



**INTERNAL CONTROL MANAGEMENT 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. PURPOSE

This policy has the purpose to establish the specific requirements under Brazilian regulatory requirements associated to the structure and internal control management process adopted by PagSeguro, in the capacity of payment institution authorized to operate by the Brazilian Central Bank ("BACEN"), as well as the structure and management procedures of the main risks which such institution is exposed to, pursuant to the provisions set forth in Circular No. 3.681, dated November 4, 2013 ("Circular 3681/13")

Resolution No. 2.554 issued by the Brazilian Monetary Council (*Conselho Monetário Nacional*, or "CMN") on September 24, 1998 ("Resolution 2554/98"), establishes that the institutions authorized to operate by BACEN, including payment institutions, pursuant to Circular 3681/13, shall implement internal controls for the activities they perform, their financial, operational and managerial information systems and compliance with the legal and regulatory rules applicable to them.

## 2. COVERAGE

This Policy applies to all employees, processes and areas of PagSeguro, regardless of its structuring as physical or virtual units, and/or the form of access, whether local or remote, to PagSeguro's environment.

## 3. GUIDELINES

The Chief Executive Officer, officers, managers and other administrators of PagSeguro shall continuously reinforce the proper use and application hereof. They shall also broadly disclose the guidelines to all employees and service providers, who must disclose guidance on the use of and responsibility for this policy to their employees.

Internal Control and Compliance Meeting is the mechanism of governance that was established by PagSeguro to address regulatory obligations on internal controls. Its purpose and attributions are provided next.

### 3.1 Internal Control and Compliance Meeting

Internal Control and Compliance Meeting has the purpose to assist PagSeguro's Board of Executive Officers with its attributions related to the adoption of strategies, policies and actions aimed at dissemination of the culture of internal controls and compliance, mitigation of risks and compliance with rules applicable to PagSeguro.

This meeting is headed by the Officer responsible for Internal Controls and is held twice a month and, extraordinarily, whenever needed. In addition to PagSeguro's General Director and the direct officers comprising PagSeguro's Board of Executive Officers, the Internal Control and Compliance Meeting shall be comprised by the Internal Control manager, the Comptrollership general manager and the head of Corporate Regulatory Affairs. Guests may attend the meeting, but they will not have the right to vote and to make any decisions on the matters.

### 3.2 Meeting's Attributions:

- a) To identify, assess, control and monitor performance and the business environment and the operations of the institution, in order to confirm that the controls being adopted are suitable to mitigate the risks which PagSeguro is subject to and if they meet regulatory requirements;

- b) To have direct communication with any manager or employee, unrestricted access to any information necessary under its responsibilities, as well as access to the senior management to report any events that may represent risks to the institution;
- c) To monthly inform UOL's Corporate Board of Executive Officers on the main deficiencies that may have been found and the progress of action plans;
- d) To coordinate internal controls activities with PagSeguro's areas, and, at first, independently from the exercise of its duties;
- e) To maintain an updated control assessment as new risks are identified as a result of change of processes, the control environment or applicable rules;
- f) To coordinate PagSeguro's Risk Committee;
- g) To manage policies, ensuring their standardization, update, organization and publication;
- h) To exercise an advisory role, providing solutions to specific queries related to compliance with internal and external rules;
- i) To monitor the regulatory environment and assess the impact thereof in current processes, in line with the legal departments and the impacted area;
- j) To coordinate the relationship and communication with regulatory bodies;
- k) To support the structuring of PagSeguro's business contingency plan, including strategies to be adopted to ensure that activities will continue to be performed and limit critical losses resulted from operational risk;
- l) To prepare, twice a year, a report in order to comply with Resolution 2554/98, comprising the results of assessments, the action plans to mitigate identified risks and the confirmation of mitigation of the deficiencies previously indicated, and annually submit it to BACEN;
- m) To submit the abovementioned report to UOL's Corporate Board of Executive Officers; and
- n) To make all the documentation related to this policy, to the follow-up reports and to the activities listed above available to BACEN for the period of five (5) years, and ensure that BACEN has unrestricted access to such documentation at any time.

#### **4. RESPONSIBILITIES**

##### **First Defense Line**

The "First Defense Line" is represented by all areas of the company. The first defense line is responsible for the implementation, management and execution of controls, procedures and for reporting risks to PagSeguro.

##### **Second Defense Line**

The "Second Defense Line" is represented by the Internal Control and Compliance Meeting and by performance of specific teams under its coordination. The "Second Line of Defense" is responsible for:

- a) Establishing the procedures and guidelines to be complied with by the First Defense Line;
- b) Supporting the business area and the First Defense Line in the assessment of operational risks and processes, and in the validation of the project of controls and action plans;
- c) Acting independently, but not apart from the other areas; and
- d) Monitoring and reporting the quality of operations' controls through tests and indicators.

##### **Third Defense Line**

The "Third Defense Line" consists in the Internal Audit, which is responsible for an independent review from the First and Second Defense Lines.

## 5. EXHIBITS

None.