



GOVERNANCE POLICY

PAGSEGURO INTERNET S.A.



Effectiveness and Update

This policy is valid for one (1) year from the date of last review indicated in the chart above, and it must be reviewed and updated before it expires, in the events of changes to the applicable law and/or strategic instruction provided by PagSeguro Internet S.A. ("PagSeguro").

1. Introduction

This document has the purpose to set forth the Governance Policy of PagSeguro, as payment institution authorized to operate by the Brazilian Central Bank ("Central Bank"), as well as the governance structure of such institution, in compliance with the provisions set forth in Circular No. 3.681, dated November 4, 2013 ("Circular 3681/13").

2. Coverage

This policy covers all the material processes performed by any department of PagSeguro, regardless of its location.

3. Purpose

Pursuant to Circular 3681/13, this governance policy has the purpose to establish the procedures to be adopted by PagSeguro in order to: (i) manage the risks which the institution is exposed to; (ii) manage its assets; and (iii) preserve the value and liquidity of electronic currencies issued by the institution.

4. Risk Management Structure

As required by applicable rules, the Risk Management structure of PagSeguro, as described below, does not depend on performance of its activities and it is fully apart from PagSeguro's operational area.

4.1. Operational Risk Management

Pursuant to article 2 of Circular 3681/13, the operational risk is the possibility of losses as a result of the following events: (i) failures in safeguarding sensitive information related both to end users credentials and other information exchanged with the purpose of performing payment transactions; (b) failure in the identification and authentication of end users; (iii) failures in authorization of payment transactions; (d) internal frauds; (e) external frauds; (f) labor claims and deficient security at workplace; (g) inappropriate practices related to end users, products and payment services; (h) damages to its own physical assets or to the physical assets currently in use by the institution; (i) events resulting in the interruption of activities performed by the payment institution or interruption of payment services; (j) failures in information technology systems; and (k) failure in the execution, meeting deadlines and management of activities.

Pursuant to Circular 3681/13, operational risk also covers legal risk associated to the inappropriateness or deficiency in agreements executed by PagSeguro, sanctions due to non-compliance with legal provisions and indemnification to third parties arising from activities involved in its payment arrangements.

PagSeguro's operational risk management structure involves the implementation and maintenance of the procedures established in the Operational Risk Policy, which aim at and allow the identification, assessment, monitoring, control and mitigation of such risk, according

to the responsibilities established herein.

4.2. Liquidity Risk Management

Pursuant to article 2 of Circular 3681/13, the liquidity risk is the possibility that the payment institution: (i) may not be able to effectively meet its expected and non-expected obligations, whether current or future, without affecting its daily operations and without incurring material losses; and (b) may not be able to convert electronic currency into physical or book-entry currency upon user's request.

PagSeguro's liquidity risk management structure covers treasury procedures, fund raising and investments of PagSeguro, in order to implement an effective and integrated structure, as well as to guide the employees on their responsibilities in the liquidity risk management procedure regarding the products offered by PagSeguro. Liquidity risk management procedures are described in the Liquidity Risk Policy.

4.3. Credit Risk Management

Pursuant to article 2 of Circular 3681/13, the credit risk is the possibility of losses related to non-compliance, by the counter-party, with its relevant financial conditions under the agreed terms, reduction of earnings or compensation, the advantages granted during renegotiation and recovery costs, including default by any of the involved parties.

PagSeguro's liquidity risk management structure covers the implementation and maintenance of procedures established in the Policy of Credit Risk Management, which establishes the necessary requirements to identify, assess, monitor, control and mitigate such risk by PagSeguro, according to the responsibilities established herein.

5. Capital and Asset Management Structure

(i) Minimum Asset Requirements

Pursuant to article 9 of Circular 3681/13, accreditation payment institutions – such as PagSeguro – shall permanently maintain net equity adjusted by the income accounts in the amount corresponding to, at least, two percent (2%) of the monthly average amount of payment transactions performed by the institution in the last twelve (12) months.

Moreover, pursuant to article 10 of Circular 3681, payment institutions that issue electronic currency – such as PagSeguro – shall permanently maintain net equity adjusted by the income accounts in the amount corresponding to, at least, two percent (2%) of the monthly average amount of payment transactions performed by the institution in the last twelve (12) months or the balance of electronic currency issued by the institution, calculated on a daily basis.

Estimates on the Business Plan that are submitted to the Central Bank may be used while the amount of payment transactions or balance of electronic currencies issued is not available.

As a payment institution acting as electronic currency an accreditation institution and issuer, PagSeguro shall comply with the minimum requirements abovementioned.

In order to daily monitor of its net equity with the purpose to permanently maintain it under the parameters described above, PagSeguro adopts the following procedures, among other procedures that may be approved by its Corporate Board of Executive Officers:

- (i) performance of [daily] assessments on the sufficiency of its net equity;
- (ii) submission of managerial reports on the suitability of the institution's net equity, on a quarterly basis, to the Board of Executive Officers;
- (iii) periodical monitoring of material risks incurred by PagSeguro;
- (iv) submission of stress test results and evaluation of their impacts on net equity to PagSeguro's Board of Executive Officers and Risk Committee on a half-annual basis; and
- (v) continuous follow-up on market conditions, in order to anticipate capital needs resulted from potential changes to such conditions.

6. Value Preservation Structure and Liquidity of Electronic Currencies Issued by PagSeguro

PagSeguro's liquidity risk management team shall inform PagSeguro's Treasury and Corporate Treasury on the balance of funds available, on a daily basis, and the projected balance of payment accounts held by PagSeguro. Corporate Treasury is responsible for ensuring the allocation of such funds in compliance with the provisions set forth in Circular 3681/13.

PagSeguro's liquidity risk management team prepares periodic reports with the projection of short and middle-term stress tests. All reports are periodically submitted to the Board of Executive Officers and other members, who monitor the liquidity and value preservation structure of electronic currency issued by the institution.

7. Responsibilities

PagSeguro's Board of Executive Officers

PagSeguro's Board of Executive Officers is responsible for:

- (i) annually approving and reviewing this Policy, in order to verify its compatibility with PagSeguro's strategic plan, Central Bank's requirements and market conditions;
- (ii) overseeing the preparation of the annual report comprising the description of risk management structure, assets and value preservation and liquidity of the electronic currencies issued by the institution, being responsible for information included in such report; and
- (iii) approving the appointment of the Officer responsible for the institution's risk management.

Officer responsible for risk management

The Officer responsible for risk management has the following attributions:

- (i) to periodically review this Policy, as well as the Credit Risk, Liquidity Risk and Operational Risk Management Policies, in order to verify their compatibility with the institution's strategic plan, Central Bank's requirements and market conditions, proposing changes deemed necessary to the Board of Executive Officers;
- (ii) to follow-up on the implementation of the asset management procedures set forth herein, among other procedures that may be approved by the Board of Executive Officers;
- (iii) to oversee managerial reports on the net equity adjustment, in the frequency to be defined by the Board of Executive Officers; and
- (iv) to report to the Board of Executive Officers information related to risk, asset and liquidity management and value preservation of the electronic currency issued by the institution.

PagSeguro's Risk Committee

PagSeguro's Risk Committee is responsible for establishing policies, rules and principles, as well as approving this policy and assessing the risk indicators and defining the limits of risks assumed by PAGSEGURO.

The meetings of PagSeguro's Risk Committees will be held on a quarterly basis, provided that it may be held more frequently if necessary.

PagSeguro's Risk Committee will be comprised by the following members:

- a) Corporate CFO;
- b) Head of Finance - PAGSEGURO;
- c) Head of Corporate Finance;
- d) Managing Director - PagSeguro; and
- e) Corporate CEO

8. EXHIBITS

None.