo USA (indirect subsidiary Merchant e-Solutions), Braspag, Multidisplay (and indirect subsidiary M4 Produtos), Cateno, Aliança, and Receivables Investment Fund, results have been fully consolidated, that is, the controller recognized all assets, liabilities, income and expenses, making it thereby necessary to recognize the participation of non-controlling shareholders. As for Paggo, Orizon and Stelo, results have been recorded in the equity line. Social and environmental data presented in this report include Cielo S.A. (parent company), Servinet Serviços Ltda. (branches across the country) and Aliança Pagamentos e Participações Ltda. (four stores: two in São Paulo, at Shopping Ibirapuera and the Brás neighborhood; one in Rio de Janeiro; and one in Salvador).</p>		
G4-18	Explain the process for defining the report content and the aspect boundaries.	<p>4 Social and environmental data presented in the Report include Cielo S.A., which represents more than 75% of the group's business operations.</p>		























GENERAL STANDARD INDICATORS

Strategy and analysis	Page/Response	Global Compact Principles	Sustainable Development Goals (SDG)
G4-19 List all the material aspects identified in the process for defining report content.	4		
G4-20 For each material aspect, report the Aspect Boundary within the organization.	4		
G4-21 For each material aspect, report the Aspect Boundary outside the organization, as follows: - If the Aspect is material outside of the organization. - If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the aspect is material. In addition, describe the geographical location where the aspect is material for the entities identified. - Any specific limitation regarding the Aspect Boundary outside the organization.	4		
G4-22 Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	3		
G4-23 Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	3		
Stakeholder engagement			
G4-24 Provide a list of stakeholder groups engaged by the organization.	3 and 4		
G4-25 Report the basis for identification and selection of stakeholders with whom to engage.	4		
G4-26 Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	4		
G4-27 Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	4		






































GENERAL STANDARD INDICATORS

Strategy and analysis		Page/Response	Global Compact Principles	Sustainable Development Goals (SDG)
Report profile				
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	3		
G4-29	Date of most recent previous report (if any).	3		
G4-30	Reporting cycle (annual, biennial).	3		
G4-31	Provide the contact point for questions regarding the report or its contents.	3		
G4-32	Report the in accordance option (core or comprehensive) the organization has chosen.	3		
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	3		
Governance				
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	23		
G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	21		
Ethics and integrity				
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	10 and 20		














SPECIFIC STANDARD INDICATORS

Material aspects	Disclosures on management approach and indicators	Page/Response	Global Compact Principles	Sustainable Development Goals (SDG)
Economic performance	G4-DMA Management approach	29		
	G4-EC1 Direct economic value generated and distributed.	30		    
	G4-EC3 Coverage of the organization's defined benefit plan obligations	34		
	G4-EC4 Financial assistance received from government.	In 2016, Cielo utilized R\$86.3 million in tax benefits, with R\$61.4 million referring to tax benefits Lei do Bem, Lei Desportiva, Lei para o Fundo dos Direitos da Criança e do Adolescente, Fundo do Idoso, and Lei Rouanet), including private social investment projects and other events sponsorships; and R\$24.9 million referring to credits received from Financiamento de Máquinas e Equipamentos (Finame) and Financiadora de Estudos e Projetos (Finep) of the BNDES, which offers a tiered interest system.		
Market presence	G4-DMA Management approach	33		
	G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	34		
Indirect economic impacts	G4-DMA Management approach	30		
	G4-EC7 Development and impact of infrastructure investments and services supported.	30		    
	G4-EC8 Significant indirect economic impacts, including the extent of impacts.	30		     
CATEGORY: ENVIRONMENT				
Energy	G4-DMA Management approach	55		
	G4-EN3 Energy consumption within the organization.	55	 	   





SPECIFIC STANDARD INDICATORS

Material aspects	Disclosures on management approach and indicators	Page/Response	Global Compact Principles	Sustainable Development Goals (SDG)
Water	G4-DMA Management approach	55		
	G4-EN8 Total water withdrawal by source.	55		
Emissions	G4-DMA Management approach	56		
	G4-EN15 Direct greenhouse gas (GHG) emissions (scope 1).	56 and 57		    
	G4-EN16 Energy indirect greenhouse gas (GHG) emissions (scope 2).	56 and 57		    
	G4-EN17 Other indirect greenhouse gas (GHG) emissions (scope 3).	56 and 57		    
Effluents and waste	G4-DMA Management approach	58		
	G4-EN23 Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	58		  
	G4-EN25 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention – Annex I, II, III, and VIII –, and percentage of transported waste shipped internationally.	58		 
Compliance	G4-DMA Management approach	54		
	G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	We have no record of any sanction related to violation of environmental laws and regulations.		
General	G4-DMA Management approach	54		
	G4-EN31 Total environmental protection expenditures and investments by type.	54		      










SPECIFIC STANDARD INDICATORS

Material aspects	Disclosures on management approach and indicators	Page/Response	Global Compact Principles	Sustainable Development Goals (SDG)
CATEGORY: SOCIAL				
SUBCATEGORY: Labor practices and decent work				
Employment	G4-DMA	Management approach	32	
	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	32	 
Training and education	G4-DMA	Management approach	36	
	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	38	  
	G4-LA10	Programs for skills management and life-long learning that support the continued employability of employees and assist them in managing career endings.	34	
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	36 and 37	 
Diversity and equal opportunities	G4-DMA	Management approach	23	
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	23	 
SUBCATEGORY: Society				
Anti-corruption	G4-DMA	Management approach	26	
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	100% of operations, including the parent company and subsidiaries. In 2016, a mapping of processes of areas that interact with public agencies was carried out.	
	G4-SO4	Communication and training on anticorruption policies and procedures.	26	
	G4-SO5	Confirmed incidents of corruption and actions taken.	21	

SPECIFIC STANDARD INDICATORS

Material aspects	Disclosures on management approach and indicators	Page/Response	Global Compact Principles	Sustainable Development Goals (SDG)
Public policy	G4-DMA Management approach	20		
	G4-SO6 Total value of political contributions by country and recipient/beneficiary.	In accordance with its Code of Ethical Conduct, the Company does not make contributions to political parties or political campaigns and does not participate in events that have the objective of promoting and supporting political parties.		
Anti-competitive behavior	G4-DMA Management approach	20		
	G4-SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	A public civil action filed by the Goods, Services and Tourism Trade Federation (Fecomércio) of Santa Catarina and the State of Santa Catarina Trade Unions against companies in the segment is underway, and the suit is specifically related to claims that acquirers are abusive, especially in terms of setting rates and fees paid for their services, which harms its affiliated merchants. At the end of 2016 this lawsuit was still awaiting trial; however, injunctions sought by Fecomércio-SC have not been granted by both the trial judge and also lower court ruling at the Santa Catarina Court of Justice. Fecomércio-SC abandoned the appeal against the lower court ruling that denies the injunction.		
Compliance	G4-DMA Management approach	21		
	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	During the year, there was no record of penalties or non-monetary sanctions paid to regulatory agencies or the government that are relevant/significant. The Company's criteria of relevance considers amounts surpassing 1% of revenue.		
SUBCATEGORY: Product responsibility				
Product and service labeling	G4-DMA Management approach	44		
	G4-PR5 Results of surveys measuring customer satisfaction.	44		
Customer privacy	G4-DMA Management approach	46		
	G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	46		

SPECIFIC STANDARD INDICATORS

Material aspects	Disclosures on management approach and indicators	Page/Response	Global Compact Principles	Sustainable Development Goals (SDG)
SECTOR SUPPLEMENT – FINANCIAL SYSTEM				
Product portfolio	G4-DMA Management approach	30		
	G4-FS1 Policies with specific environmental and social components applied to business lines.	30		
	G4-FS2 Procedures for assessing and screening environmental and social risks in business lines.	26		
	G4-FS3 Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	47		
Local communities	G4-DMA Management approach	30		
	G4-FS13 Access points in low-populated economically disadvantaged areas.	30	 	  

Limited assurance report issued by independent auditors



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To the Board of Directors, Shareholders and
Stakeholders Cielo S.A.
Barueri - SP

Introduction

We have been engaged by Cielo S.A. (Cielo or "Company") to apply limited assurance procedures on the sustainability information disclosed in Cielo's 2016 Sustainability Report, related to the year ended December 31st, 2016.

Responsibilities of Cielo's Management

The Management of Cielo is responsible for adequately preparing and presenting the sustainability information in the 2016 Sustainability Report in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (GRI-G4), as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion about the information in the 2016 Sustainability Report based on a limited assurance engagement conducted in accordance with Technical Communication (TC) 07/2012, which was prepared based on NBC TO 3000

(Assurance Engagements Other Than Audits and Reviews), both issued by the Brazilian Federal Accounting Council - CFC and equivalent to international standard ISAE 3000, issued by the International Federation of Accountants and applicable to Non-Financial Historical Information. These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the Cielo's 2016 Sustainability Report, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly of questions and interviews with the Management of Cielo and other professionals of the Company involved in the preparation of the information disclosed in the 2016 Sustainability Report and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the 2016 Sustainability Report taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the 2016 Sustainability Report, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) engagement planning: considering the material aspects for Cielo's activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Cielo's 2016 Sustainability Report. This analysis defined the indicators to be checked in details;
- (b) understanding and analysis of disclosed information related to material aspects management;
- (c) analysis of preparation processes of the 2016 Sustainability Report and its structure and content, based on the Principles for Defining Report Content and Quality of the Global Reporting Initiative - GRI (GRI-G4);
- (d) evaluation of non financial indicators selected:
 - understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
 - application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the 2016 Sustainability Report;
 - analysis of evidence supporting the disclosed information;
 - visits to Cielo's offices for application of these procedures, and items (b) and (c);
- (e) analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;
- (f) comparison of financial indicators with the financial statements and/or accounting records.

We believe that the information, evidence and results we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the 2016 Sustainability Report.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data's materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, evaluated the adequacy of the company's policies, practices and sustainability performance, nor future projections.

Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in Cielo's 2016 Sustainability Report is not fairly stated in all material aspects in accordance with the Global Reporting Initiative Guidelines - GRI (GRI- G4), as well as its source records and files.

São Paulo, April 28th, 2017

KPMG Assessores Ltda.
CRC 2SP034262/O-4 F-SP



Eduardo V. Cipullo
Contador CRC 1SP135597/O-6

KPMG Financial Risk & Actuarial Services Ltda.



Ricardo Algis Zibas

Corporate information and editorial

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KPMG Auditores Independentes

General coordinator

Gerência de Sustentabilidade e
Responsabilidade Corporativa

GRI consultant, editorial coordinator, design and proofreading

TheMediaGroup

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TheMediaGroup/KMZ Conteúdo

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Cielo image bank

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