

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 20-F**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

Commission file number: 001-38714

**StoneCo Ltd.**

(Exact name of Registrant as specified in its charter)

**The Cayman Islands**

(Jurisdiction of incorporation or organization)

**4th Floor, Harbour Place**

**103 South Church Street, P.O. Box 10240  
Grand Cayman, KY1-1002, Cayman Islands**

(Address of principal executive offices)

**Mateus Scherer Schwening, Chief Financial Officer and Investor Relations Officer**

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**São Paulo—SP, 05425-902, Brazil**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Class A common shares, par value US\$0.000079365 per share	STNE	The Nasdaq Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

<b>Title of Class</b>	<b>Number of Shares Outstanding</b>
Class A common shares, par value US\$0.000079365 per share	290,187,329
Class B common shares, par value US\$0.000079365 per share	18,748,770

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes

No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 3 of 105 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.:

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Emerging Growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Yes

No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements:

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b) :

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by  
the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated or the context otherwise requires, all references in this annual report to “StoneCo” or the “Company,” “we,” “our,” “ours,” “us” or similar terms refer to StoneCo Ltd., together with its consolidated subsidiaries, and Alpha-Logo Serviços de Informática S.A. (Tablet Cloud), Agilize Tecnologia S.A. (“Agilize”), Trinks Serviços de Internet S.A. (“Trinks”), Neostore Desenvolvimento de Programas de Computador S.A. (“Neomode”), Dental Office S.A. (“Dental Office”), APP Sistemas S.A. (“APP”), and Delivery Much Tecnologia S.A. (“Delivery Much”) being entities on which we have a significant influence and minority interest in but do not consolidate.

The term “Brazil” refers to the Federative Republic of Brazil and the phrase “Brazilian government” refers to the federal government of Brazil. “Central Bank” refers to the Brazilian Central Bank (*Banco Central do Brasil*). References in the annual report to “real,” “reais” or “R\$” refer to the Brazilian real, the official currency of Brazil and references to “U.S. dollar,” “U.S. dollars” or “US\$” refer to U.S. dollars, the official currency of the United States.

### Financial Statements

We prepare our consolidated financial statements in accordance with the International Financial Reporting Standards, as issued by the International Accounting Standards Board (“IFRS”). We maintain our books and records in Brazilian reais. Unless otherwise noted, our financial information presented herein as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 is stated in reais, our functional and presentation currency. The financial information contained in this annual report includes our audited consolidated financial statements as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 together with the notes thereto. All references herein to “our financial statements” and “our audited consolidated financial statements” are to our consolidated financial statements.

The financial information should be read in conjunction with “Item 5. Operating and Financial Review and Prospects” and our audited consolidated financial statements.

Our fiscal year ends on December 31. References in this annual report to a fiscal year, such as “fiscal year 2023,” relate to our fiscal year ended on December 31 of that calendar year.

### *Financial Information in U.S. Dollars*

Solely for the convenience of the reader, we have translated some of the real amounts included in this annual report from reais into U.S. dollars. You should not construe these translations as representations by us that the amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have translated real amounts into U.S. dollars using a rate of R\$4.8413 to US\$1.00, the commercial selling rate for U.S. dollars as of December 31, 2023 as reported by the Central Bank. See “—Selected financial data—Exchange Rates” for more detailed information regarding translation of reais into U.S. dollars and for historical exchange rates for the Brazilian real.

## Selected financial data

You should read the following selected financial data together with “Item 5. Operating and Financial Review and Prospects” and our financial statements and the related notes appearing elsewhere in this annual report.

The summary statement of profit or loss data and statement of financial position data as of December 31, 2023 and 2022 and for each of the three years ended December 31, 2023, 2022 and 2021 have been derived from our audited consolidated financial statements prepared in accordance with IFRS.

	For the Year Ended December 31,			
	2023	2023	2022	2021
	(US\$)		(R\$)	
		(in millions, except amounts per share)		
Net revenue from transaction activities and other services	683.7	3,309.8	2,617.4	1,626.9
Net revenue from subscription services and equipment rental	377.0	1,825.0	1,760.9	1,071.9
Financial income	1,286.7	6,229.3	4,638.0	1,877.7
Other financial income	142.7	691.0	572.6	247.3
<b>Total revenue and income</b>	<b>2,490.1</b>	<b>12,055.0</b>	<b>9,588.9</b>	<b>4,823.8</b>
Cost of services	(616.1)	(2,982.8)	(2,669.8)	(1,713.8)
Administrative expenses	(245.6)	(1,188.9)	(1,121.4)	(813.3)
Selling expenses	(350.8)	(1,698.3)	(1,511.2)	(1,012.5)
Financial expenses, net	(826.1)	(3,999.5)	(3,514.7)	(1,269.1)
Mark-to-market on equity securities designated at FVPL	6.3	30.6	(853.1)	(1,264.2)
Other income (expenses), net	(49.8)	(241.2)	(302.5)	(185.9)
Loss on investment in associates	(0.9)	(4.2)	(3.6)	(10.4)
<b>Profit (loss) before income taxes</b>	<b>407.1</b>	<b>1,970.8</b>	<b>(387.3)</b>	<b>(1,445.6)</b>
Income tax and social contribution	(76.5)	(370.4)	(139.1)	68.2
<b>Net income (loss) attributable to:</b>	<b>330.6</b>	<b>1,600.4</b>	<b>(526.4)</b>	<b>(1,377.3)</b>
Controlling shareholders	328.9	1,592.1	(519.4)	(1,358.8)
Non-controlling interests	1.7	8.4	(7.0)	(18.5)
Basic earnings (loss) per share <sup>(2)</sup>	1.05	5.09	(1.67)	(4.40)
Diluted earnings (loss) per share <sup>(2)</sup>	0.98	4.74	(1.67)	(4.40)
<b>Other data:</b>				
Adjusted net income (in millions) <sup>(3)</sup>	321.7	1,557.5	410.5	40.0
TPV (in billions)	84.3	408.3	367.4	275.4
Active clients (in thousands) <sup>(4)</sup>	n.a.	3,522.1	2,584.0	1,766.1

<sup>(1)</sup> For convenience purposes only, amounts in reais for the year ended December 31, 2023 have been translated to U.S. dollars using an exchange rate of R\$4.8413 to US\$1.00, the commercial selling rate for U.S. dollars as of December 31, 2023 as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See “—Exchange Rates” for further information about recent fluctuations in exchange rates.

<sup>(2)</sup> Calculated by dividing net income or loss for the year attributed to controlling shareholders, adjusted for losses allocated to contractual rights and participating instruments, by the weighted average number of ordinary shares outstanding during the year. See note 16 to our audited consolidated financial statements included elsewhere in this annual report.

<sup>(3)</sup> In the table below, we have provided a reconciliation of adjusted net income to our net income (loss) for the year, the most directly comparable financial measure calculated and presented in accordance with IFRS. Note that, as of March, 2023, we have stopped adjusting for share-based compensation expenses in our adjusted results. Also, in the second quarter of 2022 we have stopped adjusting the financial expenses related to our bond in our adjusted results. As such, for comparability reasons, we have made both changes retrospectively in the tables of this section.

<sup>(4)</sup> Considers clients that have completed at least one electronic payment transaction over the preceding 90 days, except for TON active clients which consider clients that have transacted once in the preceding 12 months. Excludes overlap. Does not include clients that use only TapTon.

	<b>For the Year Ended December 31,</b>			
	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>(US\$)<sup>(a)</sup></b>	<b>(R\$)</b>		
	<b>(in millions, except amounts per share)</b>			
Net income (loss) for the year	330.6	1,600.4	(526.4)	(1,377.3)
Share-based compensation expenses <sup>(b)</sup>	—	—	—	—
Amortization of fair value adjustment <sup>(c)</sup>	19.1	92.4	138.6	89.1
Fair value adjustments of assets whose control was acquired <sup>(d)</sup>	—	—	—	(15.8)
Mark-to-market related to the investment in Banco Inter <sup>(g)</sup>	(6.3)	(30.6)	853.1	1,264.2
Other income/expenses <sup>(e)</sup>	(16.2)	(78.6)	(17.8)	118.3
<b>Pre-tax total<sup>(g)</sup></b>	<b>327.1</b>	<b>1,583.6</b>	<b>447.4</b>	<b>78.4</b>
Tax effect on adjustments <sup>(f)</sup>	(5.4)	(26.1)	(36.9)	(38.4)
<b>Adjusted net income<sup>(g)</sup></b>	<b>321.7</b>	<b>1,557.5</b>	<b>410.5</b>	<b>40.0</b>

(a) For convenience purposes only, amounts in reais for the year ended December 31, 2023 have been translated to U.S. dollars using an exchange rate of R\$4.8413 to US\$1.00, the commercial selling rate for U.S. dollars as of December 31, 2023 as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See “—Exchange Rates” for further information about recent fluctuations in exchange rates.

(b) Consisted of expenses related to the vesting of one-time pre-IPO pool of share-based compensation as well as non-recurring long term incentive plans. As of March, 2023, we have stopped adjusting for such expenses in our adjusted results. As such, for comparability reasons, we have made this change retrospectively in the tables of this section. See note 20.4 to our consolidated financial statements for further information.

(c) Consists of expenses resulting from the changes of the fair value adjustments as a result of the application of the acquisition method.

(d) Consists of the gain on re-measurement of our previously held equity interest in VHSYS (2021) and Collact (2021) to fair value upon the date control was acquired.

(e) Consists of the fair value adjustment related to associates call option, M&A, earn-out interests related to acquisitions, gains/losses in the sale of companies, dividends from Linx, organizational restructuring and restructuring of debt instruments. See notes 4.1.2 and 22 to our consolidated financial statements for further information.

(f) Represents the tax effect of pre-tax items excluded from adjusted net income. The tax effect of pre-tax items excluded from adjusted net income is computed using the statutory rate related to the jurisdiction that was impacted by the adjustment after taking into account the impact of permanent differences and valuation allowances, if applicable.

(g) In the second quarter of 2022, we have stopped adjusting the financial expenses related to our bond in our adjusted results. As such, for comparability reasons, we have made this change retrospectively in the tables of this section.

	As of December 31,			
	2023 (US\$) <sup>(a)</sup>	2023	2022	2021
		(R\$ millions)		
<b>Statement of financial position data:</b>				
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents and short-term investments	1,168.7	5,657.9	4,966.4	6,488.7
Financial assets from banking solutions	1,321.5	6,397.9	3,960.9	2,346.5
Accounts receivable from card issuers	4,935.8	23,895.5	20,694.5	19,286.6
Loans Operations portfolio	43.4	210.0	—	—
Other current assets	204.8	991.3	1,037.4	1,822.7
<b>Total current assets</b>	<b>7,674.2</b>	<b>37,152.6</b>	<b>30,659.2</b>	<b>29,944.5</b>
Intangible assets	1,816.6	8,794.9	8,632.3	8,277.5
Other non-current assets	567.3	2,746.1	2,953.9	3,875.0
<b>Total non-current assets</b>	<b>2,383.9</b>	<b>11,541.0</b>	<b>11,586.2</b>	<b>12,152.6</b>
<b>Total assets</b>	<b>10,058.1</b>	<b>48,693.6</b>	<b>42,245.4</b>	<b>42,097.0</b>
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Deposits from banking customers	1,264.0	6,119.5	4,023.7	2,201.9
Accounts payable to clients	3,958.4	19,163.7	16,578.7	15,723.3
Obligations to FIDC quota holders	104.4	505.2	975.2	1,294.8
Borrowings and financing	284.0	1,374.8	1,847.4	2,578.8
Other liabilities	408.9	1,979.5	1,749.1	991.1
<b>Total current liabilities</b>	<b>6,019.7</b>	<b>29,142.7</b>	<b>25,174.1</b>	<b>22,789.8</b>
<b>Non-current liabilities</b>				
Accounts payable to clients	7.3	35.5	35.8	3.2
Borrowings and financing	751.7	3,639.2	2,728.5	3,556.5
Obligations to FIDC quota holders	—	—	—	932.4
Other non-current liabilities	247.9	1,200.2	1,357.0	1,187.9
<b>Total non-current liabilities</b>	<b>1,006.9</b>	<b>4,874.9</b>	<b>4,121.3</b>	<b>5,679.9</b>
<b>Total liabilities</b>	<b>7,026.6</b>	<b>34,017.6</b>	<b>29,295.4</b>	<b>28,469.8</b>
<b>Total equity</b>	<b>3,031.4</b>	<b>14,676.0</b>	<b>12,950.0</b>	<b>13,627.2</b>
<b>Total liabilities and equity</b>	<b>10,058.0</b>	<b>48,693.6</b>	<b>42,245.4</b>	<b>42,097.0</b>

<sup>(a)</sup> For convenience purposes only, amounts in reais for the year ended December 31, 2023 have been translated to U.S. dollars using an exchange rate of R\$4.8413 to US\$1.00, the commercial selling rate for U.S. dollars as of December 31, 2023 as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted at that or any other exchange rate. See “—Exchange Rates” for further information about recent fluctuations in exchange rates.



## Exchange Rates

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of reais by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

The real/U.S. dollar exchange rate reported by the Central Bank was R\$4.0307 per US\$1.00 on December 31, 2019, which reflected a 3.9% depreciation in the real against the U.S. dollar since December 31, 2018. On December 31, 2020, the real/U.S. dollar exchange rate reported by the Central Bank was R\$5.1967, reflecting a depreciation of 22.4% in the real from December 31, 2019, being strongly affected by the COVID-19 pandemic. On December 31, 2021, the real/U.S. dollar exchange rate reported by the Central Bank was R\$5.5805, reflecting a depreciation of 6.9% in the real from December 31, 2020, which continued to be affected by the COVID-19 pandemic. On December 31, 2022, the real/U.S. dollar exchange rate reported by the Central Bank was R\$5.2177, reflecting an appreciation of 7.0% in the real from December 31, 2021, mainly due to the high levels of interest rates in the country. On December 31, 2023, the real/U.S. dollar exchange rate reported by the Central Bank was R\$4.8413, reflecting an appreciation of 7.8%, mainly due to the high levels of interest rates in the country.

There can be no assurance that the real will not depreciate or appreciate further against the U.S. dollar. The Central Bank has intervened occasionally in the foreign exchange market to attempt to control instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the real to float freely or will intervene in the exchange rate market by re-implementing a currency band system or otherwise. The real may depreciate or appreciate substantially against the U.S. dollar in the future. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that the Brazilian government will not place restrictions on remittances of foreign capital abroad in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the purchase of U.S. dollars expressed in Brazilian reais per U.S. dollar. The average rate is calculated by using the average of reported exchange rates by the Central Bank on each business day during each annual or monthly period, as applicable. As of April 19, 2024, the exchange rate for the purchase of U.S. dollars as reported by the Central Bank was R\$5.227 per US\$1.00.

Year	Period-end	Average <sup>(1)</sup>	Low	High
2019	4.031	3.946	3.652	4.260
2020	5.197	5.158	4.021	5.937
2021	5.581	5.396	4.921	5.840
2022	5.218	5.166	4.618	5.704
2023	4.841	4.995	4.720	5.446

Month	Period-end	Average <sup>(2)</sup>	Low	High
October 2023	5.058	5.065	4.948	5.192
November 2023	4.936	4.898	4.858	5.058
December 2023	4.841	4.897	4.831	4.958
January 2024	4.954	4.914	4.854	4.972
February 2024	4.983	4.964	4.930	5.005
March 2024	4.996	4.980	4.936	5.035
April 2024 (through April 19, 2024)	5.227	5.116	5.008	5.264

Source: Central Bank.

<sup>(1)</sup> Represents the average of the exchange rates on the closing of each business day during the year.

<sup>(2)</sup> Represents the average of the exchange rates on the closing of each business day during the month.

## Business Segment Information

Until the third quarter of 2021, we considered our operations as a single operating and reportable segment, monitoring operations, making decisions on fund allocation and evaluating performance based on a single operating segment.

After the Linx Transaction, we started to review and monitor operations and evaluate performance considering two separate views: StoneCo (ex-Linx) and Linx. As such, results for the fourth quarter of 2021 and for the year ended December 31, 2021 were reported considering these two operating and reportable segments.

As we evolve in our financial services and software offering, from the first quarter of 2022 onwards, the reportable segments were comprised of: (i) financial services, (ii) software and (iii) non-allocated. As such, our business section in this document already considers this evolution.

## Corporate Events

### *Investments in Software and other Companies*

Company	Closing Date	Current %	Activities	Additional Information
Collact <sup>(a)</sup>	Feb/2019 <sup>(b)</sup>	100.00%	Collact developed CRM software for customer engagement, focused mainly on the food service segment.	In August 2021, we obtained control of Collact after a step acquisition which started in February 2019.
VHSYS Sistema de Gestão S.A. (“VHSYS”)	Jun/2019 <sup>(b)</sup>	50.00%	VHSYS is an omni-channel, cloud-based, API driven POS/ERP platform built to serve an array of service and retail businesses. The self-service platform consists of over 40 applications, accessible a la carte, such as order and sales management, invoicing, dynamic inventory management, cash and payments management, CRM, along with marketplace, logistics and e-commerce integrations, among others.	Originally, we had acquired a 33.33% stake in VHSYS. In April 2021, we exercised our call option and acquired an additional interest in VHSYS, by means of which we obtained control of VHSYS
Delivery Much Tecnologia S.A. (Delivery Much)	Jul/2020 <sup>(b)</sup>	29.49%	Delivery Much develops a food delivery marketplace focused on small-and-midsize cities.	Originally, we had acquired a 22.64% stake in Delivery Much. In February 2021, we acquired an additional 6.85% interest through a capital increase, reaching our current corporate stake of 29.49% in such company.
MLabs Software S.A.	Sep/2020	51.50%	MLabs develops software and services for social media management.	The shareholders of the company approved a stock option plan limited to 2.912% of the total share capital of MLabs Software S.A. in December 2021. After the exercise of the call option by the company’s employees under such stock option plan, we shall hold 50% interest in MLabs Software S.A.
Sponte Informática S.A. <sup>(a)</sup>	Nov/2020 <sup>(b)</sup>	100.00%	This company developed management software for schools.	Originally, we had acquired a 90% stake in Sponte Informática S.A. In Setember 2022, we acquired the remaining shares and became the holder of 100% of the equity stake of the company.
PDCA S.A. <sup>(a)</sup>	Jan/2021	100.00%	This company used to hold the TON product, which targets mainly micro-merchants and autonomous workers	In January 2021, we have fully acquired the non-controlling interest in PDCA S.A. held by Bellver Fundo de Investimento Multimercado Crédito Privado Investimento no Exterior. As a result of this transaction, Stone held 100% interest in PDCA.

SimplesVet Tecnologia S.A.	Apr/2021	50.00%	This company develops management software for veterinary clinics, pet shops and autonomous veterinarians.	—
Linx S.A. (Linx)	Jul/2021	100.00%	Linx S.A. is a leading provider of retail management software in Brazil.	For additional information, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Linx Transaction”.
Nodis Tecnologia S.A. <sup>(a)</sup>	Jul/2021	100.00%	This company developed an omni-channel retail technology to digitize customer inventory in brick & mortar stores helping them sell online.	The acquisition was made through a combination of the conversion of convertible loans and the purchase of stake from the former shareholders.
APP Sistemas S.A. (APP)	Aug/2021	19.80%	APP develops an ERP/POS solution focused on the hotel segment.	Originally, we had acquired a 20% stake in APP. In April 2023 and in March 2024, our ownership in APP was diluted by the issuance of new shares under a long-term incentive program.
Trampolin Pagamentos S.A. <sup>(a)</sup>	Aug/2021	100.00%	Trampolin was a banking-as-a-service fintech that has developed a software that allows other companies to offer banking functionality on their own systems and/or offer white label digital wallet applications.	—
Neostore Desenvolvimento de Programas de Computador S.A. (Neomode)	Jan/2022	40.02%	Neomode offers a sales channel and white label commerce app platform with agnostic integrator to Enterprise Resource Planning (ERP), Point of Sale (POS), e-commerce and gateways with cloud-based solutions. The main objective is the development and supply of solutions that integrate online channels and physical stores in the omnichannel concept using its application and integrator.	In January 2022, we concluded the investment in Neomode, representing 40.02% of the total shares issued by the company.
Reclame Aqui	Feb/2022	50.00%	Reclame Aqui is an unlisted company based in Cayman Islands, with operations in Brazil, whose main activity is related to a public electronic platform for resolution of conflicts between customers and companies, offering software and API based CRM solutions to help businesses manage customer communication more efficiently.	For additional information, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Transaction with Reclame Aqui”.
Dental Office S.A. (Dental Office)	May/2022	20.00%	Dental Office develops cloud based ERP and scheduling & payments software servicing dental clinics.	We also hold a call option to acquire a 30% additional equity interest in the period from 2 to 3 years from the date of the closing of the agreement.
ThirdLevel Soluções de Internet S.A. (Plugg.to) <sup>(a)</sup>	Jun/2022	100.00%	Plugg.to developed technology that works as a marketplace hub, offering fast and intelligent integrations between virtual store platforms, ERP's and marketplaces.	—
Hubcount Tecnologia S.A. (Hubcount)	Aug/2022	75.60%	Hubcount develops technology that offers accounting BI & Software solutions to accounting offices and large corporations.	The acquisition of Hubcount was made through Questor, a subsidiary in which we own a 50% equity interest. Originally, Questor acquired a 75% stake in Hubcount and later increased such stake to 75,6% through a capital increase.
Agilize Tecnologia S.A. (Agilize)	Aug/2023	33.33%	Agilize develops technology that provides online accounting services.	The acquisition of the corporate stake in Agilize was made through the conversion of a credit arising from a convertible loan agreement.

(a) Company merged into another entity of the Group.

(b) Closing date of the first step of the step acquisition.

### ***Divestments in Software and other Companies***

Since February, 2024, we no longer have an equity stake in PinPag. In January 2020, Linx Pay Meios de Pagamento Ltda. (“Linx Pay”) acquired 100% of the equity stake of Ametista Serviços Digitais Ltda. (“Ametista”), Diamante Serviços Digitais Ltda. (“Diamante”), Esmeralda Serviços Digitais Ltda. (“Esmeralda”) and Safira Serviços Digitais Ltda. (“Safira” and, jointly with Ametista, Diamante and Esmeralda, “PinPag”). PinPag is a company focused in financial solutions in electronic means of payment.

Since December 2023, we no longer have an equity stake in Creditinfo Caribbean. In November 2020, we acquired a 53.05% interest in EveryData Group LTD. SEZC (formerly known as StoneCo CI Ltd), EveryData Jamaica Limited (formerly known as Creditinfo Jamaica Ltd), EveryData (Guyana) Inc (formerly known as Creditinfo Guyana Inc) and EveryData (Barbados) Limited (formerly known as Creditadvice Barbados Ltd) (all together described as “Creditinfo Caribbean”). In October 2022, we lost control of Creditinfo Caribbean after a capital contribution by a new investor (after such investment, our stake was diluted to 47.75% of the company). In December 2023, we sold all our remaining interest in Creditinfo Caribbean and ceased to be a shareholder in such company. Creditinfo Caribbean is a private credit bureaus company, having as main products credit reports, credit scores, monitoring, international business reports and a suite of value-added services, based in the Cayman Islands, Jamaica, Guyana and Barbados, respectively.

Since June 2023, we no longer have an equity stake in Cappta S.A. (“Cappta”). Up to June 30, 2023, when we owned 69.58%, Cappta carried out the activities of (i) technology solutions for payments in installments, and (ii) technology solutions for electronic transfers. In June 2023, a reorganization of the businesses was carried by Cappta (“Cappta Reorganization”). As a result of the Cappta Reorganization, Cappta remained solely with the assets related to the activities of technology solutions for payments in installments, and Stef S.A. (a company incorporated under the Cappta Reorganization) remained with the assets related to the activities of technology solutions for electronic transfers. Subsequently to the Cappta Reorganization, we sold our stake in Cappta, and acquired 100% of Stef S.A.

Since February 2023, we no longer have an equity stake in Banco Inter S.A. (“Banco Inter”). For additional information regarding our transaction with Banco Inter, please refer to “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Transaction with Banco Inter”.

Since June 2021, we no longer have an equity stake in Linked Gourmet Soluções para Restaurantes S.A. (“Linked Gourmet”). In April 2020, we obtained control of Linked Gourmet through a step acquisition, which started in June, 2018, with the acquisition of a 27.06% interest, followed by the acquisition of another 21.50% interest in 2019 and an additional interest in April 2020, leading to the control of Linked Gourmet with a 58.1% interest. In June 2021, we sold all our interest in Linked Gourmet and ceased to be a shareholder in such company. Linked Gourmet is a company that develops software and services for the food service market.

### ***New financial services license***

On January 5, 2024, we received from the Central Bank a license to operate a financial services company (*financeira*), Stone Sociedade de Crédito, Financiamento e Investimento S.A. (“Stone SCFI”). This license enables Stone SCFI to develop and offer a range of new products, such as time deposits to improve and diversify our funding sources.

### ***Capital markets events***

On November 8, 2023 our subsidiary MNLT, formerly MNLT Soluções de Pagamento S.A., (“MNLT”) concluded its first issuance of debentures placing R\$1 billion with a three year maturity at CDI + 1.75% payable annually. The debentures are guaranteed by both Stone Instituição de Pagamento S.A. (“Stone Instituição de Pagamento”) and by us and it is our first corporate issuance in the Brazilian capital markets.

On June 11, 2021, we issued our inaugural dollar bond, raising US\$500 million in 7-year notes due June 16, 2028 and a yield of 3.95%, payable semiannually in December and June each year. We used the vast majority of the proceeds from this inaugural bonds to finance our investment on Banco Inter in 2021. The total bond issuance was equivalent to R\$2,510.4 million, of which R\$2,477.4 million is net of the offering transaction costs that will be amortized over the course of the bond. See “Item 4. Information of the Company—B. Business Overview—Our Growth Strategies—Selectively Pursue Acquisitions” and “Item 5. Operating and Financial Review and Prospects—B. Liquidity and capital resources—Issuance of Inaugural Bonds.”

In August 2020, we completed a primary follow on offering for 31.5 million Class A common shares, including the exercise of the underwriter’s option. The proceeds from the follow on were used to finance Linx Transaction, concluded in July 2021.

### ***New Incentive Plan Pool***

In May 2022, our Board of Directors approved an amendment and restatement of our Long-Term Incentive Plan (“LTIP”) for the purpose of the adoption of a new equity-based incentive plan pool, comprised of 19.2 million shares to be granted in the form of restricted stock units (“RSUs”) and performance stock units (“PSUs”) under the LTIP. At the creation of the pool, a portion of it, 5.8 million shares, was approved for the grant of non-recurring long-term incentive plan awards, vesting of which is linked to the achievement of our annual goals and the performance of our stock price, of which 30% is to be vested in 3 years and 70% in 5 years if our goals are met. Each vesting period has a stock price trigger at multiples of our stock price, which aligns the incentive with significant shareholder returns. Another portion of the pool, 1.7 million shares, was approved for the grant of regular annual equity incentive compensation. The remaining portion of the pool, 11.6 million shares, will be used in the future at our discretion either for recurring annual compensation or related to the non-recurring long-term incentive plan mentioned above. In section “Item 6. Directors, Senior Management and Employees—B. Compensation”, we will show details about the consumption of the pool. Until the fourth quarter of 2022, share-based compensation expenses related to our non-recurring long-term incentive plan were adjusted in our adjusted statement of profit or loss, similar to our IPO incentive plan. Share-based compensation expenses related to our regular annual equity compensation were not adjusted in our statement of profit or loss given its recurring nature. See “Item 6. Directors, Senior Management and Employees—B. Compensation—Long-Term Incentive Plans (LTIP)”.

### ***Board Changes***

Throughout 2023, we have made certain changes to the composition of our Board of Directors to support the next stage of our growth, as detailed below:

- Roberto Moses Thompson Motta retired as a member of our Board of Directors after many years of service, effective as of February 2023.
- Pedro Zinner stepped down from the Board in the beginning of 2023 and assumed the role of CEO of StoneCo in March 2023.
- Thiago dos Santos Piau, who was StoneCo’s CEO until March 2023, was appointed to our Board in the beginning of 2023.
- Pedro Franceschi, Co-Founder & Co-CEO of Brex, has agreed to retire from our Board as of April 2023.
- Silvio José Morais, who has served as our Interim Chief Financial Officer of StoneCo, has agreed to return to his position as member of our Board of Directors effective in July 2023.
- Luiz André Barroso, a Google Fellow with over 30 years of experience in technology and a reference in technology and innovation, joined our Board in April 2023. In September 2023, he ceased to be a member of our Board considering that we sadly announced that he had passed away.
- Gilberto Caldart, a former Vice Chairman and President of International Markets at Mastercard, where he worked more than 14 years, joined our Board, as an interim member, as of December 2023.

As a result of the above mentioned changes, as of December 31, 2023, our Board of Directors was composed of 9 Directors: (i) André Street (Chairman); (ii) Conrado Engel (Vice-Chairman); (iii) Luciana Ibiapina Aguiar; (iv) Diego Fresco Gutierrez; (v) Mauricio Luis Luchetti; (vi) Patricia Verderesi Schindler; (vii) Thiago dos Santos Piau; (viii) Silvio José Morais; and (ix) Gilberto Caldart (interim member).

In addition, as announced in March 2024, in the context of a planned transition (“Board Transition”), our founder, Mr. André Street, informed us that he has chosen not to seek re-election at StoneCo’s Annual General Meeting held on April 23, 2024 (“AGM”). Likewise, Mr. Conrado Engel, our former Vice-Chairman, and Patricia Verderesi Schindler, informed us that they would also not seek re-election, having completed their two-year commitment to us. In preparation for this transition, the candidates nominated for appointment to the board at the AGM included Mr. Mauricio Luis Luchetti, as the new Chairman, and Mr. Gilberto Caldart, as the Vice-Chairman of our Board of Directors. Additionally, Mr. José Alexandre Scheinkman was nominated for appointment to the Board at the AGM.

As a result of the Board Transition and as approved at the AGM, our Board of Directors is currently composed of 7 Directors, 6 of whom are independent:

- Mauricio Luis Luchetti - Chairman (independent member).
- Gilberto Caldart - Vice-Chairman (independent member).
- Diego Fresco Gutierrez (independent member).
- José Alexandre Scheinkman (independent member).
- Luciana Ibiapina Aguiar (independent member).
- Silvio José Morais (independent member).
- Thiago dos Santos Piau.

### ***Organizational Changes on Management***

Throughout 2023, we announced changes to our executive management to better align us around specific go-to-market strategies per client segment and to accelerate the integration of its software and financial solutions, as detailed below:

- Pedro Zinner stepped down from the Board in the beginning of 2023 and assumed the role of CEO of StoneCo as of March 2023.
- Thiago dos Santos Piau, who was StoneCo's CEO until March 2023, was appointed to our Board in the beginning of 2023.
- Augusto Lins, who has served as our President, resigned to this position in May 2023.
- Mateus Scherer Schwening, a partner at Stone since 2015, was appointed as Chief Financial Officer and Investor Relations Officer, positions he holds since July 2023. Mr. Scherer left the position of Vice President of Finance in May 2023.
- Rafael Martins, who has served as our Investor Relations Officer, resigned to this position in July 2023.
- Silvio José Morais, who has served as our Interim Chief Financial Officer of StoneCo, has agreed to return to his position as member of our Board of Directors effective as of July 2023.
- Caio Fiuzza, who was appointed COO of our Financial Platform Division, resigned to this position in October 2023.
- Fabio Vieira Kapitanovas joined us in October 2023 as Chief People and Operating Officer, to lead our People, Shared Services and Operations teams. Mr. Kapitanovas is a senior executive with more than 23 years of experience at Kraft Heinz and AB-Inbev in various operating roles. He will focus on facilitating company-wide operational excellence and creating a more coordinated, streamlined and cost-effective approach to operations.
- Gilsinei Hansen, who was appointed COO of our Software Division, resigned to this position in October 2023.
- João Lourenço Vivan Bernartt was our Chief Information Officer in 2023. In October 2023, João Bernartt left his duties as Chief Information Officer and was appointed as our Chief Product and Innovation Officer.
- Lia Machado de Matos, who already occupied the position of Chief Strategy Officer since 2016, was appointed as our Chief Marketing Officer in October 2023.
- Maria Carolina Sanchez da Costa joined us in October 2023 and was appointed as Chief Impact and Sustainability Officer. Mrs. Da Costa has over 22 years of experience in impactful and problem solving projects across education, healthcare, and asset management.
- Mateus Costa Biselli was appointed as Chief Client Officer of Small and Medium Merchant Business in October 2023. Mr. Biselli joined us in 2013 and has held leadership positions in the Sales, People, Operations and SMB Client segment.
- Sandro de Oliveira Bassili initiated 2023 as Chief People and Management Officer. In October 2023, Sandro Bassili left his duties as Chief People and Management Officer and was appointed as our Chief Operating Officer of Software.
- Victor Vieira Lino was appointed as Chief Client Officer of Micro Merchants Business in October 2023. Mr. Lino joined the Company in 2017 when he joined our logistics team, overseeing planning and supply chain optimization.

### ***Change of Control of the Company***

In June 2022, following a series of governance enhancements, we submitted to the Central Bank a technical change of control request amid a corporate restructuring involving our founder shareholders. As part of this restructuring, Eduardo Pontes would leave HR Holdings, LLC and consequently convert his original super voting Class B common shares into Class A common shares. As a result, our two co-founders would collectively and individually have less than 50% of the voting power. Though one of our founders, André Street, would still be a reference shareholder, after the authorization of the Central Bank there will be a decrease in the concentration of votes held by our founding shareholders, resulting in no single shareholder having more than 50% of our voting power.

On November 29, 2022, the Central Bank approved the Company's change of control through a corporate restructuring involving the conversion of Mr. Eduardo Pontes interests in Company's Class B super-voting shares from HR Holdings, LLC (which were held indirectly through holding companies) into Class A common shares directly owned by his family controlled entities (the "Corporate Restructuring").

As a result of the Corporate Restructuring, HR Holdings, LLC became the owner of 31.1% of our voting power. As of March 31, 2024, our founding shareholders and HR Holdings, LLC are the owners of 31.3% of the company's voting power. HR Holdings and Cakubran Holdings parent company is VCK Investment Fund Limited SAC A, whose primary investor is our co-founder, André Street.

On April 28, 2023, in connection with the Corporate Restructuring, our founding shareholders executed an irrevocable waiver to formally waive certain rights, provided under our amended and restated memorandum and articles of association adopted by special resolution passed on October 11, 2018 and the shareholders agreement among us and the founder shareholders dated as of October 29, 2018 (the "Shareholders Agreement"), which they had already agreed and committed not to exercise since November 29, 2022. See "Item 10. Additional Information—B. Memorandum and articles of association" for information regarding our Articles of Association.

### **Special Note Regarding Non-IFRS Financial Measures**

This annual report presents our adjusted net income (loss) for the convenience of investors. Adjusted net income (loss) is a non-IFRS financial measure. Generally, a non-IFRS financial measure is a numerical measure of a company's performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with IFRS. Adjusted net income (loss), however, should be considered in addition to, and not as a substitute for or superior to, profit (loss), or other measures of the financial performance prepared in accordance with IFRS.

Adjusted net income (loss) is prepared and presented to eliminate the effect of items from profit (loss) that we do not consider indicative of our continuing business performance within the period presented. We define adjusted net income (loss) as profit (loss) for the period, adjusted for (1) amortization of fair value adjustments related to acquisitions, (2) impairment charges (and reversal of impairment charges), (3) unusual income and expenses, and (4) tax effects of the foregoing adjustments, as described in note (3) to "Presentation of Financial and Other Information—Selected financial data." Note that as from the second quarter of 2022 and following the partial sale of our stake in Banco Inter, we have stopped adjusting the financial expenses related to our bond in our adjusted numbers. Also, starting in 2023, we decided to stop adjusting the expenses related to share-based expenses in our adjusted numbers. Therefore, in some of the tables of this document, we have made these adjustments retrospectively, as will be noted in the footnotes.

Adjusted net income (loss) is presented because our management believes that this non-IFRS financial measure can provide useful information to investors, securities analysts and the public in their review of our operating and financial performance, although it is not calculated in accordance with IFRS or any other generally accepted accounting principles and should not be considered as a measure of performance in isolation. We believe adjusted net income (loss) is useful to evaluate our operating and financial performance for the following reasons:

- adjusted net income (loss) is used by investors and securities analysts to measure a company's operating performance without regard to items that can vary substantially from company to company and from period to period, depending on their accounting and tax methods, the book value of their assets and the method by which their assets were acquired;
- amortization of the fair value adjustment relating to acquisitions can vary substantially from company to company and from period to period depending upon the applicable financing and accounting methods, the fair value and average expected life of the acquired intangible assets, the capital structure and the method by which the intangible assets were acquired and, as such, we do not believe that these adjustments are reflective of our core operating performance; and

- other one-time charges that are not reflective of our core operating performance, which include the fair value adjustment related to associates call option, earn-out and earn-out interests related to acquisitions, reversal of litigation of Linx and divestment of assets.

We use adjusted net income (loss) as a key profitability measure to assess the performance of our business. We believe that adjusted net income (loss) should therefore be made available to investors, securities analysts and other interested parties to assist in their assessment of the performance of our business.

Adjusted net income (loss) is not a substitute for net income or loss for the period, which is the IFRS measure of earnings. Additionally, our calculation of adjusted net income (loss) may be different from the calculation used by other companies, including our competitors in the payments processing industry, because other companies may not calculate these measures in the same manner as we do, and therefore, our measure may not be comparable to those of other companies. Additionally, this measure is not intended to be a measure of cash available for management's discretionary use as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. For a reconciliation of our adjusted net income (loss), see "Presentation of Financial and Other Information—Selected financial data". You are encouraged to evaluate our adjustments and the reasons we consider them appropriate.

### **Market Share and Other Information**

This annual report contains data related to economic conditions in the market in which we operate. The information contained in this annual report concerning economic conditions is based on publicly available information from third-party sources that we believe to be reliable. Market data and certain industry forecast data used in this annual report were obtained from internal reports and studies, where appropriate, as well as estimates, market research, publicly available information (including information available from the United States Securities and Exchange Commission website) and industry publications. We obtained the information included in this annual report relating to the Brazilian internet, payment solutions and e-commerce markets, and more broadly, the industry in which we operate, as well as the estimates concerning market shares, through internal research, public information and publications on the industry prepared by official public sources, such as (1) the Brazilian Association of Credit Card and Service Companies (*Associação Brasileira das Empresas de Cartões de Crédito e Serviços - ABECS*), (2) the Central Bank, (3) the Brazilian Federation of Banks (*Federação Brasileira de Bancos (FEBRABAN)*), (4) the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*) ("IBGE") (5) IDC (*International Data Corporation*) and (6) Reclame Aqui among others.

Industry publications generally state that the information they include has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Although we have no reason to believe any of this information or these reports are inaccurate in any material respect and believe and act as if they are reliable, neither we, the selling shareholders, the underwriters, nor their respective agents have independently verified it. Governmental publications and other market sources, including those referred to above, generally state that their information was obtained from recognized and reliable sources, but the accuracy and completeness of that information is not guaranteed. Please note that from time to time, such sources can review numbers already reported, which can affect the comparability of this annual report to previous reports. In addition, the data that we compile internally and our estimates have not been verified by an independent source. Except as disclosed in this annual report, none of the publications, reports or other published industry sources referred to in this annual report were commissioned by us or prepared at our request. Except as disclosed in this annual report, we have not sought or obtained the consent of any of these sources to include such market data in this annual report.

### **Rounding**

We have made rounding adjustments to some of the figures included in this annual report. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.



## FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains statements that constitute forward-looking statements. Many of the forward-looking statements contained in this annual report can be identified by the use of forward-looking words such as “anticipate,” “believe,” “could,” “expect,” “should,” “plan,” “intend,” “may,” “predict,” “continue,” “estimate” and “potential,” or the negative of these terms or other similar expressions.

Forward-looking statements appear in a number of places in this annual report and include, but are not limited to, statements regarding our intent, belief or current expectations. These forward-looking statements include information about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors, including, but not limited to, those identified under the section entitled “Item 3. Key Information—D. Risk Factors” in this annual report. The statements we make regarding the following matters are forward-looking by their nature:

- our expectations regarding revenues generated by transaction activities and other services, subscription and equipment rental fees and financial income;
- our expectations regarding our operating and net profit margins;
- our expectations regarding significant drivers of our future growth;
- our expectations regarding the performance of our current and new solutions;
- our plans to continue to invest in research and development of technology for both existing and new products and services;
- our ability to differentiate ourselves from our competition by delivering a superior customer experience and through our network of hyper-local sales and services and other distribution channels;
- our ability to attract and retain a qualified management team and other team members while controlling our labor costs;
- our ability to invest more and collect results in the short-term;
- our plans to expand our footprint and explore opportunities in adjacent sectors and markets;
- competition adversely affecting our profitability and growth;
- the occurrence of a natural disaster, widespread health epidemic or pandemics, such as the coronavirus (COVID-19) pandemic;
- fluctuations in interest, inflation and exchange rates in Brazil and any other countries we may serve;
- general economic, financial, political, demographic and business conditions in Brazil and any other countries we may serve;
- the inherent risks related to the digital payments market, such as the interruption, failure or breach of our computer or information technology systems;
- our ability to anticipate market needs and develop and introduce new and enhanced products and service functionalities to adapt to changes in our industry;
- our ability to innovate and respond to technological advances, changes in the regulatory environment and changing market needs and customer demands;
- our ability to maintain, protect and enhance our brand and intellectual property;
- changes in consumer demands and preferences and technological advances, and our ability to innovate in order to respond to such changes;
- our failure to successfully maintain a relevant omnichannel experience for our clients, thereby adversely impacting our results of operations;
- our ability to implement technology initiatives successfully and to capture the anticipated benefits of such initiatives; and
- our plans to pursue, conclude and successfully integrate strategic acquisitions.

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

**CERTAIN TERMS AND CONVENTIONS**

A glossary of industry and other defined terms is included in this annual report, beginning on page 178.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

#### A. Directors and senior management

Not applicable.

#### B. Advisers

Not applicable.

#### C. Auditors

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

#### A. Offer statistics

Not applicable.

#### B. Method and expected timetable

Not applicable.

### ITEM 3. KEY INFORMATION

#### A. [Reserved]

#### B. Capitalization and indebtedness

Not applicable.

#### C. Reasons for the offer and use of proceeds

Not applicable.

#### D. Risk factors

The following summarizes the principal factors that make an investment in our company speculative or risky, all of which are more fully described in the risk factors below. This summary should be read in conjunction with the risk factors below and should not be relied upon as an exhaustive summary of the material risks facing our business. The following factors could result in harm to our business, reputation, revenue, financial results, and prospects, among other impacts:

- If we cannot keep pace with rapid developments and change in our industry and continue to acquire new merchants as rapidly as in the past, the use of our services could decline, reducing our revenues;

- Substantial and increasingly intense competition, both within our industry and from other payments methods, may harm our business;
- Degradation of the quality of the products and services we offer, including support services, could adversely affect our ability to attract and retain merchants and partners;
- If we fail to manage our growth effectively, our business could be harmed;
- Our efforts to expand our product portfolio and market reach may not succeed and may reduce our revenue growth;
- Our systems and our third-party providers' systems may fail due to factors beyond our control, which could interrupt our service, cause us to lose business and increase our costs;
- In the past, we identified material weaknesses in our internal control over financial reporting and, if we fail to maintain effective internal controls over financial reporting, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud;
- Our results of operations and operating metrics may fluctuate and we may generate losses in the future, which may cause the market price of our Class A common shares to decline;
- If we cannot pass increases in fees from payment schemes, including assessment, interchange, transaction and other fees, or increases in fees due to macroeconomic factors such as interest rate increases along to our merchants, our operating margins will decline;
- We may not be able to effectively manage individual or institutional credit risk, or credit trends that can affect spending on card products and the ability of customers and partners to pay us, which could have a material adverse effect on our results of operations and financial condition;
- Our business is subject to extensive government regulation and oversight in Brazil and our status under these regulations may change. Violation of or compliance with present or future regulation could be costly, expose us to substantial liability and force us to change our business practices, any of which could seriously harm our business and results of operations;
- As we grow our offering of banking and credit services, we will need to comply with additional laws and regulations applicable to such services;
- Certain ongoing legislative and regulatory initiatives under discussion by the Brazilian Congress, the Central Bank and the broader payments industry may result in changes to the regulatory framework of the Brazilian payments and financial industries and may have an adverse effect on us;
- We are subject to costs and risks associated with increased or changing laws and regulations affecting our business, including those relating to the sale of consumer products. Specifically, developments in data protection and privacy laws could harm our business, financial condition or results or operations;
- Unauthorized disclosure, destruction or modification of data, through cybersecurity breaches, computer viruses or otherwise or disruption of our services could expose us to liability, protracted and costly litigation and damage our reputation;
- We may not be able to successfully manage our intellectual property and may be subject to infringement claims;
- We rely upon third-party data center service providers to host certain aspects of our platform. Any disruption to, or interference with, our use of such services, could impair our ability to deliver our platform, resulting in customer dissatisfaction, damaging our reputation and harming our business;
- Our financing needs could adversely affect our financial flexibility and our competitive position;
- Our holding company structure makes us dependent on the operations of our subsidiaries;
- The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, as well as Brazil's political, regulatory, legal and economic conditions, could harm us and the price of our Class A common shares;
- Economic uncertainty and political instability in Brazil may harm us and the price of our Class A common shares;
- The Linx Transaction may result in significant charges or other liabilities that could adversely affect the financial results of the combined company;

- Linx's commercial automation and electronic invoice (NF-e) software are approved by the Departments of Treasury of with certain Brazilian states, and therefore, the loss of one or more approvals may jeopardize the result of this solution;
- Simplifying Brazilian tax rules would reduce barriers to entry for international competitors; and
- Linx and its managers may be accused of facilitating tax evasion for a client and becoming jointly liable for the refund of taxes owed to Brazilian tax authorities.

You should carefully consider the risks and uncertainties described below, together with the other information contained in this annual report, in our financial statements, and all other public information released by us from time to time, before making any investment decision. The risks described below are not the only ones we face. Our business, financial condition and operational results may be significantly affected not only by any of the risks set forth below, but also by any other risks that are currently unknown or considered irrelevant to us. Our business, results of operations or financial condition could be harmed if any of these risks materializes and, as a result, the trading price of our shares could decline and our investors may lose part or all of their investment.

## Risks

### Risks Relating to Our Business and Industry

*If we cannot keep pace with rapid developments and change in our industry and continue to acquire new merchants as rapidly as in the past, the use of our services could decline, reducing our revenues.*

The electronic payments market in which we compete is subject to rapid and significant changes. This market is characterized by rapid technological change, new product and service introductions, evolving industry standards, changing client needs and the entrance of non-traditional competitors. In order to remain competitive and continue to acquire new merchants rapidly, we are continually involved in a variety of projects to develop new services or compete with new market entrants, including the development of mobile phone payment applications, e-commerce services, digital banking, ERP, digital wallet account, prepaid card products, credit products and other new products emerging in the electronic payments industry such as Pix, WhatsApp pay and tap on phone solutions. These projects carry risks, such as cost overruns, delays in delivery, performance problems and lack of client adoption. Any delay in the delivery of new services or the failure to differentiate our services or to accurately predict and address market demand could render our services less desirable or obsolete to our clients. Furthermore, even though the market for alternative payment services is evolving, it may not continue to develop rapidly enough for us to recover the costs we have incurred in developing new services.

In addition, the services we render are designed to process very complex transactions and provide reports and other information concerning those transactions, at high volumes and processing speeds. Any failure to deliver an effective and secure service or any performance issue arising from a new service could result in significant processing or reporting errors or other losses. As a result of these factors, our development efforts could result in increased costs and/or we could also experience a loss in business that could reduce our earnings or could cause a loss of revenue if promised new services are not timely delivered to our clients or do not perform as anticipated. We also rely in part, and may in the future rely in part, on third-parties, including some of our competitors and potential competitors, for the development of, and access to, new technologies. Our future success will depend in part on our ability to develop or adapt to technological changes and evolving industry standards. We cannot predict the effects of technological changes on our business. If we are unable to develop, adapt to or access technological changes or evolving industry standards on a timely and cost-effective basis, our business, financial condition and results of operations could be materially and adversely affected, such as resulting in impairment of capitalized software for which future economic benefits are no longer expected.

Moreover, we may fail to adopt artificial intelligence and machine learning technology or to comply with its regulatory framework. It is possible that new laws and regulations will be adopted, that would affect the operation of our platform and the way in which we use artificial intelligence and machine learning technology. Further, the cost to comply with such laws or regulations could be significant and would increase our operating expenses, which could adversely affect our business, financial condition and results of operations.

Furthermore, some of our competitors may have the ability to devote more financial and operational resources than we can to the development of new technologies and products. If successful, their development efforts could render our services less desirable to clients, resulting in the loss of clients or a reduction in the fees we could generate from our service offerings and/or products.

***Substantial and increasingly intense competition, both within our industry and from other payments methods, may harm our business.***

The market for payment processing services is highly competitive. Other providers of payment processing services have established a sizable market share in the micro, small and mid-sized merchant processing and servicing sector, which are the markets in which we are mainly focused, as well as servicing large merchants. Our growth will depend on a combination of the continued growth of electronic payments and our ability to increase our market share.

Our primary competitors include traditional merchant acquirers such as affiliates of financial institutions and well-established payment processing companies. We also face competition from nontraditional payment processors that have significant financial resources and develop different kinds of services. Additionally, we may also face competition from traditional and established financial institutions, such as credit lenders that have significant financial resources and Brazilian credit industry experience.

Our competitors that are affiliated with financial institutions may not incur the sponsorship costs we incur for registration with the payment schemes. Many of our competitors also have substantially greater financial, technological, operational and marketing resources than we have. Accordingly, these competitors (especially those that are affiliated with financial institutions) may be able to offer more attractive fees to our current and prospective clients. If competition causes us to reduce the fees we charge for our services, we will need to aggressively control our costs in order to maintain our profit margins and our revenues may be adversely affected. In particular, we may need to reduce the fees we charge in order to maintain market share, as merchants may demand more customized and favorable pricing from us. We may also decide to terminate client relationships which may no longer be profitable to us due to such pricing pressure. More recently, we have also decided to deprioritize sub-acquiring clients due to their low profitability and more volatile nature. Furthermore, our ability to control our costs is limited because we are subject to fixed transaction costs related to payment schemes. Competition could also result in a loss of existing clients, and greater difficulty in attracting new clients. One or more of these factors could have a material adverse effect on our business, financial condition and results of operations.

***Degradation of the quality of the products and services we offer, including support services, could adversely affect our ability to attract and retain merchants and partners.***

Our merchants expect a consistent level of quality in the provision of our products and services. The support services that we provide are also a key element of the value proposition to our clients. If the reliability or functionality of our products and services is compromised or if the quality of those products or services is otherwise degraded, or if we fail to continue to provide a high level of support, we could lose existing merchants and find it harder to attract new merchants and partners. If we are unable to scale our support functions to address the growth of our merchant and partner network, the quality of our support may decrease, which could adversely affect our ability to attract and retain merchants and partners.

***If we fail to manage our growth effectively, our business could be harmed.***

In order to manage our growth effectively, we must continue to strengthen our existing infrastructure, develop and improve our internal controls, create and improve our reporting systems, and timely address issues as they arise. These efforts may require substantial financial expenditures, commitments of resources, developments of our processes, and other investments and innovations. Furthermore, we encourage employees to quickly develop and launch new features for our products and services. As we grow, we may not be able to execute as quickly as smaller, more efficient organizations. If we do not successfully manage our growth, our business will potentially suffer.

***Our efforts to expand our product portfolio and market reach may not succeed and may reduce our revenue growth.***

While we have grown the proportion of revenue from newer products and services such as banking, credit solution and software solutions, we intend to continue to broaden the scope of products and services we offer. However, we may not be successful in maintaining or growing our current revenue streams, or deriving any significant new revenue streams from these products and services. Failure to successfully broaden the scope of products and services that are attractive may inhibit our growth and harm our business. Furthermore, we expect to continue to expand our markets in the future, and we may have limited or no experience in such newer markets. We cannot assure you that any of our products or services will be widely accepted in any market or that they will continue to grow in revenue. Our offerings may present new and difficult technological, operational, regulatory, risks, and other challenges, and if we experience service disruptions, failures, or other issues, our business may be materially and adversely affected. Further, our newer activities may not lead to growth or recoup our investments in a timely manner or at all and may require significant management time and attention. If any of this were to occur, it could damage our reputation, limit our growth, and materially and adversely affect our business.

***Our systems and our third-party providers' systems may fail due to factors beyond our control, which could interrupt our service, cause us to lose business and increase our costs.***

We depend on the efficient and uninterrupted operation of numerous systems, including our computer systems, software, data centers and telecommunications networks, as well as the systems of third-parties. For example, Linx's SaaS, cloud and on-premise infrastructure are dependent on telecommunications, internet and data center providers. Our systems and operations, or those of our third-party providers, could be exposed to damage or interruption due to, among other things, fire, natural disaster, power loss, telecommunications failure, unauthorized entry and computer viruses. Defects in our systems or those of third-parties, errors or delays in the processing of payment transactions, telecommunications failures or other difficulties could result in:

- loss of revenues, including subscription revenues owed from equipment rentals;
- loss of clients or early termination of customer contracts;
- loss of merchant and cardholder data;
- loss of licenses with Visa, Mastercard or other payment schemes;
- fines imposed by payment scheme associations and other issues relating to noncompliance with applicable payment scheme requirements;
- loss of Central Bank authorizations granted by the Central Bank to operate as a payment institution (*instituição de pagamento*), as a direct credit company (*sociedade de crédito direto*) or as a trade repository (*entidade registradora*) in Brazil. In January 2024, we received authorization from the Central Bank to act as a financial services company, *Sociedade de Crédito, Financiamento e Investimento S.A.* ("SCFI");
- fines or other penalties imposed by the Central Bank, as well as other measures taken by the Central Bank, including intervention, temporary special management, insolvency proceedings, and/or the out-of-court liquidation of Stone Instituição de Pagamento and any of our subsidiaries to whom licenses may be granted in the future;
- fines or other penalties imposed by ANPD;
- harm to our business or reputation resulting from negative publicity;
- exposure to fraud losses or other liabilities;
- indemnity actions imposed by customers that may negatively affect operating results and financial situation;
- additional operating and development costs; and/or
- diversion of technical and other resources.

In particular, we rely heavily on our subsidiary, Buy4 Processamento de Pagamentos S.A. ("Buy4"), to provide transaction authorization and settlement, computing, storage, processing and other related services. Any disruption of or interference with our use of Buy4 services could negatively affect our operations and seriously harm our business. Buy4 provides software and systems to process the authorization and settlement of credit card and debit card transactions. Buy4 has experienced, and may experience in the future, interruptions, delays or outages in service availability due to a variety of factors, including infrastructure changes, human or software errors, hosting disruptions and capacity constraints. Capacity constraints could arise from a number of causes such as technical failures, natural disasters, fraud or security attacks. The level of service provided by Buy4, or regular or prolonged interruptions in the services provided by Buy4, could also impact the use of, and our clients' satisfaction with, our products and services and could harm our business and reputation. To the extent Buy4 begins offering its services to other payment processors or others, the frequency of interruptions, delays or outages in service availability may increase. In addition, hosting costs will increase as our user base and user engagement grows. This could materially and adversely affect our business if our revenues do not increase faster than hosting costs.

It is mandatory under the Central Bank rules that acquirers register daily in trade repositories all card receivables owned by merchants (credit and debit). On the other hand, it is also mandatory that institutions willing to negotiate those receivables also register their contracts in such trade repositories. Therefore, as StoneCo encompasses an acquirer (Stone Instituição de Pagamento) and a financial institution (Stone SCD), it registers the merchants' receivables through TAG Tecnologia para o Sistema Financeiro S.A. ("TAG") (a StoneCo company), and its contracts through TAG, CERC Central de Recebíveis S.A. ("CERC"), CIP S.A. ("Nuclea"), and B3 S.A. - Brasil, Bolsa, Balcão ("B3"). Pursuant to applicable rules, the acquirer must settle the merchants' receivables in accordance with the information registered in the chosen trade repository and contracts regarding card receivables are only effective and made public when registered in a trade repository. Hence, any disruption of or interference with TAG, Nuclea, B3 or CERC's services could negatively affect our operations and seriously harm our business, as well as any acquirers' misconducts of not settling the merchant's receivables in accordance with the information registered in the trade repository. Under existing rules, while acquirers may only choose one trade repository, increasing risks due to system failures, financial institutions may choose as many as they want, mitigating system unavailability risks. On June 6, 2021, the interoperability between financial market infrastructures (TAG, CERC, Nuclea and, more recently, B3) was launched under the rules of the Central Bank. Considering the unprecedented dynamics, constant system instabilities were perceived. The trade repositories' systems are evolving with the Central Bank enacting new rules. See "— Our business is subject to extensive government regulation and oversight in Brazil and our status under these regulations may change. Violation of or compliance with present or future regulation could be costly, expose us to substantial liability and force us to change our business practices, any of which could seriously harm our business and results of operations."

***In the past, we identified material weaknesses in our internal control over financial reporting and, if we fail to maintain effective internal controls over financial reporting, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud.***

Before we acquired Linx, prior to the year ended on December 31, 2020, management of Linx identified material weaknesses on financial reporting of Linx. If we fail to maintain the adequacy of our internal control over financial reporting, as the laws, regulations and policies standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. If we fail to maintain an effective internal control environment, we could suffer material misstatements in our financial statements, fail to meet our reporting obligations or fail to prevent fraud, which would likely cause investors to lose confidence in our reported financial information. This could, in turn, limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our Class A common shares. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from Nasdaq, regulatory investigations and civil or criminal sanctions.

***We make estimates and assumptions in connection with the preparation of our financial statements, and any changes to those estimates and assumptions could have a material adverse effect on our operating results.***

In connection with the preparation of our financial statements, we use certain estimates and assumptions based on historical experience and other factors. For example, we take into consideration our assets useful lives. While we believe that these estimates and assumptions are reasonable under the circumstances that they are presented, they are subject to significant uncertainties, some of which are beyond our control. In 2021, our financial statements were materially impacted due to changes in our previous estimates and assumptions related to the fair value of our credit portfolio and credit losses, as we perceived a potential deterioration in the quality of the collateral. Therefore, should any of the estimates and assumptions we use change or prove to have been incorrect, our reported operating results could be materially adversely affected.



***Our results of operations and operating metrics may fluctuate and we may generate losses in the future, which may cause the market price of our Class A common shares to decline.***

We intend to make significant investments in our business, including with respect to our employee base, sales and marketing, including expenses relating to increased direct marketing efforts, referral programs, and free hardware and subsidized services, development of new products, services, and features; expansion of office space, data centers and other infrastructure, development of international operations and general administration, including legal, finance, and other compliance expenses related to being a public company. If the costs associated with acquiring and supporting new or larger merchants materially rise in the future, including the fees we pay to third-parties to advertise our products and services, our expenses may rise significantly. In addition, increases in our client base could cause us to incur losses, because costs associated with new clients are generally incurred up front, while revenue is recognized thereafter as merchants utilize our services. If we are unable to generate adequate revenue growth and manage our expenses, our results of operations and operating metrics may fluctuate and we may incur significant losses in the future, which could cause the market price of our Class A common shares to decline.

We frequently invest in developing products or services that we believe will improve the experiences of our clients and therefore improve our long-term results of operations. However, these improvements often cause us to incur significant up-front costs and may not result in the long-term benefits that we expect, which may materially and adversely affect our business. For example, our growth strategy contemplates an expansion in our distribution channels. Successful implementation of our growth strategy will require significant expenditures before any substantial associated revenue is generated. We cannot assure you that our increased investment in marketing activities will result in corresponding revenue growth. We cannot assure you that our recently opened or future Stone Hubs will generate revenue and cash flow comparable with those generated by our more mature Stone Hubs. Furthermore, we cannot assure you that our new Stone Hubs will continue to mature at the same rate as our existing Stone Hubs, especially if economic conditions deteriorate.

***If we cannot pass increases in fees from payment schemes, including assessment, interchange, transaction and other fees, or increases in fees due to macroeconomic factors such as interest rate increases along to our merchants, our operating margins will decline.***

We pay assessment, interchange and other fees set by the payment schemes for each transaction we process. From time to time, the payment schemes may increase the assessment, interchange and other fees that they charge payment processors. We may also face increases in costs from macroeconomic factors such as a higher interest rate, which affects the financing costs of our prepayment operation. Under our existing contracts with merchants, we are generally permitted to pass these fee increases along to our merchants through corresponding increases in our processing fees. However, if we are unable to pass through these and other fees in the future due to contractual or regulatory restrictions, competitive pressures or other considerations, it could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to effectively manage individual or institutional credit risk, or credit trends that can affect spending on card products and the ability of customers and partners to pay us, which could have a material adverse effect on our results of operations and financial condition.***

We are exposed to institutional credit risk, principally from credits provided to our clients. Clients may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. General economic factors, such as the rate of inflation, unemployment levels and interest rates, may result in greater delinquencies that lead to greater credit losses. A client's ability and willingness to repay us can be negatively impacted not only by economic, market, political and social conditions but by a customer's other payment obligations, and increasing leverage can result in a higher risk that customers will default or become delinquent in their obligations to us.

We mainly rely on the client's creditworthiness and their ability to generate receivables for repayment of the credit provided by us. Our ability to assess creditworthiness may be impaired if the criteria or models we use to manage our credit risk prove to be inaccurate in predicting future losses, which could cause our losses to rise and have a negative impact on our results of operations. Further, our pricing strategies may not offset the negative impact on profitability caused by increases in delinquencies and losses. Thus, any material increases in delinquencies and losses beyond our current estimates could have a material adverse impact on us.

Rising delinquencies and rising rates of bankruptcy are often precursors of future write-offs and may require us to increase our reserve for credit losses. Although we regularly review our credit exposure to specific clients and counterparties and to specific industries that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to foresee or detect, such as fraud. In addition, our ability to manage credit risk may be adversely affected by legal or regulatory changes, such as restrictions on collections or changes in bankruptcy laws. Increased credit risk, whether resulting from underestimating the credit losses inherent in our portfolio, deteriorating economic conditions (particularly in Brazil), increases in the level of credit balances, changes in our mix of business or otherwise, could require us to increase our provisions for losses and could have a material adverse effect on our results of operations and financial condition.

***Merchant attrition or a decline in our clients' growth rate could cause our revenues to decline.***

We experience attrition in merchant credit and debit card processing volume resulting from several factors, including business closures, transfers of merchants' accounts to our competitors and account closures that we initiate due to heightened credit risks relating to contract breaches by merchants or a reduction in same-store sales. We cannot predict the level of attrition in the future and our revenues could decline as a result of higher than expected attrition, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, our growth to date has been partially driven by the growth of our clients' businesses and the resulting growth in TPV. Should the rate of growth of our clients' business slow or decline, this could have an adverse effect on volumes processed and therefore an adverse effect on our results of operations. Furthermore, should we not be successful in selling additional solutions to our active client base, we may fail to achieve our desired rate of growth.

***Any acquisitions, investments, partnerships or joint ventures that we make or enter into could disrupt our business and harm our financial condition.***

Acquisitions, investments, partnerships and joint ventures may be part of our growth strategy. We evaluate and expect in the future to evaluate potential strategic acquisitions, investments, and partnerships or joint ventures with, complementary businesses, services or technologies. We may not be successful in identifying acquisition, investments, partnership and joint venture targets. In addition, we may not be able to successfully finance or integrate any businesses, services or technologies that we acquire, invest or with which we form a partnership or joint venture, and we may lose merchants as a result of any acquisition, investment, partnership or joint venture. Furthermore, the integration of any acquisition (such as the Linx Transaction and the Reclame Aqui acquisition, as defined on "Item 5 — Operating and Financial Reviews and Prospects"), investment (such as the investment in Banco Inter), partnership or joint venture may divert management's time and resources from our core business and disrupt our operations, and such integration may be substantially more costly and time consuming than we had anticipated. Certain acquisitions, investments, partnerships and joint ventures we make may prevent us from competing for certain clients or in certain lines of business, and may lead to a loss of clients. We may spend time and money on projects that do not increase our revenue. To the extent we pay the purchase price of any acquisition in cash, it would reduce our cash reserves, and to the extent the purchase price is paid with our common shares, it could be dilutive to our shareholders. To the extent we pay the purchase price with proceeds from the incurrence of debt, it would increase our level of indebtedness and could negatively affect our liquidity and restrict our operations. Our competitors may be willing or able to pay more than us for acquisitions, which may cause us to lose certain acquisitions that we would otherwise desire to complete. Finally, we may be forced to assume certain liabilities in connection with any acquisitions that we consummate, including unknown and contingent liabilities that we failed or were unable to identify in the course of performing due diligence. We cannot ensure that any acquisition, investment, partnership or joint venture we make will not have a material adverse effect on our business, financial condition and results of operations.

***Our business strategy may not provide us the results we expect.***

Our strategy and challenges are determined by management based on related assumptions, such as the future economic environment, and the regulatory, political and social scenarios where we operate. These assumptions are subject to inaccuracies and risks that might not be identified or anticipated.

Accordingly, the results and consequences arising from any possible inaccurate assumptions may compromise our capacity to fully or partially implement strategies, as well as to achieve the results and benefits expected therefrom, which might give rise to financial losses and reduce the value creation to our stockholders.

Additionally, factors beyond our control, such as, but not limited to, economic and market conditions, changes in laws and regulations, including regulations limiting fees or interest rates and fostering an increasingly competitive scenario, and other risk factors stated in this annual report may make it difficult or impossible to implement fully or partially our business model and also our achieving the results and benefits expected from our business plan.

***We partially rely on card issuers or payment schemes to process our transactions. If we fail to comply with the applicable requirements of Visa, Mastercard or other payment schemes, those payment schemes could seek to fine us, suspend us or terminate our registrations, which could have a material adverse effect on our business, financial condition or results of operations.***

We rely on card issuers and payment schemes to enable card acceptance and, in order to provide this service to our clients, we must pay fees to the payment schemes and card issuers, according to the applicable fees defined by the payment schemes regulation. A significant source of our revenue comes from processing transactions through Visa, Mastercard and other payment schemes. The payment schemes routinely update and modify their requirements and may increase or enforce new fees that can be charged by different billing methods, including fees per transaction by using one of their cards. Those changes in the requirements, including changes to risk management and collateral requirements, may impact our ongoing cost of doing business and, in some circumstances, we may not be able to pass through such costs to our clients or associated participants. Furthermore, if we do not comply with the payment scheme requirements (e.g., their rules, bylaws and charter documentation), the payment schemes could seek to fine us, suspend us or terminate our registrations that allow us to process transactions on their schemes. On occasion, we have received notices of noncompliance and fines, which have been typically related to transactional or messaging requisites, as well as excessive chargebacks by a merchant or data security failures on the part of a merchant. If we are unable to recover amounts relating to fines or pass through the costs to our merchants or other associated participants, we would experience a financial loss. The termination of our registration due to failure to comply with the applicable requirements of Visa, Mastercard or other payment schemes, or any changes in the payment scheme rules that would impair our registration, could require us to stop allowing our clients to accept Visa, Mastercard or other payment schemes, which could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to economic and political risk, the business cycles and credit risk of our clients and issuing banks and volatility in the overall level of consumer, business and government spending, which could negatively impact our business, financial condition and results of operations.***

The electronic payments industry depends heavily on the overall level of consumer, business and government spending. We are exposed to general economic conditions that affect consumer confidence, consumer spending, consumer discretionary income or changes in consumer purchasing habits. A sustained deterioration in general economic conditions, including a rise in unemployment rates, particularly in Brazil, or increases in interest rates may adversely affect our financial performance by reducing the number or average purchase amount of transactions made using electronic payments. A reduction in the amount of consumer spending could result in a decrease in our revenue and profits. If cardholders make fewer transactions with their cards, our merchants make fewer sales of their products and services using electronic payments or people spend less money per transaction, we will have fewer transactions to process at lower amounts, resulting in lower revenue.

In addition, a recessionary economic environment could affect our merchants through a higher rate of bankruptcy filings, resulting in lower revenues and earnings for us. Our merchants are liable for any charges properly reversed by the card issuer on behalf of the cardholder. Our associated participants are also liable for any fines, or penalties, that may be assessed by any payment schemes. In the event that we are not able to collect such amounts from the associated participants, whether due to fraud, breach of contract, insolvency, bankruptcy or any other reason, we may be liable for any such charges. Furthermore, in the event of a closure of a merchant, we are unlikely to receive our fees for any services rendered to that merchant in its final months of operation, including subscription revenue owed to us from such merchant's equipment rental or software obligations. In turn, we also face a default risk from issuing banks that are counterparty to our receivables pursuant to our credit card payment arrangements. Accordingly, a default by an issuing bank, due to insolvency, bankruptcy, intervention, operational error or otherwise could negatively impact our cash flows as we are required to make payments to merchants independently of the issuing banks' payments owed to us. As of December 31, 2023, we recorded estimated credit losses arising from defaults of issuing banks of R\$55.7 million relating to estimated losses on such doubtful accounts, compared to R\$22.8 million as of December 31, 2022. Any of the foregoing risks would negatively impact our business, financial condition and results of operations. See "—Risks Relating to Brazil".

Although in 2023 we have deprioritized sub-acquiring clients, some sub-acquirers are still our clients. Thus, we are exposed to sub-acquirers risk. In the case we pay the sub-acquirers, and it does not pay its merchants for any reason, we must pay these merchants.

***We have business systems that do not have full redundancy.***

While much of our processing infrastructure is located in multiple, redundant data centers, we have some core business systems that are located in only one facility and do not have redundancy (and these data centers are owned and operated by third-parties). An adverse event, such as damage or interruption from natural disasters, power or telecommunications failures, cybersecurity breaches, criminal acts and similar events, with respect to such systems or the facilities in which they are located could impact our ability to conduct business and perform critical functions, which could negatively impact our financial condition and results of operations.

***A decline in the use of credit, debit or prepaid cards as a payment mechanism for consumers or adverse developments with respect to the payment processing industry in general could have a materially adverse effect on our business, financial condition and results of operations.***

If consumers do not continue to use credit, debit or prepaid cards as a payment mechanism for their transactions or if there is a change in the mix of payments between cash, credit, debit and prepaid cards that is adverse to us, it could have a material adverse effect on our business, financial condition and results of operations. We believe future growth in the use of credit, debit and prepaid cards and other electronic payments will be driven by the cost, ease-of-use, and quality of services offered to consumers and businesses. In order to consistently increase and maintain our profitability, consumers and businesses must continue to use electronic payment methods including credit, debit and prepaid cards. Moreover, if there is an adverse development in the payments industry or Brazilian market in general, such as new legislation or regulation that makes it more difficult for our clients to do business or utilize such payment mechanisms, our business, financial condition and results of operations may be adversely affected. For example, the Central Bank has developed an instant payment solution called Pix, which started operating in November 2020. This solution is an alternative for cash, *boletos*, wire transfers and debit transactions. Certain merchants have adopted Pix and others may adopt it in the future, which may affect the use of debit or prepaid cards and may affect our business, financial condition and results of operations.

***Our insurance policies may not be sufficient to cover all claims.***

Our insurance policies may not adequately cover all risks to which we are exposed. For example, we do not maintain insurance policies contracted specifically for property and business interruptions. A significant claim not covered by our insurance, in full or in part, may result in significant expenditures by us. Moreover, we may not be able to maintain insurance policies in the future at reasonable costs or on acceptable terms, which may adversely affect our business and the trading price of our Class A common shares.

***Our risk management policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risks, which could expose us to losses and liability and otherwise harm our business.***

We operate in a rapidly changing industry, and we have experienced significant change in recent years including certain acquisitions. Accordingly, our risk management policies and procedures may not be fully effective in identifying, monitoring and managing our risks. Some of our risk evaluation methods depend upon information provided by others and public information regarding markets, clients or other matters that are otherwise inaccessible by us. In some cases, however, that information may not be accurate, complete or up-to-date. If our policies and procedures are not fully effective or we are not always successful in capturing all risks to which we are or may be exposed, we may suffer harm to our reputation or be subject to litigation or regulatory actions that could have a material adverse effect on our business, financial condition and results of operations.

We offer payments, digital banking, credit services and software as well as other products and services to a large number of clients. We are responsible for vetting and monitoring these clients and determining whether the transactions we process for them are lawful and legitimate. When our products and services are used to process illegitimate transactions, and we settle those funds to merchants and are unable to recover them, we suffer losses and liability. These types of illegitimate, as well as unlawful, transactions can also expose us to governmental and regulatory sanctions, including outside of Brazil (e.g., U.S. anti-money laundering and economic sanctions violations). The highly automated nature of, and liquidity offered by, our payments services make us a target for illegal or improper uses, including fraudulent or illegal sales of goods or services, money laundering, and terrorist financing. Identity thieves and those committing fraud using stolen or fabricated credit card or bank account numbers, or other deceptive or malicious practices, including the hacking of bank accounts, can potentially steal significant amounts of money from businesses like ours. In configuring our payments, digital banking, credit services and software, we face an inherent trade-off between security and client convenience. Our risk management policies, procedures, techniques, and processes may not be sufficient to identify all of the risks to which we are exposed, to enable us to mitigate the risks we have identified, or to identify additional risks to which we may become subject in the future. When a greater number of larger merchants use our services, we expect our exposure to material losses from a single merchant, or from a small number of merchants, to increase. In addition, when we introduce new services, focus on new business types, or begin to operate in markets in which we have a limited history of fraud loss, we may be less able to forecast and reserve accurately for those losses. Moreover, we rely on third-party service providers, such as PSP, and our risk management policies and processes may not be sufficient to monitor compliance by such third-parties with applicable laws and regulations, including anti-money laundering laws and settlement of sub-acquirers. We may incur significant costs with respect to monitoring third-party service providers. Furthermore, if our risk management policies and processes contain errors or are otherwise ineffective, we may suffer large financial losses, we may be subject to civil and criminal liability, and our business may be materially and adversely affected.

***We incur chargeback and refund liability when our merchants refuse to or cannot reimburse chargebacks and refunds resolved in favor of their customers. Any increase in chargebacks and refunds not paid by our merchants may adversely affect our business, financial condition or results of operations.***

We are currently, and will continue to be, exposed to risks associated with chargebacks and refunds in connection with payment card fraud or relating to the goods or services provided by our sellers. In the event that a billing dispute between a cardholder and a merchant is not resolved in favor of the merchant, including in situations in which the merchant is engaged in fraud, the transaction is typically “charged back” to the merchant and the purchase price is credited or otherwise refunded to the cardholder. If we are unable to collect chargeback or refunds from the merchant’s account, or if the merchant refuses to or is unable to reimburse us for a chargeback or refunds due to closure, bankruptcy, or other reasons, we may bear the loss for the amounts paid to the cardholder. Our financial results would be adversely affected to the extent these merchants do not fully reimburse us for the related chargebacks. In addition, our exposure to these potential losses from chargebacks increases to the extent that we have provided working capital solutions to such merchants, as the full amount of the payment is provided up front rather than in installments. We do not collect and maintain reserves from our merchants to cover these potential losses, and for customer relations purposes we sometimes decline to seek reimbursement for certain chargebacks. Historically, chargebacks occur more frequently in card not present transactions than in card present transactions, and more frequently for goods than for services. In addition, the risk of chargebacks is typically greater with those of our merchants that promise future delivery of goods and services, which we allow on our service. If we are unable to maintain our losses from chargebacks at acceptable levels, the payment schemes could fine us, increase our transaction fees, or terminate our ability to process payment cards. Any increase in our transaction fees could damage our business, and if we were unable to accept payment cards, our business would be materially and adversely affected.

***Fraud by merchants, clients using our credit or digital banking solutions or others could have a material adverse effect on our business, financial condition, and results of operations.***

We may be subject to potential liability for fraudulent electronic payment transactions or credits initiated by merchants or others, as well as by clients using our credit or digital banking solutions. Examples of merchant fraud include when a merchant or other party knowingly uses a stolen or counterfeit credit, debit or prepaid card, card number, or other credentials to record a false sales transaction, processes an invalid card, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Furthermore, we are also exposed to potential liability when fraudulent agents use false identities to access our credit and banking products, which could increase our credit risk exposure as well as our liability towards clients and third-parties in case of any damages. Additionally, we must consider potential liabilities related to privacy and data protection, particularly in cases where personal information is compromised due to fraudulent activities. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeiting and fraud. It is possible that incidents of fraud could increase in the future, and our failure to catch such incidents may result in sanctions and/or fines from regulators, lawsuits and the degradation of our reputation. Failure to effectively manage risk and prevent fraud would increase our chargeback and credit liabilities, default rates on our credit solutions, among others, and subject us to potential fines by regulators. Increases in chargebacks and credit liabilities, default rates on our credit solutions and potential fines under our digital banking solutions, among others, as well as any fines by regulators, could have a material adverse effect on our business, financial condition, and results of operations.

***Increases in interest rates may harm our business.***

Processing consumer transactions made using credit cards, as well as providing for the prepayment of our clients' receivables when consumers make credit card purchases in installments, both make up a significant portion of our activities. If Brazilian interest rates increase, consumers may choose to make fewer purchases using credit cards, and fewer merchants may decide to use our working capital solutions if our overall financing costs require us to increase the fee we charge for our working capital solutions. Either of these factors could cause our business activity levels to decrease. Also, we may lose clients as a result of increasing prices, which may also impact our business. In addition, we have funded our operations in part through financings that have variable interest rates, whereas we charge most merchants a fixed fee for the prepayment of our clients' receivables. As of December 31, 2023, we had R\$2.9 billion of debentures, loans, bank borrowings, quota holder obligations in our FIDCs and other financial liabilities subject to variable interest and return rates, compared to R\$2.8 billion as of December 31, 2022. We also sell receivables to third-parties on a non-recourse basis, which also have variable interest rates. Accordingly, a cost or maturity mismatch between the funds raised by us and the funds made available to our clients may materially adversely affect our liquidity, financial condition and results of operations.

***We are exposed to fluctuations in foreign currency exchange rates.***

We hold certain funds in non-Brazilian *real* currencies, and will continue to do so in the future. Accordingly, our financial results are affected by the translation of these non-*real* currencies into reais. In addition, to the extent that we need to convert future financing proceeds into Brazilian reais for our operations, any appreciation of the Brazilian *real* against the relevant foreign currencies would materially reduce the Brazilian *real* amounts we would receive from the conversion. No assurance can be given that fluctuations in foreign exchange rates will not have a significant impact on our business, financial condition, results of operations and prospects. We may also have foreign exchange risk on any of our other assets and liabilities denominated in currencies, or with pricing linked to currencies, other than our functional currency, including certain contract assets. The strengthening of the Brazilian *real* versus any of these foreign currencies may have a material adverse effect on our financial position and results of operations.

***Our balance sheet includes significant amounts of intangible assets. The impairment of a significant portion of these assets would negatively affect our business, financial condition and results of operations.***

As of December 31, 2023, our balance sheet includes intangible assets that amount to R\$8,794.9million. These assets consist primarily of identified intangible assets and goodwill associated with our acquisitions. We also expect to engage in additional acquisitions, which may result in our recognition of additional intangible assets. Under current accounting standards, we are required to amortize certain intangible assets over the useful life of the asset, while certain other intangible assets are not amortized. On at least an annual basis, we assess whether there have been impairments in the carrying value of certain intangible assets. If the carrying value of the asset is determined to be impaired, then it is written down to fair value by a charge to operating earnings. An impairment of a significant portion of intangible assets could have a material adverse effect on our business, financial condition and results of operations.

***Our services must integrate with a variety of operating systems, software, hardware, web browsers and networks, and the hardware that enables merchants to accept payment cards must interoperate with mobile networks offered by telecom operators and third-party mobile devices utilizing those operating systems, software, hardware, web browsers and networks. If we are unable to ensure that our services or hardware interoperate with such operating systems, software, hardware, web browsers and networks, our business may be materially and adversely affected.***

We are dependent on the ability of our products and services to integrate with a variety of operating systems, software, hardware and networks, as well as web browsers that we do not control. Any changes in these systems or networks that degrade the functionality of our products and services, impose additional costs or requirements on us, or give preferential treatment to competitive services, including their own services, could materially and adversely affect usage of our products and services. In the event that it is difficult for our merchants to access and use our products and services, our business may be materially and adversely affected. We also rely on bank platforms and others, including card issuers, to process some of our transactions. If there are any issues with, or service interruptions in, these bank platforms, users may be unable to have their transactions completed, which would seriously harm our business.

In addition, our solutions, including hardware and software, interoperate with mobile networks offered by telecom operators and mobile devices developed by third-parties. Changes in these networks or in the design of these mobile devices may limit the interoperability of our solutions with such networks and devices and require modifications to our solutions. If we are unable to ensure that our hardware continues to interoperate effectively with such networks and devices, or if doing so is costly, our business may be materially and adversely affected.

***Our business depends on a well-regarded and widely known brand, and any failure to maintain, protect, and enhance our brand would harm our business.***

We have developed a well-regarded and widely known brand that has contributed significantly to the success of our business. Our brand is predicated on the idea that sellers and buyers will know and trust us and find value in building and growing their businesses with our products and services. Maintaining, protecting, and enhancing our brand are critical to expanding our base of merchants, and other third-party partners, as well as increasing engagement with our products and services. This will depend largely on our ability to remain widely known, maintain trust, be a technology leader, and continue to provide high-quality and secure products and services.

The purchasing decisions of consumers are affected by factors including brand recognition, product quality and performance, price and subjective preferences. Some of our competitors may have marketing investments substantially larger than ours. If our advertising, promotional and marketing strategies do not succeed and if we are unable to offer new products to meet the market demands, we may be adversely affected. If we cannot introduce new products in a timely manner or if our end consumers believe that our competitors' products are more attractive, our sales, profitability and our results of operations may be adversely affected. The introduction and promotion of new services, as well as the promotion of existing services, may be partly dependent on our visibility on third-party advertising platforms, such as Globo, Google or Meta. Changes in the way these platforms operate or changes in their advertising prices or other terms could make the maintenance and promotion of our products and services and our brand more expensive or more difficult. If we are unable to market and promote our brand on third-party platforms effectively, our ability to acquire new merchants would be materially harmed.

Any negative publicity about our industry or our company, the quality and reliability of our products and services, our risk management processes, changes to our products and services, our ability to effectively manage and resolve seller and buyer complaints, our privacy and security practices, litigation, regulatory activity, and the experience of sellers and buyers with our products or services, could adversely affect our reputation and the confidence in and use of our products and services. Harm to our brand can arise from many sources, including failure by us or our partners to satisfy expectations of service and quality; inadequate protection of sensitive information; compliance failures and claims; litigation and other claims; third-party trademark infringement claims; employee misconduct; and misconduct by our associated participants, partners, service providers, or other counterparties. If we do not successfully maintain a well-regarded and widely known brand, our business could be materially and adversely affected.

We have been from time to time in the past, and may in the future be, the target of incomplete, inaccurate, and misleading or false statements about us, our business, and our products and services that could damage our brand and materially deter people from adopting our services. Negative publicity about us or our management, including about our product quality and reliability, changes to our products and services, privacy and security practices, litigation, regulatory enforcement, and other actions, as well as the actions of our clients and other users of our services, even if inaccurate, could cause a loss of confidence in us. Our ability to respond to negative statements about us may be limited by legal prohibitions on permissible public communications by us during future periods.

***If we lose key personnel our business, financial condition and results of operations may be adversely affected.***

We are dependent upon the ability and experience of a number of key personnel who have substantial experience with our operations, the rapidly changing payment processing industry and the markets in which we offer our services.

Many of our key personnel have worked for us for a significant amount of time or were recruited by us specifically due to their industry experience. It is possible that the loss of the services of one or a combination of our senior executives or key managers, including our chief executive officer, could have a material adverse effect on our business, financial condition and results of operations.

***In a dynamic industry like ours, the ability to attract, recruit, develop and retain qualified employees is critical to our success and growth. If we are not able to do so, our business and prospects may be materially and adversely affected.***

Our business functions at the intersection of rapidly changing technological, social, economic and regulatory developments requiring a wide-ranging set of expertise and intellectual capital. In order for us to successfully compete and grow, we must attract, recruit, develop and retain the necessary personnel who can provide the needed expertise across the entire spectrum of our intellectual capital needs. While we have a number of our key personnel who have substantial experience with our operations, we must also develop our personnel to provide succession plans capable of maintaining continuity in the midst of the inevitable unpredictability of human capital. However, the market for qualified personnel is competitive, and we may not succeed in recruiting additional personnel or may fail to effectively replace current personnel who depart with qualified or effective successors. For instance, our Stone Agents are highly trained and, accordingly, we may face challenges in recruiting and retaining such qualified personnel. We must continue to hire additional personnel to execute our strategic plans. Our efforts to retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability. We cannot assure that qualified employees will continue to be employed or that we will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on our business, financial condition and results of operations.

***Our operations may be adversely affected by a failure to timely obtain or renew any licenses required to operate our hubs.***

The operation of our hubs and other properties we occupy or may come to occupy are subject to certain license and certification requirements under applicable law, including operation and use licenses (*alvará de licença de uso e funcionamento*) from the municipalities in which we operate and certificates of inspection from applicable local fire departments (*auto de vistoria do corpo de bombeiros*). Our operations may be adversely affected by a failure to timely obtain or renew any licenses required to operate our hubs. We have not yet obtained licenses for the majority of our hubs, and we cannot assure you that we will be able to obtain the licenses for which we have applied in a timely manner, as applicable. In addition, we cannot assure you that we will obtain such licenses in a timely manner for the opening of new hubs.

If we are unable to renew or obtain such licenses, we may be subject to certain penalties ranging from fines to forced demolition of the areas that were not built in compliance with applicable codes or, in a worst case scenario, closure of the hubs lacking the licenses and permits. The imposition of such penalties, or, in extreme scenarios, the sealing off of the premises by relevant public authorities pending compliance with all the requirements demanded by the municipalities and fire departments, may adversely affect our operations and our ability to generate revenues at the relevant location. Moreover, in the event of any accident at our leased properties, the lack of such licenses may result in civil and criminal liability, as well as cause the cancellation of eventual insurance policies for the respective property. Any such developments may have a material adverse effect on us and on our reputation.

***Our operating results are subject to seasonal fluctuations, which could result in variations in our quarterly profit.***

We have experienced in the past, and expect to continue to experience, seasonal fluctuations in our revenues as a result of consumer spending patterns. Historically, our revenues have been strongest during the last quarter of the year as a result of higher sales during the Brazilian holiday season. This is due to the increase in the number and amount of electronic payment transactions related to seasonal retail events. Adverse events that occur during these months could have a disproportionate effect on our results of operations for the entire fiscal year. As a result of quarterly fluctuations caused by these and other factors, comparisons of our operating results across different fiscal quarters may not be accurate indicators of our future performance.



***We are dependent on a few manufacturers for a substantial amount of our POS devices. We are at risk of shortage, price increases, changes, delay or discontinuation of key components from our POS device manufacturers, which could disrupt and harm our business.***

We are dependent on a few manufacturers for a substantial amount of our POS devices. We are constrained by their manufacturing capabilities and pricing, and may face production delays or escalating costs if they are concurrently unable to manufacture a sufficient quantity of product at an affordable cost. Further, we could face production delays if it becomes necessary to replace the existing substantial suppliers with more alternative suppliers.

We may also be subject to product recalls or other quality-related actions if such devices, or other products supplied by us, are believed to cause injury or illness, or if such products are defective or fail to meet our quality control standards or standards established by applicable law. If our suppliers are unable or unwilling to recall products failing to meet applicable quality standards, we may be required to recall those products at substantial cost to us. Recalls and government, customer or consumer concerns about product safety could harm our reputation, brands and relationships with clients, lead to increased costs, loss of revenues (including revenues from equipment rentals and/or decreased transaction volumes), and/or loss of merchants, any of which could have a material adverse effect on our business, results of operations and financial condition.

Additionally, agreements for the components used to manufacture our POS devices are entered into directly by the manufacturer of our POS devices and we do not have agreements with these suppliers. Some of the key components used to manufacture our POS devices, such as the chip and pin reader, come from limited sources of supply. Due to the reliance of our POS manufacturers on these components, we are subject to the risk of shortages and long lead times in the supply of certain products. If our manufacturers cannot find alternative sources of supply, we could be subject to components shortages or delays or other problems in product assembly. In addition, various sources of supply-chain risk, including strikes or shutdowns, or loss of or damage to our products while they are in transit or storage, could limit the supply of our POS devices. Any interruption or delay in component supply, any increases in component costs, the inability of our manufacturers to obtain these parts or components from alternate sources at acceptable prices and within a reasonable amount of time, and/or difficulties in fulfilling obligations in connection with the warranties we provide for our POS devices, would harm our ability to provide our POS devices or other services to our merchants on a timely basis. This could damage our relationships with our clients, prevent us from acquiring new clients, and seriously harm our business.

***Our business could be harmed if we are unable to accurately forecast demand for our products and services and to adequately manage our product inventory.***

We invest broadly in our business, and such investments are driven by our expectations of the future success of our products or services. Our products, such as our POS devices, often require investments with long lead times. In addition, we invest in marketing, technology, people and in our distribution channels based on our expectation of future demand for our services from the relevant location. An inability to correctly forecast the success of a particular product or service could harm our business. We must forecast inventory and capital needs and expenses, hire employees and place orders sufficiently in advance with our third-party suppliers and contract manufacturers based on our estimates of future demand for particular products or services. Our ability to accurately forecast demand for our products or services could be affected by many factors, including an increase or decrease in demand for our competitors' products or services, unanticipated changes in general market conditions, and the change in economic conditions.

### **Risks Relating to Legal and Regulatory Matters**

***Our business is subject to extensive government regulation and oversight in Brazil and our status under these regulations may change. Violation of or compliance with present or future regulation could be costly, expose us to substantial liability and force us to change our business practices, any of which could seriously harm our business and results of operations.***

Stone Instituição de Pagamento, as a payment institution and a payment scheme settlor, is subject to Brazilian laws and regulations relating to electronic payments, comprised of Brazilian Federal Law No. 12,865, dated as of October 9, 2013 ("Law 12,865"), CMN Resolution No. 4,282, dated as of November 4, 2013, Central Bank Resolution No. 150, dated as of October 6, 2021 ("Central Bank Resolution 150"), Central Bank Resolution No. 80, dated as of March 25, 2021 ("Central Bank Resolution 80") and related rules and regulations.

Our subsidiary, Pagar.me Instituição de Pagamento S.A. (“Pagar.me”), has submitted an authorization request to the Central Bank to be licensed as a payment institution and is waiting such approval. Meanwhile, Pagar.me is permitted to continue to operate as a payment institution while pending the outcome of the approval process, but the failure to eventually obtain such approval would potentially have material adverse effects on our business. In addition, Pagar.me also operates as a payment scheme settlor pursuant to the Central Bank license exemption. Any disciplinary or punitive action by our regulators or failure to obtain required operating licenses could seriously harm our business and results of operations.

The working capital solutions that we offer merchants represent a significant portion of our financial income, which includes the early payment of receivables. Law 12,865 prohibits payment institutions like Stone Instituição de Pagamento from performing activities that are restricted to financial institutions, such as provide borrowings and financings. There is some debate under Brazilian law as to whether providing early payment of receivables to merchants could be characterized as “lending,” which is an activity that is restricted to financial institutions. Similarly, there is some debate as to whether the discount rates applicable to this early payment feature should be considered as “interest” under Brazilian law, in which case the limits set by Decree No. 22,626, dated as of April 7, 1933 (the “Brazilian Usury Law”) would apply to these rates. If new laws are enacted or the courts’ interpretation of this activity changes, either preventing us from providing this feature or limiting the fees we usually charge, our financial performance could be negatively affected. Considering such limitations, some of the early payments structures provided by us have involved Stone Sociedade de Crédito Direto S.A. (“Stone SCD”).

Stone SCD is an authorized financial institution registered as a direct credit company (*sociedade de crédito direto*) and is subject to Brazilian Federal Law No. 4,595/64, dated as of December 31, 1964 (“Law 4,595”), CMN, Resolution No. 5,050, dated as of November 25, 2022 (“CMN Resolution 5,050”), and its related rules and regulations. Brazilian financial institutions are subject to extensive government regulations applicable to their activities, including those relating to minimum requirement of paid-in capital stock and net equity, establishment of internal controls and procedures, implementation of risk management structures, observation of know your client, anti-money laundering and counter terrorist financing rules, cybersecurity rules, constitution of ombudsman office and preparation of accounting statements pursuant to the Standard Chart of Accounts of the National Financial System (*Plano Contábil das Instituições do Sistema Financeiro Nacional - COSIF*), administrative penalties for noncompliance, among others.

TAG received approval from the Central Bank to operate as a trade repository (*entidade registradora*) in Brazil in October 2020, and, therefore, is subject to Brazilian laws and regulations relating to financial assets and securities subject to centralized deposit central securities depositories or registration in trade repositories, pursuant to Brazilian Federal Law No. 12,810, dated as of May 15, 2013 and Central Bank’s Circulars No. 3,743, dated as of January 8, 2015, and No. 3,952, dated as of June 27, 2019. In 2022 and 2023, respectively, CMN and the Central Bank enacted Resolution No. 264, dated as of November 25, 2022 (“Central Bank Resolution 264”) and Resolution No. 304, dated as of March 30, 2023, replacing the aforementioned Circulars and reinforcing certain trade repositories and other players’ duties for the benefit of the most adequate functioning mechanisms of the trade repositories’ systems. Also, the Central Bank improved the rules applicable to the interoperability governance structure, establishing a more robust ecosystem as to the communication among the trade repositories. TAG’s business consists of registering card receivables with its registration systems, which requires the processing of a huge amount of data and information related to the card receivables and the transactions based on them, as well as to interoperate with other registration systems available in the market, as those operated by Nuclea, CERC and B3. The communication between TAG and its clients and among TAG and the other operators of registration systems demands a challenging standardization of files layouts and messaging process, which compose important factors of operational risks. Failures on such aspects may harm counterparties of the relevant operation that may lead TAG to financial exposures.

Furthermore, Stone Cartões Instituição de Pagamento S.A. (“Stone Cartões”) started issuing post-paid instruments. In accordance with Central Bank Resolution 80, payment institutions that act as post-paid instrument issuers are not required to file an authorization request until the regulatory threshold is met. We have been monitoring the volume of Stone Cartões’ operations so that the authorization request is filed timely, but the failure to eventually obtain such approval would have material adverse effects on our business.

Brazilian payment and financial institutions and trade repositories have no control over government regulations applicable to their activities. Any changes in such regulations could adversely affect our operations and financial results.

In addition, our subsidiary MNLT, as a publicly-held company under the Category B issuer, is subject to CVM’s rules, including those related to the periodic disclosure of material facts (*fatos ou atos relevantes*), as applicable.

If we fail to comply with the requirements of the Brazilian legal and regulatory framework, we could be prevented from carrying out our regulated activities, and we could be (i) required to pay substantial fines (including per transaction fines) and disgorgement of our profits, (ii) required to change our business practices, or (iii) subject to insolvency proceedings under an intervention by the Central Bank, as well as the out-of-court liquidation of Stone Instituição de Pagamento and Stone SCD, and any of our subsidiaries to whom licenses may be granted in the future.

For further information regarding these regulatory matters, see “Item 4. Information on the Company—B. Business overview— Regulatory Matters— Regulation of the SPB.”

***As we grow our offering of banking and credit services, we will need to comply with additional laws and regulations applicable to such services.***

Following the expansion of our business to offer financial products such as loans directly to our clients, including by means of Stone SCD, we operate in a highly regulated sector and are subject to extensive and continuous regulatory oversight by the Central Bank. We are required to have additional compliance policies, procedures, regulatory and risk management requirements, as well as a more extensive interaction with the Central Bank. The additional demands associated with these policies and procedures may disrupt regular operations of our business by diverting the attention of some of our senior management team, may increase our legal, accounting and financial compliance costs and make some activities more time-consuming and costly, adversely affecting our ability to manage and grow our businesses or making it impractical to continue to offer financial products such as loans directly to our clients. Any of these effects could harm our business, financial condition and results of operations.

Furthermore, we are subject to the credit risk of our clients as they may default on loans and other financial products offered to them. Notwithstanding our adherence to the regulations of the Central Bank and industry standards with respect to the lending of funds to clients and certain steps to screen for merchant credit risk, a default on payment obligations by our clients could have a material adverse effect on our business.

***Certain ongoing legislative and regulatory initiatives under discussion by the Brazilian Congress, the Central Bank and the broader payments industry may result in changes to the regulatory framework of the Brazilian payments and financial industries and may have an adverse effect on us.***

In the last couple of years, the Central Bank issued several regulations related to the Brazilian payments market, aiming to increase competitiveness in the sector, strengthen governance and risk management practices in the industry, encourage the development of new solutions and the differentiation of products to consumers, and promote the increased use of electronic payment means. Such measures include:

(i) “Pix” (Central Bank Resolution No. 1, dated as of August 12, 2020 and Central Bank Resolution No. 195, dated as of March 3, 2022): instant payments ecosystem developed by the Central Bank that enables real-time transactions among individuals and entities on a 24/7 basis, which was launched in November 2020 (“Pix”). This ecosystem promotes greater innovation to the existing payment structure in Brazil and is a feasible alternative to debit and pre-paid transactions and, in the future, to credit transactions with “Pix Garantido” forthcoming Pix functionality that will allow individuals to pay for goods and services in installments. Although certain details of such solution are still under discussion and pending regulation, and the current numbers made available by the Central Bank do not indicate a predatory behavior by Pix regarding other payment methods so far, such initiative may result in a loss of interest of existing clients in using payments schemes that we operate, and greater difficulty in attracting new clients. Therefore, such developments may materially and adversely affect our business and results of operations.

(ii) Open Finance (Joint Resolution No. 1, enacted by the Central Bank and the CMN on May 4, 2020): in 2020, the Central Bank and CMN published the initial set of guidelines and standards for the implementation of the Open Financial System (“Open Finance”) in Brazil. The implementation of the Open Finance comprises four phases, described as follows:

- a. Phase 1: sharing of public data belonging to participating institutions on their access channels and product/service channels related to checking, savings, prepaid payment accounts and to lending transactions. This is also called “Open Data”;
- b. Phase 2: sharing of customer reference data and customer transactional data among the participating institutions, upon customer’s consent;
- c. Phase 3: sharing of payment initiation services, as well as forwarding credit transaction proposals; and
- d. Phase 4: expansion of in-scope data to encompass foreign exchange, acquiring, investment, insurance, and open-end private pension transactions.

Stone Instituição de Pagamento, as a payment institution that provides payment accounts to its clients, is a mandatory participant in Phase 3. In this sense, we must adhere to innovation and also comply with the applicable Open Finance regulations, self-regulation and other data guidelines, as stringent as customer authentication regulations and the LGPD (as defined below), under which data can only be shared upon the explicit consent of the user. See “— We are subject to costs and risks associated with increased or changing laws and regulations affecting our business, including those relating to the sale of consumer products. Specifically, developments in data protection and privacy laws could harm our business, financial condition or results or operations.”

(iii) Payment Initiation Service Provider (“PISP”) (Central Bank Resolution 80): inserted in the context of Open Finance, a new category of payment institutions was created by Central Bank Resolution No. 24, dated as of October 22, 2020, later replaced by Central Bank Resolution 80. This institution requires the initiation of payment transactions without (a) managing a payment account; and (b) intermediating, at any time, the funds transferred in the respective payment transaction. Such services include the initiation of Pix, “*boleto*” and other forms of payment transactions, that do not need a specific payment instrument to be performed. It is expected that tech companies and marketplaces will enter in the payments market developing activities as PISPs, and also that other payment and financial institutions may decide to explore these new features on its business strategies. For these reasons, this PISP institution can result in a loss of existing clients and adversely affect our results.

(iv) Card receivables registration (CMN Resolution No. 4,734, dated as of June 27, 2019 and Central Bank Resolution 264): aiming to promote transparency in credit transactions, a broader credit offer and a reduction in the banking spread, CMN Resolution No. 4,707, Central Bank Circular No. 3,924, dated as of December 21, 2018, Central Bank Circular No. 3,926, dated as of January 31, 2019, Central Bank Circular No. 3,928, dated as of February 13, 2019 and Central Bank Circular-Letter No. 3,934, dated as of February 21, 2019, established additional requirements and procedures applicable to credit transactions with merchants guaranteed by card receivables. These rules have been issued as a model for transition to a more robust legal framework enacted underneath CMN Resolution No. 4,734 (“CMN Resolution 4,734”), as amended by CMN Resolution No. 5,045, dated as of November 25, 2022, and Central Bank Circular No. 3,952 (“Central Bank Circular 3,952”), replaced by the Central Bank Resolution 264. As a result of these regulations, credit transactions guaranteed by card receivables are to be subject to registration and held publicly available. The main goal of such requirements is to increase competition in the early payment of receivables and in the reduction of the spread applied in this type of transaction, which could affect our results. Notwithstanding such rules came into force on June 7, 2021, the trade repositories’ systems are still facing challenges that are being addressed among all market participants under the oversight of the Central Bank. In the context of ongoing challenges, Central Bank Resolution 264 intended to reinforce obligations that shall be observed by the trade repositories in order to ensure compliance with the law and regulations. This Resolution underwent modifications through Central Bank Resolution No. 321, dated as June 2, 2023 and Central Bank Resolution No. 349, dated as October 31, 2023, introducing new operational procedures designed to guarantee adherence to legal provisions and regulations. These adjustments are set to take effect in 2024.

(v) Cybersecurity (CMN Resolution 4,893/21 and Central Bank Resolution No. 85/21): on February 26, 2021, the National Monetary Council enacted CMN Resolution 4,893 (“CMN Resolution 4,893”), applicable only to financial institutions, which provides for cyber security policy and requirements for contracting data processing and storage and cloud computing services to be observed by institutions authorized to operate by the Central Bank. Central Bank Resolution No. 85, dated as of April 8, 2021 (“Central Bank Resolution 85”), has the same regulatory regime for cyber security and cloud computing services, to the extent applicable to payments institutions. CMN Resolution 4,893 and Central Bank Resolution 85 update the regulatory framework previously provided for in CMN Resolution No. 4,893, dated as of February 26, 2021, and Central Bank Circular No. 3,909, dated as of August 16, 2018, aiming to address issues arising from the increasing use of technology in financial services.

(vi) Prudential Conglomerates of Authorized Payment Institutions (Central Bank Resolution 168/21): on December 1, 2021, the Central Bank enacted Resolution No. 168, which provides for the accounting criteria applicable in the preparation of the consolidated financial statements of prudential conglomerates of authorized payment institutions and the operating procedures for the preparation of such documents by financial institutions and payment institutions. Besides the already existing conglomerate led by financial institutions, the new rule created the prudential conglomerate led by payment institutions authorized to operate by the Central Bank. This movement is part of Central Bank's strategy for increasing risk management initiatives for payment institutions that encompass additional risks on its business activities, such as when controlling financial institutions. The main aspects of such Central Bank's strategy was subject to Public Consultation Notice 78, closed on January 26, 2021. On March 11, 2022, the Central Bank enacted Resolutions Nos. 197 ("Central Bank Resolution 197"), 198, 199, 200, 201 and 202. According to Central Bank Resolution 197, the prudential conglomerates are now segmented into 3 types depending on whether the conglomerate is composed by financial or payment institution as well as if it is headed by a financial or payment institution (Type 1: conglomerates which are composed by both financial and payment institutions, but headed by a financial institution ("Type 1 Conglomerates"); Type 2: conglomerates which are not composed by financial institutions; and Type 3: conglomerates which are headed by a payment institutions and also composed by a financial institution ("Type 3 Conglomerates")). The conglomerate headed by Stone Instituição de Pagamento has been defined as a Type 3 Conglomerate.

(vii) Minimum Capital Requirements for Type 3 Conglomerates (Central Bank Resolutions 200, 202, 229, 266, 324 and 356): Type 3 Conglomerates shall maintain minimum capital adequacy ratio in relation to its risk-weighted assets ("RWA"), which shall be assessed in a similar manner to the approaches established by the Basel Committee on Banking Supervision (BCBS). The main differences between this new method and the one applicable to financial institutions are the conception of a specific RWA component for payment-related risks and the consequent review of the components related to credit, market and operational risk. Such rules became effective in July 2023. By June 2023, the Central Bank published Resolution No. 324, which brought significant changes to the criteria for recognition of credit risk mitigants for banking book exposures that are risk-weighted under the standardized approach, to implement the credit risk mitigation standards of the Basel III reforms and to make payment account balances eligible for recognition as financial collateral. In respect of the implementation of Basel III reforms, the Central Bank also published Resolution No. 356 on November 2023, which establishes the key components of the new standardized approach for measuring operational risk capital requirements and is supposed to phase in starting in 2025 until the end of 2027. The Central Bank is still evaluating the impacts of the RWA calculation on payment services and may adequate certain details related to the components of such calculation in the near future. This new environment applicable to payment institutions may affect our business, since the minimum capital requirements may be higher, resulting in a more complex monitoring of the capital adequacy. Moreover, there is a risk that the Conglomerate does not fulfill the minimum capital requirement, which would lead the Central Bank to enforce regulatory consequences in the manner prescribed by the regulation.

(viii) Environmental, Social and Corporate Governance (CMN Resolutions 4,943 and 4,945 and Central Bank Resolutions No. 139 and 265): By September 2021, CMN published CMN Resolution No. 4,943 ("CMN Resolution 4,943"), which modified Resolution No. 4,557 in order to distinguish social, environmental and climate risks and to create the obligation for Type 1 Conglomerates to identify, measure, evaluate, monitor, report, control and mitigate those risks within their risk management structure. The new standard defines such risks, bringing new and modern concepts to the sector, such as the inclusion of the two main components of climate risks — physical and transitional — already recognized in international standards on the subject. Also as a result of Public Consultation No. 85/2021, CMN Resolution No. 4,945 was enacted to address the social and environmental responsibility policy. Based on the new standard, the climate aspect is included, in order to demand from Type 1 Conglomerates the preparation and implementation of a social, environmental and climate responsibility policy. Additionally, on September 15, 2021 the Central Bank enacted Resolution No. 139, which regulates the preparation of a report on social, environmental and climate risks and opportunities (GRSAC Report) by Type 1 Conglomerates in order to address the recommendations of the task force on climate-related financial disclosures (TCFD) at the national regulatory level. By November 2022, The Central Bank enacted Resolution No. 265, replicating the social, environmental and climate risk management structure provided for in CMN Resolution 4,943 to Type 3 Conglomerates.

(ix) Foreign Capital and Foreign Exchange Market (Brazilian New Foreign Exchange Law No. 14,286/2021): on December 29, 2021, the Brazilian government enacted Federal Law No. 14,286 ("Law 14,286") with the purpose of modernizing, simplifying, and bringing more efficiency to the Brazilian foreign exchange market, as well as enhancing the use of Brazilian currency on international transactions.

In this regard, some measures proposed by Law 14,286 include: (a) the tenet that foreign capital should have the same legal treatment as the national capital; (b) the possibility of non-residents to maintain bank accounts in Brazilian reais upon the same treatment applicable to accounts held by residents; (c) the increase of legal possibilities to maintain bank accounts based on foreign currencies in Brazil; (d) approval for institutions authorized by Central Bank to use the funds raised on their activities on funding and credit operations, in Brazil or on other countries.

The CMN and Central Bank issued regulation regarding the issues stated on the Law 14,286 (CMN Resolution No. 5,042, dated as of November 25, 2022, CMN Resolution No. 5,056, dated as of December 15, 2022, Central Bank Resolution No. 277, dated as of December 12, 2022 (“Central Bank Resolution 277”), Central Bank Resolution No. 278, dated as of December 12, 2022, Central Bank Resolution No. 279, dated as of December 12, 2022, Central Bank Resolution No. 280, dated as of December 12, 2022 (“Central Bank Resolution 280”), Central Bank Resolution No. 282, dated as of December 31, 2022). Two of the main aspects related to payment services are the possibility of payment institutions to carry out foreign exchange transactions and the introduction of the eFX service provider concept, which may provide international transfers and payments collecting funds from one party, performing foreign exchange contracts and transferring the funds to the beneficiary. For more information on the current regulatory framework for foreign exchange, see “Item 5. Operating and Financial Review and Prospects—Recent regulatory developments—Improvement of Foreign Exchange Regulation.”

(iii) Virtual assets markets (Law No. 14,478/2022): the Brazilian Law No. 14,478/2022, issued on December 21, 2022 (“Law 14,478”), sets principles and guidelines to be observed in the provision of virtual asset services, seeking to bring greater legal certainty to the such market. Pursuant to Law 14,478, entities providing services based on virtual assets (exchange, transfer, custody and management of these assets) should be authorized by the responsible authority, which will be assigned by the Brazilian government in the near future, and will be in charge of enacting rules in this regard and supervising such service providers. Moreover, Law 14,478 states that virtual assets could be used for payment transactions, which may affect Brazil’s payment industry and, therefore, affect our business. Law 14,478 became effective in June 2023.

(xi) Government Program for Debt Renegotiation: On October 3, 2023, Law No. 14,690/2023 (“Law 14,690”) was published, establishing the “Emergency Program for Debt Renegotiation of Individuals in Default”, also known as “Desenrola Brasil”. Law 14,690 establishes that credit institutions must adopt financial education measures aimed at consumers to prevent default and over-indebtedness. In addition, Law 14,690 allows consumers the right to port their credit card bill balance or other related debts to any financial institution, free of charge, under the terms of the established program. This Law, and the set of rules that regulate the interest provisions of revolving and installment credit operations, depending on their provisions, may affect our business, since they impact the credit and post-paid payment instrument markets.

Discussions indicated above are in various phases of development, whether as part of legislative or regulatory initiatives and the overall impact of any such reform proposals is difficult to estimate. Any such changes in laws, regulations or market practices have the potential to alter the type or volume of the card-based transactions we process and our payment services and could adversely affect our business, revenues and financial condition.

Additionally, any future legislative or regulatory initiatives that would bring restrictions over the number of installments in credit card operations in Brazil may would have an adverse effect on us.

In addition, there can be no assurance that we will be able to comply with the regulations nor assure full compliance by the PSP that use our acquiring services as required by the regulation. There can be no assurance that there will be no impact to the working capital, banking or credit solutions we currently offer merchants. If we fail to comply with applicable requirements of the current or future Brazilian legal or regulatory framework, we could be (i) required to pay substantial fines (including per transaction fines) and disgorgement of our profits, (ii) required to change our business practices; (iii) required to suspend business and activities; or (iv) subject to insolvency proceedings under an intervention by the Central Bank, as well as the out-of-court liquidation of Stone Instituição de Pagamento and Stone SCD, and any of our subsidiaries to whom licenses may be granted in the future. We could also be subject to private lawsuits. Any of these consequences could materially adversely affect our business and results of operations.

***We are subject to costs and risks associated with increased or changing laws and regulations affecting our business, including those relating to the sale of consumer products. Specifically, developments in data protection and privacy laws could harm our business, financial condition or results or operations.***

We operate in a complex regulatory and legal environment that exposes us to compliance and litigation risks that could materially affect our operational results. These laws may change significantly, as a result of political, economic or social events. Some of the federal, state or local laws and regulations in Brazil that affect us regulate: (a) consumer products, product liability or consumer protection; (b) advertisement, marketing or selling of products; (c) labor and employment, including wage and hour laws; (d) tax matters or interpretations thereof; (e) bank secrecy laws, data protection and privacy laws and regulations; and (f) securities and exchange laws and regulations. For instance, data protection and privacy laws are developing to take into account the changes in cultural and consumer attitudes towards the protection of personal data. There can be no guarantee that we will have sufficient financial and technical resources to comply with any new regulations or successfully compete in the context of a shifting regulatory environment.

The Brazilian Data Protection Law (Law No. 13,709/18 or *Lei Geral de Proteção de Dados*) (“LGPD”), applies to individuals or legal entities, private or government entities, who processes personal data in Brazil or collects personal data in Brazil or, further, when the processing activities have the purpose of offering or supplying goods or services to data subjects located in Brazil. The LGPD establishes detailed rules for processing personal data, which includes the collection, use, transfer and storage of personal data and affects all economic sectors, including the relationship between clients and suppliers of goods and services, employees and employers and other relationships in which personal data is collected, whether in a digital or physical environment.

Pursuant to the LGPD, security breaches that may result in significant risk or damage to personal data must be reported to ANPD, the data protection regulatory body, within a reasonable time period. The notice to the ANPD must include: (a) a description of the nature of the personal data affected by the breach; (b) the affected data subjects; (c) the technical and security measures adopted; (d) the risks related to the breach; (e) the reasons for any delays in reporting the breach, if applicable; and (f) the measures adopted to revert or mitigate the effects of the damage caused by the breach. Moreover, the ANPD is presently in the process of evaluating the enactment of further regulations and has already issued additional ones regarding:

- The inspection and administrative sanctioning process within the scope of the ANPD (Resolution CD/ANPD No. 1/2021, enacted on October 28, 2021, amended by Resolution CD/ANPD No. 4/2023, enacted on February 24, 2023);
- The application of LGPD for small-scale data processing agents (Resolution CD/ANPD No. 2/2022, enacted on January 27, 2022);
- Administrative sanctions by ANPD (Resolution CD/ANPD No. 4/2023, enacted on February 24, 2023); and,
- Treatment of personal data of children and adolescents (Statement CD/ANPD No. 1/2023, enacted on May 22, 2023).

These regulations may impose additional obligations related to data protection that were not described above.

The penalties and fines for noncompliance with the LGPD include: (1) warnings, with the imposition of a deadline for the adoption of corrective measures; (2) a daily fine, up to a maximum amount of R\$50 million per violation; (3) the restriction of access to the personal data to which the violation relates up to a six-month period, that can be extended for the same period, until the processing activities are compliant with the regulation, and in case of repetition of the violation, temporary block and/or deletion of the related personal data, partial or complete prohibition of processing activities; and (4) a fine of up to 2% of gross sales of the company or a group of companies or a maximum amount of R\$50 million per violation. The application of penalties and fines for noncompliance with the LGPD is based on ANPD Resolution 4 dated as of February 24, 2023.

As mentioned above, on April 8, 2021, the Central Bank Resolution 85 was approved, which establishes requirements for the engaging of relevant data processing, storage and cloud computing services by payment institutions authorized to operate by the Central Bank and determines the mandatory implementation of a cybersecurity policy. Central Bank Resolution 85 requires payment institutions to draw up an internal cybersecurity policy and to include specific mandatory clauses in relevant contracts regarding data processing, storage and cloud computing services. Failure to comply with applicable requirements, may result on the imposition of restrictions on the contracting of relevant data processing, storage and cloud computing services.

In particular, as we seek to build a trusted and secure platform for commerce, and as we expand our network of sellers and buyers and facilitate their transactions and interactions with one another, we will increasingly be subject to laws and regulations relating to the collection, use, retention, security, and transfer of information, including the personally identifiable information of our employees and our merchants and their customers. As with the other laws and regulations noted above, these laws and regulations may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible they will be interpreted and applied in ways that will materially and adversely affect our business. Any failure, real or perceived, by us to comply with our posted privacy policies or with any regulatory requirements or orders or other local, state, federal, or international privacy or consumer protection-related laws and regulations could cause sellers or their customers to reduce their use of our products and services and could materially and adversely affect our business.

***Our business is subject to complex and evolving regulations and oversight related to our provision of payments services and other financial services.***

The laws, rules, and regulations that govern our business include or may in the future include those relating to banking, deposit-taking, cross-border and domestic money transmission, foreign exchange, payments services (such as payment processing and settlement services), consumer financial protection, anti-money laundering and terrorism financing, escheatment, and compliance with the Payment Card Industry Data Security Standard, a set of requirements designed to ensure that all companies that process, store, or transmit payment card information maintain a secure environment to protect cardholder data. These laws, rules, and regulations are enforced by multiple authorities and governing bodies in Brazil, including the Central Bank and the CMN. In addition, as our business continues to develop and expand, we may become subject to additional rules and regulations, which may limit or change how we conduct our business.

For example, although we do not engage in financial services activities in the United States, we maintain bank accounts in the United States for the international settlement agent for the payment scheme settlors, such as Visa and Mastercard. We are or may be subject to anti-money laundering and terrorism financing laws and regulations that prohibit, among other things, involvement in transferring the proceeds of criminal or terrorist activities. We could be subject to liability and forced to change our business practices if we were found to be subject to, or in violation of, any laws or regulations governing the ability to maintain a bank account in the countries where we operate, including the United States, or if existing or new legislation or regulations applicable to banks in the countries where we maintain a bank account, including the United States, were to result in banks in those countries being unwilling or unable to establish and maintain bank accounts in our name.

We believe that our activities in the United States, including maintaining bank accounts in connection with payment scheme settlements do not require a license from federal or state banking authorities to conduct financial services activities in the United States. If we are found to have engaged in a banking or financial services business requiring a license, we could be subject to liability, or forced to cease doing such business, change our business practices, or become a regulated financial entity subject to compliance with applicable laws and regulations, including anti-money laundering and terrorism financing laws and regulations, which could adversely affect our business, financial condition, or results of operations.

Although we have a compliance program focused on applicable laws, rules, and regulations (which currently is principally focused on Brazilian law) and are continually investing in this program, we may still be subject to fines or other penalties in one or more jurisdictions levied by federal, state or local regulators, as well as those levied by foreign regulators. In addition to fines, penalties for failing to comply with applicable rules and regulations could include significant criminal and civil lawsuits, forfeiture of significant assets, or other enforcement actions, including loss of licensure in a given jurisdiction. We could also be required to make changes to our business practices or compliance programs as a result of regulatory scrutiny. In addition, any perceived or actual breach of compliance by us with respect to applicable laws, rules, and regulations could have a significant impact on our reputation as a trusted brand and could cause us to lose existing clients, prevent us from obtaining new clients, require us to expend significant funds to remedy problems caused by breaches and to avert further breaches, and expose us to legal risk and potential liability.



***We are subject to regulatory activity and antitrust litigation under competition laws.***

We are subject to scrutiny from governmental agencies under competition laws in countries in which we operate. Some jurisdictions also provide private rights of action for competitors or consumers to assert claims of anticompetitive conduct. Other companies or governmental agencies may allege that our actions violate antitrust or competition laws, or otherwise constitute unfair competition. Contractual agreements with buyers, sellers, or other companies could give rise to regulatory action or antitrust investigations or litigation. Also, our unilateral business practices could give rise to regulatory action or antitrust investigations or litigation. Some regulators may perceive our business to have such significant market power that otherwise uncontroversial business practices could be deemed anticompetitive. Any such claims and investigations, even if they are unfounded, may be expensive to defend, involve negative publicity and substantial diversion of management time and effort, and could result in significant judgments against us.

Last year, two of our subsidiaries were exonerated in antitrust procedural inquiries. The cases against Linx and Óbvio Brasil Software e Serviços S.A. were closed by the Brazilian antitrust authority (Conselho Administrativo de Defesa Econômica - CADE) without penalties on January 19, 2023 and November 16, 2023, respectively.

***Changes in tax laws, tax incentives, benefits or differing interpretations of tax laws may adversely affect our results of operations.***

Changes in tax laws, regulations, related interpretations and tax accounting standards in Brazil, the Cayman Islands or the United States may result in a higher tax rate on our earnings and revenues, which may significantly reduce our profits and cash flows from operations. For example, in 2015 the Brazilian government increased the rate of PIS/COFINS tax (which is a tax levied on revenues) from 0% to approximately 4.65% on financial income. In addition, our results of operations and financial condition may decline if certain tax incentives are not retained or renewed. For example, Brazilian Law No. 11,196, dated as of November 21, 2005 (“Law 11,196”), currently grants tax benefits to companies that invest in research and development, provided that some requirements are met, which significantly reduces our annual income tax expense. If the taxes applicable to our business increase or any tax benefits are revoked and we cannot alter our cost structure to pass our tax increases on to clients, our financial condition, results of operations and cash flows could be seriously harmed. Our payment processing activities are also subject to a Municipal Tax on Services (“ISS”). Any increases in ISS rates would also harm our profitability.

In addition, Brazilian government authorities at the federal, state and local levels are considering changes in tax laws in order to cover budgetary shortfalls resulting from the recent economic downturn in Brazil. If these proposals are enacted they may harm our profitability by increasing our tax burden, increasing our tax compliance costs, or otherwise affecting our financial condition, results of operations and cash flows. Some tax rules related to collection, ancillary obligations or even changes on tax rates in Brazil can change without prior notice or vacancy period for their implementation. We may not always be aware of all such changes that affect our business and we may therefore fail to pay the applicable taxes or otherwise comply with tax regulations, which may result in additional tax assessments, penalties and interests for our company.

Furthermore, we are subject to tax laws and regulations that may be interpreted differently by tax authorities, judicial or administrative courts and us. The application of indirect taxes, such as sales and use tax, value-added tax, or VAT, provincial taxes, goods and services tax, business tax and gross receipt tax, to businesses like ours is a complex and evolving issue. Significant judgment is required to evaluate applicable tax obligations. In many cases, the ultimate tax determination is uncertain because it is not clear how existing statutes apply to our business. One or more states, or Municipalities, the Brazilian government or other countries may seek to challenge the taxation or procedures applied to our transactions imposing the charge of taxes or additional reporting, record-keeping or indirect tax collection obligations on businesses like ours. New taxes could also require us to incur substantial costs to capture data and collect and remit taxes. If such obligations were imposed, the additional costs associated with tax collection, remittance and audit requirements could have a material adverse effect on our business and financial results.

On December 20, 2023, Constitutional Amendment (EC) No. 132/2023 (“Tax Reform”) was enacted, replacing several of the current “indirect taxes” (ICMS, ISS, and PIS/Cofins) with the Goods and Services Tax (IBS) and the Contribution on Goods and Services (CBS). In the first semester of 2024, Brazilian congress is expected to discuss and approve supplementary laws detailing such new taxes. For the implementation of the Tax Reform, there will be a transition phase, lasting from 2026 to 2032. We have been following the discussions on this topic and awaits the regulations for a precise assessment of the impacts resulting therefrom.

***StoneCo's subsidiaries benefit from tax incentives from government programs and is subject to the complexity of the Brazilian tax system. These incentives may be terminated or reduced in the future, which could adversely affect its results of operations.***

StoneCo's subsidiaries benefit from certain tax incentives granted to technological research and technological innovation development activities, provided for in Law No. 11,196 (Lei do Bem). StoneCo's subsidiaries ability to benefit from these incentives depends on the fulfillment of certain obligations.

Failure to comply with certain obligations in accordance with the applicable rules and/or sending the documentation required for the granting of such incentives, may result in the loss of the right to incentives not yet used and the collection, by the tax authorities, of the amount corresponding to the unpaid taxes as a result of incentives already used, plus fines and interest provided for in tax legislation, without prejudice to any applicable criminal sanctions, which may adversely affect us.

If the tax benefits currently granted expire, extinguish, or cancel, StoneCo's subsidiaries cannot guarantee that such benefits will be renewed or that it will succeed in obtaining new tax benefits on equally favorable terms. If such benefits are not renewed, StoneCo's subsidiaries business could be adversely affected.

The complexity of the Brazilian tax system may leave StoneCo's subsidiaries subject to questioning at the federal, state and municipal levels, which may result in material losses for it, thus adversely impacting its results.

***The costs and effects of pending and future litigation, investigations or similar matters, or adverse facts and developments related thereto, could materially affect our business, financial position and results of operations.***

We are, and may be in the future, party to legal (including class actions), arbitration and administrative investigations, inspections and proceedings arising in the ordinary course of our business or from extraordinary corporate, tax, regulatory or accounting events, involving our clients, suppliers, customers, as well as competition, government agencies, tax and environmental authorities, particularly with respect to civil, tax and labor claims, including those with respect to outsourced employees. Our indemnities may not cover all claims that may be asserted against us, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Furthermore, there is no guarantee that we will be successful in defending ourselves in pending or future litigation or similar matters under various laws. Should the ultimate judgments or settlements in any pending litigation or future litigation or investigation significantly exceed our indemnity rights, they could have a material adverse effect on our business, financial condition and results of operations and the price of our Class A common shares. Further, even if we adequately address issues raised by an inspection conducted by an agency or successfully defend our case in an administrative proceeding or court action, we may have to set aside significant financial and management resources to settle issues raised by such proceedings or to those lawsuits or claims, which could adversely affect our business. See "Item 8. Financial Information—A. Consolidated statements and other financial information—Legal proceedings."

***We are subject to anti-corruption, anti-bribery and anti-money laundering laws and regulations.***

We operate in jurisdictions that have a high risk for corruption and we are subject to anti-corruption, anti-bribery and anti-money laundering laws and regulations, including the Brazilian Federal Law No. 12,846, dated as of August 1, 2013 ("Clean Company Act"), and the United States Foreign Corrupt Practices Act of 1977, as amended ("FCPA"). Both the Clean Company Act and the FCPA impose liability against companies who engage in bribery of government officials, either directly or through intermediaries. We have a compliance program that is designed to manage the risks of doing business in light of these new and existing legal and regulatory requirements. Errors, failures, violations or delays in complying with anti-corruption, anti-bribery and anti-money laundering laws and regulations could result in criminal, administrative and civil liability and/or lawsuits, significant fines and penalties, forfeiture of significant assets, or other enforcement action as well as reputational harm.

Regulators may increase enforcement of these obligations, which may require us to review or expand our compliance program, including the procedures we use to verify the identity of our customers and to monitor our transactions. Regulators often reexamine the transaction volume thresholds at which we must obtain and keep applicable records or verify identities of customers and any change in such thresholds could result in greater costs for compliance. For example, the Central Bank enacted a regulation on this matter, Circular No. 3,978, which became effective on July 1, 2020 (“Central Bank’s Circular 3,978”), and provides new guidelines with a risk-based approach for anti-money laundering policies, procedures and controls. We face the unremitting risk of failing to create a corporate environment opposed to corruption, bribery, and money laundering or to install business practices that prevent and comply with extensive regulation applicable to our regulations. Costs associated with fines or enforcement actions, changes in compliance requirements, or limitations on our ability to grow could harm our business, and any new requirements or changes to existing requirements could impose significant costs, result in delays to planned product improvements, make it more difficult for new customers to join our network and reduce the attractiveness of our products and services.

***Brazilian foreign exchange controls and regulations could restrict conversions and remittances abroad of the dividend payments and other shareholder distributions paid in Brazil in reais arising from our Brazilian subsidiaries.***

Brazilian law provides that whenever there is a serious imbalance in Brazil’s balance of payments or reasons to foresee such a serious imbalance, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil. Such restrictions may hinder or prevent holders of shares of our Brazilian subsidiaries from converting distributions or the proceeds from any sale of such shares, as the case may be, into U.S. dollars and remitting such U.S. dollars abroad. Any reais so held will be subject to devaluation risk against the U.S. dollar.

In addition, the likelihood that the Brazilian government would impose such restrictions may be affected by the extent of Brazil’s foreign currency reserves, the availability of foreign currency in the foreign exchange markets on the date a payment is due and the size of Brazil’s debt service burden relative to the economy as a whole. We cannot assure you that the Central Bank will not modify its policies or that the Brazilian government will not institute restrictions or delays on cross-border remittances.

**Risks Related to Information Technology Systems and Intellectual Property**

***Unauthorized disclosure, destruction or modification of data, through cybersecurity breaches, computer viruses or otherwise or disruption of our services could expose us to liability, protracted and costly litigation and damage our reputation.***

Our business involves the collection, storage, processing and transmission of customers’ personal data, including names, addresses, identification numbers, credit or debit card numbers and expiration dates and bank account numbers. An increasing number of organizations, including large merchants and businesses, other large technology companies, financial institutions and government institutions, have disclosed breaches of their information technology systems, some of which have involved sophisticated and highly targeted attacks, including on portions of their websites or infrastructure. We have in the past, and could in the future be subject to breaches of security by hackers. Threats may derive from human error, fraud or malice on the part of employees or third-parties, or may result from accidental technological failure. For example, in October 2018, an individual or individuals publicly disclosed portions of certain non-material source code from the proprietary software used in our Pagar.me PSP solution and Stone Instituição de Pagamento, platforms that we had privately hosted on a third-party code development website. Concerns about security are increased when we transmit information. Electronic transmissions can be subject to attack, interception or loss. Also, computer viruses and malware can be distributed and spread rapidly over the internet and could infiltrate our systems or those of our associated participants, which can impact the confidentiality, integrity and availability of information, and the integrity and availability of our products, services and systems, among other effects. Denial of service or other attacks could be launched against us for a variety of purposes, including interfering with our services or creating a diversion for other malicious activities. These types of actions and attacks could disrupt our delivery of products and services or make them unavailable, which could damage our reputation, force us to incur significant expenses in remediating the resulting impacts, expose us to uninsured liability, subject us to lawsuits, fines or sanctions, distract our management or increase our costs of doing business.

In the scope of our activities, we share information with third-parties, including commercial partners, third-party service providers and other agents, which we refer to collectively as “associated participants”, who collect, process, store and transmit sensitive data. Given the rules established by the payment scheme settlors, such as Visa and Mastercard, and applicable regulations, we may be held responsible for any failure or cybersecurity breaches attributed to these third-parties insofar as they relate to the information we share with them. The loss, destruction or unauthorized modification of data of the end users of payment services (e.g., payers, receivers, cardholders, merchants, and those who may hold funds in their accounts) by us or our associated participants or through systems we provide could result in significant fines, sanctions and proceedings or actions against us by the payment schemes, governmental bodies or third-parties, which could have a material adverse effect on our business, financial condition and results of operations. Any such proceeding or action, and any related indemnification obligation, could damage our reputation, force us to incur significant expenses in defense of these proceedings, distract our management, increase our costs of doing business or result in the imposition of financial liability.

Our encryption of data and other protective measures may not prevent unauthorized access or use of data and sensitive data. A breach of our system or that of one of our associated participants may subject us to material losses or liability, including payment scheme fines, assessments and claims for unauthorized purchases with misappropriated credit, debit or card information, impersonation or other similar fraud claims. A misuse of such data or a cybersecurity breach could harm our reputation and deter merchants from using electronic payments generally and our products and services specifically, thus reducing our revenue. In addition, any such misuse or breach could cause us to incur costs to correct the breaches or failures, expose us to uninsured liability, increase our risk of regulatory scrutiny, subject us to lawsuits, and result in the imposition of material penalties and fines under state and federal laws or regulations or by the payment schemes. In addition, a significant cybersecurity breach of our systems or communications could result in payment schemes prohibiting us from processing transactions on their schemes or the loss of Central Bank authorization to operate as a payment institution (*instituição de pagamento*) in Brazil, which could materially impede our ability to conduct business. While we maintain insurance policies to address certain risks associated with cyber-attacks, such insurance coverage may be insufficient to cover all losses or types of claims that may arise.

We cannot assure that there are written agreements in place with every associated participant or that such written agreements will prevent the unauthorized use, modification, destruction or disclosure of data or enable us to obtain reimbursement from associated participants in the event we should suffer incidents resulting in unauthorized use, modification, destruction or disclosure of data. In addition, many of our associated participants are small- and medium-sized agents that have limited competency regarding data security and handling requirements and may thus experience data losses. Any unauthorized use, modification, destruction or disclosure of data could result in protracted and costly litigation, which could have a material adverse effect on our business, financial condition and results of operations.

Cybersecurity incidents are increasing in frequency and evolving in nature and include, but are not limited to, installation of malicious software, unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data. Given the unpredictability of the timing, nature and scope of information technology disruptions, there can be no assurance that the procedures and controls we employ will be sufficient to prevent security breaches from occurring and we could be subject to manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to successfully manage our intellectual property and may be subject to infringement claims.***

Our business relies on a number of forms of intellectual property rights, including trademarks, domain names, software, know how, trade secrets technologies and other proprietary information, and we use a combination of contractual provisions, confidentiality procedures, and other approaches to establish and protect our intellectual property rights. We have been granted numerous trademarks and software covering our brands and products and have filed, and expect to continue to file, trademark applications before the patent, trademark and software offices in a number of jurisdictions, including the Brazilian Patent and Trademark Office (INPI) seeking to protect newly developed trademarks and products. We cannot be sure that intellectual property rights will be granted with respect to any of our trademarks, applications will be granted, or that any such patent, trademark and software offices shall continue to protect our intellectual property rights with respect to any of our trademarks, applications and products. We may not be able to successfully manage our intellectual property and may be subject to infringement claims.

Third-parties may challenge, invalidate, circumvent, infringe, misappropriate or otherwise violate any existing or future intellectual property assets requested by, issued to, or licensed by, us. Additionally, our intellectual property rights may not be sufficient to permit us to take advantage of current market trends or otherwise to provide competitive advantages, to our business, and as a result, we may

be forced to engage in costly redesign efforts, discontinuance of certain service offerings or other competitive harm. There is also a risk that we may, by omission, fail to renew our intellectual property rights on a timely basis in certain jurisdictions. Moreover, others, including our competitors, may independently develop similar technology, duplicate our services or design around our intellectual property, and in such cases, we may not be able to assert our intellectual property rights against such parties. Furthermore, our contractual arrangements may not effectively prevent disclosure of our confidential information or provide an adequate remedy in the event of unauthorized disclosure of our confidential information. We may have to litigate to enforce or determine the scope and enforceability of our intellectual property rights, trade secrets and know-how, which is expensive and time-consuming, could cause a diversion of resources and may not prove successful. Such cases may expose us and negatively affect the use of our intellectual property and we may be prohibited from continuing to exploit them. Due to the rapid pace of technological change in our industry, aspects of our business and our services rely on technologies developed or licensed by third-parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third-parties on reasonable terms or at all. The loss of intellectual property protection, the inability to obtain third-party intellectual property or delay or refusal by relevant regulatory authorities to approve pending intellectual property registration applications could harm our business and ability to compete. We may also be subject to costly litigation in the event our services and technology infringe upon, misappropriate or otherwise violate a third-party's proprietary rights. Third-parties may have, or may eventually be issued, patents, trademarks, trade secrets or other intellectual property that may be infringed upon, misappropriated or otherwise violated by our services, or may otherwise conflict with our own proprietary rights. We may also be subject to claims by third-parties alleging that we have breached any of our applicable copyright, trademark, license usage or other intellectual property licenses or agreements. Any such claim from third-parties may be expensive, time consuming and result in a limitation of our ability to use the intellectual property subject to such claims and may prevent us from registering certain trademarks, domain names, industrial designs, patents or other intellectual property assets. Additionally, in recent years, individuals and groups have been purchasing intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies like ours. Even if we believe that intellectual property related claims brought by such individuals are without merit, defending against such claims is time-consuming and expensive and could result in the diversion of the time and attention of our management and employees. Claims of intellectual property infringement also might require us to redesign affected services, enter into costly settlement or license agreements, pay costly damage awards, change our brands, or face a temporary or permanent injunction prohibiting us from marketing or selling certain of our services or using certain of our brands. Even if we have an agreement for indemnification against such costs, the indemnifying party, if any in such circumstances, may be unable to uphold its contractual obligations. If we cannot or do not license the infringed technology on reasonable terms or substitute similar technology from another source, our revenue and earnings could be adversely impacted.

***We rely upon third-party data center service providers to host certain aspects of our platform. Any disruption to, or interference with, our use of such services, could impair our ability to deliver our platform, resulting in customer dissatisfaction, damaging our reputation and harming our business.***

We utilize data center hosting facilities from third-party service providers to make certain products and services available on our platform. Our primary data centers are in Rio de Janeiro and São Paulo in Brazil, and in Chicago, Illinois and Atlanta, Georgia in the United States. Our operations depend, in part, on our providers' ability to protect their facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts and similar events. The occurrence of spikes in user volume, traffic, natural disasters, acts of terrorism, vandalism or sabotage, or a decision to close a facility without adequate notice, or other unanticipated problems at our providers' facilities could result in lengthy interruptions in the availability of our platform, which would adversely affect our business.

***Our use of open source software could negatively affect our ability to sell our solutions and subject us to possible litigation.***

Our solutions incorporate and are dependent to some extent on the use and development of open source software and we intend to continue our use and development of open source software in the future. Such open source software is generally licensed by its authors or other third-parties under open source licenses and is typically freely accessible, usable and modifiable. Pursuant to such open source licenses, we may be subject to certain conditions, including requirements that we offer our proprietary software that incorporates the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or derivative works under the terms of the particular open source license. If an author or other third-party that uses or distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our solutions that contained or are dependent upon the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our solutions. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our platform. The terms of many open source licenses to which we are subject have not been interpreted by courts. The potential impact of these terms on our business is uncertain and may result in unanticipated obligations regarding our solutions and technologies.

Furthermore, any requirement to disclose our proprietary source code, termination of open source license rights or payments of damages for breach of contract could be harmful to our business, results of operations or financial condition, and could help our competitors develop products and services that are similar to or better than ours.

In addition to risks related to license requirements, use of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties, controls on the origin or development of the software, or remedies against the licensors. Many of the risks associated with usage of open source software cannot be eliminated and could adversely affect our business.

Although we believe that we have complied with our obligations under the various applicable licenses for open source software, it is possible that we may not be aware of all instances where open source software has been incorporated into our proprietary software or used in connection with our solutions or our corresponding obligations under open source licenses. We do not have open source software usage policies or monitoring procedures in place. We rely on multiple software programmers to design our proprietary software and we cannot be certain that our programmers have not incorporated open source software into our proprietary software that we intend to maintain as confidential or that they will not do so in the future. To the extent that we are required to disclose the source code of certain of our proprietary software developments to third-parties, including our competitors, in order to comply with applicable open source license terms, such disclosure could harm our intellectual property position, competitive advantage, results of operations and financial condition. In addition, to the extent that we have failed to comply with our obligations under particular licenses for open source software, we may lose the right to continue to use and exploit such open source software in connection with our operations and solutions, which could disrupt and adversely affect our business.

## **Risks Related to Our Financing Needs**

***Our financing needs could adversely affect our financial flexibility and our competitive position.***

We rely, in addition to our equity, on third-party financing both in the format of indebtedness but also selling our accounts receivables due by credit card issuers. Our inability to either refinance our debt or to maintain and expand our asset sales programs could have important consequences and significantly impact our business. For example, it could:

- make it more difficult for us to satisfy our operational and financial obligations;
- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- require us to dedicate a substantial portion of our cash flow from operations to make payments to debt holders, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- limit our ability to make material acquisitions or take advantage of business opportunities that may arise;
- expose us to fluctuations in interest rates, to the extent our borrowings bear variable rates of interest;

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business plan or other general corporate purposes on reasonable terms or at all;
- affect our prepayment business size and growth;
- reduce the amount of surplus funds distributable by our subsidiaries to us for use in our business, such as for the payment of debt and dividends to our shareholders; and
- lead us to make additional investments in our subsidiaries if their cash flow from operations is insufficient for them to pay their debts.

***We may not be able to secure financing on favorable terms, or at all, to meet our future capital needs.***

We have funded our operations since inception primarily through equity financings and sale of card receivables to third-parties such as commercial banks to and to a lesser extent through bank credit facilities, and financing arrangements, including through FIDCs and sale of card receivables to third-parties such as commercial banks. We do not know when or if our operations will generate sufficient cash to fund our ongoing operations. In the future, we may require additional capital to respond to business opportunities, refinancing needs, challenges, acquisitions, or unforeseen circumstances and may decide to engage in equity or debt financings or enter into credit facilities for other reasons, and we may not be able to secure any such additional debt or equity financing or refinancing on favorable terms, in a timely manner, or at all. Any debt financing obtained by us in the future could also include restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Our credit facilities, debentures and bonds contain restrictive covenants, including customary limitations on the incurrence of certain indebtedness and liens. Our ability to comply with these covenants may be affected by events beyond our control, and breaches of these covenants could result in a default under our credit facilities, debentures, bonds and any future financing agreements into which we may enter. If not waived, defaults could cause our outstanding indebtedness under our credit facilities and any future financing agreements that we may enter into under these terms to become immediately due and payable. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited. See “Item 5. Operating and Financial Review and Prospects”. Rising rates of either CDI or credit spreads may materially impact our results if we are not able to fully pass them to prices we charge our clients.

***We face risks relating to liquidity of our capital resources.***

Liquidity risk, as we understand it, is the risk that we will not have sufficient financial resources to meet our obligations by the respective maturity dates or that we will honor such obligations at an excessive cost or that we will not have funding at a volume and cost appropriate to meet the advance payment request by our customers. This risk is inherent in our activities.

Our capacity and cost of funding may be impacted by a number of factors, such as changes in market conditions (e.g., in interest rates), credit supply, regulatory changes, systemic shocks in the financial sector, and changes in the market’s perception of us, among others.

In scenarios where access to funding is scarce and/or becomes too expensive, and the access to capital markets is either not possible or is limited, we may find ourselves obliged to settle assets not compromised and/or potentially devalued so that we will be able to meet our obligations. If the market liquidity is reduced, the demand pressure may have a negative impact on prices, since natural buyers may not be immediately available. Should this happen, we may have a significant negative goodwill on assets, which will impact our results and financial position. The persistence or worsening of such adverse market conditions or rises in basic interest rates may have a material adverse impact on our capacity to access capital markets and on our cost of funding.

## Risks Related to Our Organizational Structure

### *Our holding company structure makes us dependent on the operations of our subsidiaries.*

We are a Cayman Islands exempted company with limited liability. Our material assets are our direct and indirect equity interests in our subsidiaries. We are, therefore, dependent upon payments, dividends and distributions from our subsidiaries for funds to pay our holding company's operating and other expenses and to pay future cash dividends or distributions, if any, to holders of our Class A common shares, and we may have tax costs in connection with any dividend or distribution. Furthermore, exchange rate fluctuation will affect the U.S. dollar value of any distributions our subsidiaries make with respect to our equity interests in those subsidiaries. See “—Risks Relating to Brazil—Exchange rate instability may have adverse effects on the Brazilian economy, us and the price of our Class A common shares”, “—Economic uncertainty and political instability in Brazil may harm us and the price of our Class A common shares.” and “Item 8. Financial Information—A. Consolidated statements and other financial information—Dividends and dividend policy”.

### *We are subject to the risks associated with less than full control rights of some of our subsidiaries.*

We own less than 100% of the equity interests or assets of some of our subsidiaries and do not hold controlling interests in some of the entities in which we have invested. As a result, we do not receive the full amount of any profit or cash flow from these non-wholly owned entities and those who hold a controlling interest may be able to take actions that bind the respective entity. We may be adversely affected by this lack of full control and we cannot provide assurance that management of our subsidiaries or other entities will possess the skills, qualifications or abilities necessary to profitably operate such businesses.

## Risks Relating to Brazil

### *The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, as well as Brazil's political, regulatory, legal and economic conditions, could harm us and the price of our Class A common shares.*

The Brazilian government frequently exercises significant influence over the Brazilian economy and occasionally makes significant changes in policy and regulations, including to its monetary, fiscal, credit and tariff policies and rules. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, increases or decreases in interest rates, changes in fiscal policies, wage and price controls, foreign exchange rate controls, blocking access to bank accounts, currency devaluations, capital controls and import and export restrictions. We have no control over and cannot predict what measures or policies the Brazilian government may take in the future and how these can impact us and our business. We and the market price of our securities may be harmed by changes in Brazilian government policies, as well as general economic factors, including, without limitation:

- expansion or contraction of the Brazilian economy, as measured by gross domestic product (“GDP”), rates;
- interest rates and monetary policies;
- exchange rates and currency fluctuations;
- inflation;
- liquidity of the domestic capital and lending markets;
- import and export controls;
- exchange controls and restrictions on remittances abroad;
- modifications to laws and regulations according to political, social and economic interests;
- fiscal policy and changes in tax laws;
- economic, political and social instability;
- labor and social security regulations;
- energy and water shortages and rationing; and
- other political, diplomatic, social and economic developments in or affecting Brazil.



Uncertainty over whether the Brazilian government will implement reforms or changes in policy or regulation affecting these or other factors in the future may affect economic performance and contribute to economic uncertainty in Brazil, which may have an adverse effect on us and our Class A common shares. We cannot predict what measures the Brazilian government will take in the face of mounting macroeconomic pressures or otherwise.

***Economic uncertainty and political instability in Brazil may harm us and the price of our Class A common shares.***

Brazil's political environment has historically influenced and continues to influence, the performance of the country's economy.

Political crises have affected and continue to affect the confidence of investors and the general public, which have historically resulted in economic deceleration and heightened volatility in the securities offered by companies with significant operations in Brazil.

Presidential elections were held in Brazil, with a first round on October 2, 2022. A second round between candidates was necessary as none of the candidates obtained more than 50% of the valid votes. The second round was held on October 30, 2022, and the new president was elected with 50.90% of the votes.

Regarding the 2022 election and the new Brazilian government that took office on January 1, 2023, President Lula's left-wing Workers Party (PT) defends a political agenda sustained by an increase in public expenses, one question that arises is whether he will adopt, a more pragmatic/market-oriented — seeking more moderate and fiscal responsible policies — or radical posture — such as one in which he could try, for example, to revoke the approved Labor Reform of 2017 or strengthen state-owned companies instead of privatizing them. Overall, the intense political polarization may increase financial markets volatility due to the uncertainty with the new Brazilian government.

As has been true in the past, the current political and economic environment in Brazil has and is continuing to affect the confidence of investors and the general public, which has historically resulted in economic deceleration and heightened volatility in the securities offered by companies with significant operations in Brazil, which may adversely affect us and our shares.

Also, the economic instability in Brazil has contributed to a decline in market confidence in the Brazilian economy as well as to a deteriorating political environment.

A failure by the Brazilian government to implement necessary economic and structural reforms may result in diminished confidence in the Brazilian government's budgetary condition and fiscal stance, which could result in downgrades of Brazil's sovereign foreign credit rating by credit rating agencies, negatively impact Brazil's economy, and lead to further depreciation of the real and an increase in inflation and interest rates, which could adversely affect our business, financial condition and results of operations.

Inflation is one of the main current concerns and it continues to be addressed by the Central Bank. In the past, Brazil has experienced extremely high rates of inflation. Although in recent years we have observed an accommodation of inflation at relatively low levels, as measured by the IPCA, lately, new inflationary pressures have arisen. Important drivers for the spike in current inflation include soaring commodity prices, supply-chain bottlenecks, and services activity acceleration that yields from the national economy's reopening in late 2021 after lockdowns between 2021 and 2020 due to the COVID-19 pandemic. With higher inflation inertia, market expectations have been consistently updated upwards in the recent past, as reported by the focus survey, which is released weekly by the Central Bank. Even though in 2023 market expectations converged to a more stable interest rate with downward trajectory on the future after successive interest rate hikes in 2021 and 2022, there is still considerable uncertainty in the market brought by new global and local developments.

In the beginning of 2022, the Russian-Ukraine conflict has had — and may continue to have — negative effects throughout global markets. Russia is a major player in the global commodities market, producing about 10% of the world's oil and 17% of its natural gas, while both countries are large exporters of agricultural and metal commodities. One of the conflict's major economic spillovers to the Brazilian economy could be an upside inflation risk, due to an increase in the price of both energy and agricultural commodities. This could encourage the Central Bank to adopt a more conservative stance with regard to its monetary policy and, as a consequence, we could see an increase in our business funding cost and a potential decrease in consumer demand for our prepayment solutions. Besides, further escalation of the conflict could also lead to higher market volatility, which could adversely affect us.

Considering new inflationary pressures that emerged from the Russian-Ukraine conflict, and an increased risk that inflation may deviate from the target pursued by the Central Bank, we could see a more intense tightening of monetary policy and, thus, a higher-than-expected increase in the national basic interest rate (“SELIC”). With higher inflation/interest rates we could face an increase in our costs and expenses, and we may not be able to transfer such costs to customers, reducing our profit and net profit margins. Changes in market and economic conditions could also adversely decrease the demand for our products and services. In addition, we could see an increase in the debt service of the portion in reais of our debt, which is indexed to floating rates. With this, net profit may decrease. Inflation and its effects related to Brazilian interest rates could, in addition, reduce liquidity in the Brazilian capital and financial markets, which would affect the ability to refinance our indebtedness in those markets.

Any of the above factors may create additional political uncertainty, which could harm the Brazilian economy and, consequently, our business, and could adversely affect our financial condition, our results of operations, and the price of our Class A common shares.

***Inflation and certain measures by the Brazilian government to curb inflation have historically harmed the Brazilian economy and Brazilian capital markets, and high levels of inflation in the future could harm our business and the price of our Class A common shares.***

In the past, Brazil has experienced extremely high rates of inflation. Inflation and some of the measures taken by the Brazilian government in an attempt to curb inflation have had significant negative effects on the Brazilian economy generally. Inflation and policies adopted to curb inflationary pressures and uncertainties regarding possible future government intervention have contributed to economic uncertainty and heightened volatility in the Brazilian economy and capital markets.

According to the IPCA, Brazilian inflation rates were 4.6%, 5.8%, 10.1%, 4.5% and 4.3% in 2023, 2022, 2021, 2020, and 2019, respectively. Brazil may experience high levels of inflation in the future and inflationary pressures may lead to the Brazilian government’s intervening in the economy and introducing policies that could harm our business and the price of our Class A common shares. In the past, the Brazilian government’s interventions included the maintenance of a restrictive monetary policy with high interest rates that restricted credit availability and reduced economic growth, causing volatility in interest rates. For example, the official interest rate in Brazil increased from an average of 2.77% in 2020, to 4.46% in 2021, 12.45% in 2022, and 13.04% in 2023, as established by the Monetary Policy Committee (*Comitê de Política Monetária do Banco Central do Brasil—COPOM*). Conversely, more lenient government and Central Bank policies and interest rate decreases have triggered and may continue to trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect us and increase our indebtedness.

Inflation and the Brazilian government’s measures to combat inflation have had, and may continue to have, significant effects on the Brazilian economy and on our business. Strict monetary policies, with high interest rates and high requirements for compulsory deposits, can restrict Brazil’s growth and the availability of credit. On the other hand, softer government and central bank policies and declining interest rates may trigger increases in inflation and, consequently, the volatility of economic growth and the need for sudden and significant increases in interest rates.

Inflationary pressures may result in government intervention in the economy, including policies that may adversely affect the overall performance of the Brazilian economy, which could, in turn, adversely affect our operations and the trading price of our common shares. Inflation, measures to contain inflation and speculation about potential measures can also contribute to significant uncertainty in relation to the Brazilian economy and weaken investor confidence, which can affect our ability to access financing, including access to equity of international capital markets.

Future measures by the Brazilian government, including reductions in interest rates, intervention in the foreign exchange market and actions to adjust or fix the value of the real, may trigger increases in inflation, adversely affecting the overall performance of the Brazilian economy.

Inflation can also increase our costs and expenses, and we may not be able to transfer such costs to customers, reducing our profit and net profit margins. In addition, high inflation rates generally increase Brazilian interest rates and, therefore, the debt service of the portion in reais of our debt, which is indexed to floating rates, may also increase. With this, net profit may decrease. Inflation and its effects related to Brazilian interest rates could, in addition, reduce liquidity in the Brazilian capital and financial markets, which would affect the ability to refinance our indebtedness in those markets.

***Exchange rate instability may have adverse effects on the Brazilian economy, us and the price of our Class A common shares.***

The Brazilian currency has fluctuated sharply against the U.S. dollar and other strong currencies over the past four decades. During this period, the Brazilian government has implemented various economic plans and used a number of exchange rate policies, including sudden depreciations, periodic mini-depreciations, floating exchange rate market systems, exchange controls and dual exchange rate markets. Since 1999, the Central Bank has allowed the real/U.S. dollar exchange rate to float freely and during this period, the real/U.S. dollar exchange rate has experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies.

Although long-term depreciation of the real is generally linked to the rate of inflation in Brazil, depreciation of the real occurring over shorter periods of time has resulted in significant variations in the exchange rate between the real, the U.S. dollar and other currencies. We cannot predict whether the Central Bank or the Brazilian government will continue to let the real float freely or intervene in the exchange rate market by returning to a currency band system or otherwise.

The exchange rate between the U.S. dollar and the Brazilian real has experienced significant fluctuations in recent years. In the years ended December 31, 2019 and 2020, the real/U.S. dollar exchange rate were R\$4.03 and R\$5.20, respectively, with a depreciation of 3.9% in 2019 and 22.4% in the real in 2020. In May 2020, in response to the turbulence and doubts raised by the COVID-19 pandemic, the real depreciated significantly against the U.S. dollar, but finished the year at R\$5.20 per US\$1.00. This trend continued in 2021 and as of December 31, 2021, the exchange rate was R\$5.58 per US\$1.00. On December 31, 2022, the real/U.S. dollar exchange rate was R\$5.22, reflecting an appreciation of 7.0% in the real from December 31, 2021. The real/U.S. dollar exchange rate reported by the Central Bank was R\$4.84 per US\$1.00 on December 31, 2023, which reflected a 7.8% appreciation in the *real* against the U.S. dollar during 2023. There can be no assurance that the devaluation or appreciation of the real against the dollar and other currencies will not have an adverse effect on our activities.

Devaluation of the *real* relative to the U.S. dollar could create additional inflationary pressures in Brazil and cause the Brazilian government to, among other measures, increase interest rates, which could negatively affect the Brazilian economy as a whole and our results, due to the retraction in consumption and the increase in our costs. Any depreciation of the real may generally restrict access to the international capital markets. It would also reduce the U.S. dollar value of our results of operations. Restrictive macroeconomic policies could reduce the stability of the Brazilian economy and harm our results of operations and profitability. In addition, domestic and international reactions to restrictive economic policies could have a negative impact on the Brazilian economy. These policies and any reactions to them may harm us by curtailing access to foreign financial markets and prompting further government intervention. A devaluation of the *real* relative to the U.S. dollar may also, as in the context of the current economic slowdown, decrease consumer spending, increase deflationary pressures and reduce economic growth.

On the other hand, appreciation of the real relative to the U.S. dollar and other foreign currencies may deteriorate the Brazilian foreign exchange current accounts and balance of payments, as well as a weakening in the growth of the gross domestic product generated by exports. We and certain of our suppliers purchase goods and services from countries outside of Brazil, and thus changes in the value of the U.S. dollar compared to other currencies may affect the costs of goods and services that we purchase. Depending on the circumstances, either devaluation or appreciation of the real relative to the U.S. dollar and other foreign currencies could restrict the growth of the Brazilian economy, as well as our business, results of operations and profitability. We have no influence on the exchange rate policy adopted in Brazil and do not have the capacity to foresee it. Our business, financial condition, results of operations and prospects may be adversely affected by changes in such foreign exchange policies.

***Infrastructure and workforce deficiency in Brazil may impact economic growth and have a material adverse effect on us.***

Our performance depends on the overall health and growth of the Brazilian economy. Brazilian GDP growth has fluctuated over the past few years a growth of 1.3% in 2018 and 1.1% in 2019. In 2020, Brazilian GDP contracted by 3.3% as a result of the effects of the COVID-19 pandemic, followed by a growth of 4.8% in 2021, an increase of 3.0% in 2022 and an increase of 2.9% in 2023. Growth is limited by inadequate infrastructure, including potential energy shortages and deficient transportation, logistics and telecommunication sectors, general strikes, the lack of a qualified labor force, and the lack of private and public investments in these areas, which limit productivity and efficiency. Any of these factors could lead to labor market volatility and generally impact income, purchasing power and consumption levels, which could limit growth and ultimately have a material adverse effect on us.

***Developments and the perception of risks in other countries, including other emerging markets, the United States and Europe, may harm the Brazilian economy and the price of securities issued by companies operating in Brazil, including the price of our Class A common shares.***

The market for securities of companies operating in Brazil, including us, is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging markets, as well as the United States, Europe and other countries and regions. To the extent the conditions of the global markets or economy deteriorate, the business of companies operating in Brazil may be harmed. Since 2019, there was an increase in volatility in all Brazilian markets due to, among other factors, uncertainties about how monetary policy adjustments in the United States would affect the international financial markets and the increasing risk aversion to emerging market countries. The COVID-19 pandemic and its economic and social impacts have also affected the performance of Brazilian markets, and was marked by, among other adverse factors, lower levels of consumer and corporate confidence, decreased business investment and consumer spending, increased unemployment, reduced income and asset values in many areas, reduction of advances and emerging markets' growth rates, currency volatility and, to some extent, limited availability of credit and access to capital. These uncertainties adversely affected us and the market value of our securities and may continue to do so in the future. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to companies with significant operations in Brazil and resulted in considerable outflows of funds from Brazil, decreasing the amount of foreign investments in Brazil.

The decrease in foreign investment in Brazil may adversely affect growth and liquidity in the Brazilian economy, which, in turn, may have a negative impact on us. The interruption or volatility in global financial markets may further increase the negative effects on the economic and financial scenario in Brazil, which may have a material adverse effect on us.

Besides, crises and political instability in other emerging market countries (such as in Southeast Asia, Russia and Argentina), the United States, Europe or other countries have historically caused volatility in the Brazilian stock market and could decrease investor demand for securities offered by companies operating in Brazil, such as our common shares. Especially with the COVID-19 outbreak, the international stability can be more fragile, leading to crises in both advanced and emerging countries. Additionally, policy changes, monetary policy and/or implementation of protectionist policies in the United States and other countries material for the international economic landscape may directly or indirectly impact the economy of the countries where we operate, generating several risks, especially exchange rate, interest rate and increase in the price of commodities, and, consequently, affecting our results.

We cannot guarantee that the United States government will maintain policies aimed at promoting macroeconomic stability, fiscal discipline and domestic and foreign investment, which can have a significant adverse effect on the financial and securities markets in Brazil, on companies operating in Brazil, including us, and in the securities of Brazilian issuers, such as our Brazilian subsidiaries. The political scenario in the United States and its relationship with China and the rest of the world, new elected presidents in other countries in the Latin American region and uncertainties in Europe, as well as potential crises and forms of political instability arising therefrom or any other as of yet unforeseen development, may harm our business and the price of our common shares.

***Any further downgrading of Brazil's credit rating could reduce the trading price of our Class A common shares.***

We may be harmed by investors' perceptions of risks related to Brazil's sovereign debt credit rating. Rating agencies regularly evaluate Brazil and its sovereign ratings, which are based on several factors including macroeconomic trends, fiscal and budgetary conditions, indebtedness metrics and the perspective of changes in any of these factors. Recently, the Brazilian political and economic scenario has shown high levels of volatility and instability, including fluctuations in GDP growth, significant fluctuations in the real against the U.S. dollar, increased unemployment and a reduction in expenditure levels and consumer confidence.

The rating agencies began to review Brazil's sovereign credit rating in September 2015. Subsequently, the three major rating agencies downgraded Brazil's investment-grade status:

- In 2015, Standard & Poor's initially downgraded Brazil's credit rating from BBB-negative to BB-positive and subsequently downgraded it again from BB-positive to BB, maintaining its negative outlook, citing a worse credit situation since the first downgrade. On January 11, 2018, Standard & Poor's further downgraded Brazil's credit rating from BB to BB-negative. On December 11, 2019, Standard & Poor's revised the outlook on Brazil's credit rating to positive from stable, which reflected the agency's expectations that the Brazilian government would be able to continue the implementation of measures to reduce the fiscal deficit. On April 6, 2020, Standard & Poor's reaffirmed the BB- rating and revised the outlook on Brazil's credit rating from positive to stable, on uncertainties related to COVID-19. On June 14, 2022, Standard & Poor reaffirmed Brazil's BB- rating and stable outlook. On December 19, 2023, Standard & Poor upgraded Brazil's credit rating to BB stable.

- In December 2015, Moody's placed Brazil's Baa3's issue and bond ratings under review for downgrade and subsequently downgraded the issue and bond ratings to below investment grade, at Ba2 with a negative outlook, citing the prospect of a further deterioration in Brazil's debt indicators, taking into account the low growth environment and the challenging political scenario. In April 2018, Moody's maintained Brazil's credit rating at Ba2 but revised outlook from negative to stable, which it maintained in September 2019, citing expectations of further cuts to government spending. On April 12, 2022, Moody's reaffirmed Brazil's Ba2 rating and stable outlook.
- Fitch initially downgraded Brazil's sovereign credit rating to BB-positive with a negative outlook in December 2015, citing the rapid expansion of the country's rapidly expanding budget deficit and the worse-than-expected recession and subsequently downgraded it to BB with a negative outlook in May 2016. In February 2018, Fitch downgraded Brazil's sovereign credit rating again to BB-negative, citing, among other reasons, fiscal deficits, the increasing burden of public debt and an inability to implement reforms that would structurally improve Brazil's public finances. The BB-negative rating was reaffirmed in May 2019. In May 2020, Fitch reaffirmed Brazil's credit rating as BB- and revised the outlook from stable to negative, reflecting the deterioration and downside risks of the country's economic and fiscal outlooks, including tensions between the executive and congress, and uncertainties over the duration and intensity of the COVID-19 pandemic. In July 2022, Fitch reaffirmed Brazil's credit rating as BB-, but revised the outlook from negative to stable due to better-than-expected evolution of public finances amid successive shocks in recent years. In December 2022, Fitch reaffirmed Brazil's BB- rating and stable outlook, but highlighted high uncertainties regarding the plans for the new government elected and its impacts over economic and fiscal challenges. On July 26, 2023, Fitch updated Brazil's credit rating from BB- to BB.

Brazil's sovereign credit rating is currently rated below investment grade by the three main credit rating agencies. Consequently, the prices of securities issued by companies with significant operations in Brazil have been negatively affected.

The full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade. A prolongation or worsening of the current Brazilian recession and continued political uncertainty, among other factors, could lead to further ratings downgrades. We cannot assure you that the rating agencies will maintain their current ratings or outlooks, and such changes could increase our funding costs and adversely affect our results of operations. Any further downgrade of Brazil's sovereign credit ratings could heighten investors' perception of risk and, as a result, cause the trading price of our Class A common shares to decline.

***Internet regulation in Brazil is still limited and several legal issues related to the Internet are uncertain.***

In 2014, Brazil enacted a law, which we refer to as the Brazilian Civil Rights Framework for the Internet (*Marco Civil da Internet*), setting forth principles, guarantees, rights and duties for the use of the internet in Brazil, including provisions about internet service provider liability, internet user privacy and internet neutrality. In May 2016, further regulation (Decree No. 8,771) was passed in connection with the referred law. The administrative penalties imposed by the Brazilian Civil Rights Framework for the Internet include notification, fines (up to 10% of the revenues in Brazil of the relevant entity's economic group in the preceding fiscal year) and suspension or prohibition from engaging in data processing activities. The Brazilian Civil Rights Framework for the Internet also determines joint and several liability between foreign parent companies and local Brazilian subsidiaries for the payment of fines that may be imposed for breach of its provisions. Administrative penalties may be applied cumulatively. Daily fines may be imposed in judicial proceedings, as a way to compel compliance with a Brazilian court order. If for any reason a company fails to comply with the court order, the fine can reach significant amounts. We may be subject to liability under these laws and regulations should we fail to adequately comply with the Brazilian Civil Rights Framework for the Internet.

However, unlike in the United States, little case law exists around the Brazilian Civil Rights Framework for the Internet and existing judicial precedents have not been consistent. Legal uncertainty arising from the limited guidance provided by current laws in force allows for different judges or courts to decide very similar claims in different ways and establish contradictory jurisprudence. This legal uncertainty allows for rulings against us and could set adverse precedents, which individually or in the aggregate could seriously harm our business, results of operations and financial condition. In addition, legal uncertainty may harm our clients' perception and use of our service.

***We may face restrictions and penalties under the Brazilian Consumer Protection Code.***

Brazil has a series of strict consumer protection statutes, including Law No. 8,078, dated as of September 11, 1990 known as the “Consumer Protection Code” (*Código de Defesa do Consumidor*), that are intended to safeguard consumer interests and that apply to all companies in Brazil that supply products or services to Brazilian consumers. These consumer protection provisions include protection against misleading and deceptive advertising, protection against coercive or unfair business practices and protection in the formation and interpretation of contracts, usually in the form of civil liabilities and administrative penalties for violations. These penalties are often levied by the Brazilian Consumer Protection Agencies (*Fundação de Proteção e Defesa do Consumidor*, or “PROCONs”), which oversee consumer issues on a district-by-district basis. Companies that operate across Brazil may face penalties from multiple PROCONs, as well as the National Secretariat for Consumers (*Secretaria Nacional do Consumidor*, or SENACON). Companies may settle claims made by consumers via PROCONs by paying compensation for violations directly to consumers and through a mechanism that allows them to adjust their conduct, called a conduct adjustment agreement (*Termo de Ajustamento de Conduta*, or “TAC”). Brazilian Public Prosecutor Offices may also commence investigations related to consumer rights violations and this TAC mechanism is also available for them. Companies that violate TACs face potential automatic fines. Brazilian Public Prosecutor Offices may also file public civil actions against companies in violation of consumer rights, seeking strict observation of the consumer protection law provisions and compensation for the damages consumers may have suffered.

Until December 31, 2023, we received approximately 541 proceedings with PROCONs. Moreover we have 4,817 active judicial claims related to Special Civil Court that do not exceed R\$9.440 million in the aggregate. To the extent these consumers succeed, or further judicial or administrative claims are filed resulting in adverse outcomes for us, we may face reduced revenues due to refunds and the payment of fines for noncompliance, and could negatively impact our results of operations.

**Risks Relating to the Linx Transaction**

***The Linx Transaction may result in significant charges or other liabilities that could adversely affect the financial results of the combined company.***

The financial results of the combined company, following the Linx Transaction, may be adversely affected by cash expenses and non-cash accounting charges incurred in connection with our integration of the business and operations of Linx. Furthermore, as a result of the Linx Transaction we have recorded a significant amount of goodwill and other intangible assets on our consolidated financial statements, which could be subject to impairment based upon future adverse changes in our business or prospects including our inability to recognize the benefits anticipated by the Linx Transaction. In addition, upon the acquisition of Linx we have assumed all of Linx’s liabilities, including unknown and contingent liabilities that Linx assumed in connection with their acquisitions, that we failed or were unable to identify. Furthermore, Linx has additional future obligations regarding certain of these acquisitions including outstanding earn-out obligations and call options that Linx may exercise to purchase additional shares in the target company, which we have the possibility to assume upon consummation of the Linx Transaction. If we are not able to accurately assess the scope of these liabilities or if these liabilities are neither probable nor estimable at this time, our future financial results could be adversely affected by unanticipated reserves or charges, unexpected litigation or regulatory exposure, unfavorable accounting charges, unexpected increases in taxes due, a loss of anticipated tax benefits or other adverse effects on our business, operating results or financial condition. Moreover, because of the transaction, the financial results of the combined company may be subjected to an alignment of accounting practices, something that can generate changes in Linx financial results. As a result of the consummation of the Linx Transaction, the price of our Class A common shares could decline to the extent the combined company’s financial results are materially affected by any of these events.

***We may not realize the benefits anticipated from the Linx Transaction, which may adversely affect our stock price.***

The anticipated benefits from the Linx Transaction are, necessarily, based on projections and assumptions about the combined businesses of our company and Linx, which may not materialize as expected or which may prove to be inaccurate. Our ability to achieve the anticipated benefits will depend on our ability to integrate the business and operations of Linx successfully and efficiently with our business and achieve the expected synergies. We may encounter significant challenges with successfully integrating and recognizing the anticipated benefits of the potential Linx Transaction, including the following:

- potential disruption of, or reduced growth in, our historical core businesses, due to diversion of management attention, uncertainty with our current client relationships, and macroeconomic fluctuations in Brazil;
- challenges arising from the expansion of our product offerings into adjacencies with which we have limited experience, including enterprise management software;

- challenges arising from the expansion into those Linx regions where we do not currently operate or have significant operations;
- coordinating and integrating research and development teams across technologies and products to enhance product development while reducing costs;
- consolidating and integrating corporate, information technology, finance and administrative infrastructures, while integrating and harmonizing business systems;
- coordinating sales and marketing efforts to effectively position our capabilities and the direction of product development;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from combining Linx's business with our financial services segment;
- the increased scale and complexity of our operations resulting from the Linx Transaction;
- retaining key employees, suppliers and other partners of our company and Linx;
- retaining and efficiently managing Linx's customer base;
- obligations that we will have to counterparties of Linx that arise as a result of the change in control of Linx;
- difficulties in anticipating and responding to actions that may be taken by competitors in response to the Linx Transaction; and
- the assumption of and exposure to unknown or contingent liabilities of Linx.

In addition, our anticipated benefits of the Linx Transaction contemplate certain synergies. Consequently, even if we are able to successfully integrate the operations of Linx with ours, we may not realize the full benefits of the Linx Transaction if we are unable to identify and implement the anticipated synergies or if the actions taken to implement such synergies have unintended consequences on our other business operations.

### **Risks Relating to Linx's Operation**

In addition to some of the previous risks, Linx's operations have some specific risks described below.

***Linx's commercial automation and electronic invoice (NF-e) software are approved by the Departments of Treasury of the Brazilian states, and therefore, the loss of one or more approvals may jeopardize the result of this solution.***

Among the solutions offered to Linx's customers are commercial automation and the issuance of electronic invoices (NF-e) and electronic tax coupons (NFC-e) parameterized in accordance with the tax laws of the different Brazilian states. Such commercial automation solutions must be approved by the Departments of Treasury of each state to certify compliance with the applicable rules, including the PAF ECF (*Programa Aplicativo Fiscal - Emissor Cupom Fiscal*) legislation. If any of these approvals are lost, we will be prevented from continuing its commercial automation software and NF-e and NFC-e solution activities in the state where this approval was lost, which could have a negative impact on our financial results.

***Simplifying Brazilian tax rules would reduce barriers to entry for international competitors.***

The complexities of the Brazilian tax rules, to a large extent, prevent the entry of international competitors in the software sector for the Brazilian retail, in view of the great need for knowledge of the tax legislation applicable to each Brazilian state and the Brazilian Federation. The Brazilian government has been signaling that it will simplify tax rules, which could put an end to an important entry barrier for Linx's international competitors and could increase competition for it and impact its financial result.

***Linx and its managers may be accused of facilitating tax evasion for a client and becoming jointly liable for the refund of taxes owed to Brazilian tax authorities.***

In Brazil, commercial management systems are required to be structured in a way that does not allow tax evasion. Linx cannot guarantee that its solutions are not susceptible to security breaches, which could allow a customer to evade tax.

If such a situation occurs, the Brazilian tax authorities may understand that Linx's software allows contracting companies to evade taxes and that we have acted in bad faith. In this case, the Brazilian authorities may demand the payment of evaded taxes (plus interest and fines) and sue Linx and its managers, at the civil, administrative and/or criminal level, which may affect Linx results, depending on the magnitude evasion committed by its customer. Additionally, this situation would severely damage Linx reputation, ending up damaging its business and results.

## Risks Relating to Our Class A Common Shares

***Sales of substantial amounts of our Class A common shares in the public market (including in the form of Brazilian Depositary Receipts (BDRs)), or the perception that these sales may occur, could cause the market price of our Class A common shares and BDRs to decline.***

Sales of substantial amounts of our Class A common shares in the public market (including in the form of BDRs), or the perception that these sales may occur, could cause the market price of our Class A common shares or BDRs to decline. This could also impair our ability to raise additional capital through the sale of our equity securities. Under our Articles of Association, we are authorized to issue up to 630,000,000 shares, of which 308,936,099 common shares are outstanding as of December 31, 2023, (comprised of 290,187,329 Class A common shares and 18,748,770 Class B common shares). We cannot predict the size of future issuances of our shares or the effect, if any, that future sales and issuances of shares would have on the market price of our Class A common shares or BDRs.

In addition, we have adopted the LTIP, under which we have the discretion to grant a broad range of equity-based awards to eligible participants. In May 2022, we also approved a new incentive plan pool, comprised of 19.2 million shares to be granted in the form of RSUs and PSUs under the LTIP. See “Item 6. Directors, Senior Management and Employees—B. Compensation—Long-Term Incentive Plans (LTIP).” We have registered on a Form S-8 registration statement all common shares that we may issue under the LTIP. As a result, these can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates and the lock-up agreements described in “Item 10. Additional Information—B. Memorandum and articles of association,” and any other applicable restrictions. Sales of these shares in the public market, or the perception that those sales may occur, could cause the prevailing market price to decrease or to be lower than it might be in the absence of those sales or perceptions. Also, if a large number of our Class A common shares or securities convertible into our Class A common shares are sold in the public market after they become eligible for sale, the sales could reduce the trading price of our Class A common shares or BDRs and impede our ability to raise future capital.

***One of our founder shareholders holds a large amount of voting power over our common shares, and as a result has influence over certain of our activities and corporate decisions.***

Mr. Street is the primary investor of VCK Investment Fund Limited SAC A that is the owner of 1.49% of our Class A common shares and 90.27% of our Class B common shares, resulting in his beneficial ownership of 6.92% of our outstanding common shares, and, consequently, 36.36% of the combined voting power of our common shares. See “Item 7. Major Shareholders and Related Party Transactions—Major shareholders.”

As a result of this voting power held by entities affiliated with him, André Street has the ability to influence matters affecting, or submitted to a vote of, our shareholders. Also, the rights granted pursuant to our articles of association and shareholders agreement mean that our founder shareholders are, among other things, able to control any transaction involving a merger with third-parties or change of control until they own less than 15% of the total voting power of our common shares given their prior written approval will be required in order for us to proceed with such a transaction. See “Item 7. Major Shareholders and Related Party Transactions—Major shareholders—Shareholders Agreement.” and see “Item 10. Additional Information—B. Memorandum and articles of association—Share Capital,” and see “Item 7. Major Shareholders and Related Party Transactions—A. Major shareholders” for more information.

The interests of these shareholders may conflict with, or differ from, the interests of other holders of our shares. For example, our founder shareholders may inhibit change of control transactions that benefit other shareholders. They may also pursue acquisition opportunities for themselves that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as these shareholders continue to own a substantial number of our common shares (in particular our Class B common shares), they will influence certain of our corporate decisions and together with other shareholders, they may be able to effect or inhibit changes in the control of our company.



***If securities or industry analysts publish inaccurate or unfavorable research, about our business, the price of our Class A common shares (including in the form of BDRs), our other securities (issued or sponsored by us) and our trading volume could decline.***

The trading market for our Class A common shares (including in the form of BDRs) and our other securities (issued or sponsored) will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Class A common shares and our other securities (issued or sponsored) or publish inaccurate or unfavorable research about our business, the price of our Class A common shares, BDRs and our other securities (issued or sponsored) would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our Class A common shares, BDRs and our other securities (issued or sponsored) could decrease, which might cause the price of our Class A common shares, BDRs and our other securities (issued or sponsored) and trading volume to decline.

***We do not anticipate paying any cash dividends in the foreseeable future.***

We currently intend to retain our future earnings, if any, for the foreseeable future, to fund the operation of our business and future growth. We do not intend to pay any dividends to holders of our Class A common shares (including in the form of BDRs). As a result, capital appreciation in the price of our Class A common shares, if any, will be the only source of gain on an investment in our Class A common shares.

***Our dual-class capital structure means our shares will not be included in certain indices. We cannot predict the impact this may have on our share price.***

S&P Dow Jones and FTSE Russell have recently announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our ordinary shares may prevent the inclusion of our common shares in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our common shares. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our common shares.

***The disparity in the voting rights among the classes of our shares may have a potential adverse effect on the price of our Class A common shares, and may limit or preclude your ability to influence corporate matters.***

Each Class A common share will entitle its holder to one vote per share on all matters submitted to a vote of our shareholders. Each holder of our Class B common shares will be entitled to 10 votes per Class B common share so long as the voting power of Class B common shares is at least 10% of the aggregate voting power of our outstanding common shares on the record date for any general meeting of the shareholders. The difference in voting rights could adversely affect the value of our Class A common shares by, for example, delaying or deferring a change of control or if investors view, or any potential future purchaser of our company views, the superior voting rights of the Class B common shares to have value. Because of the ten-to-one voting ratio between our Class B common shares and Class A common shares, the holders of our Class B common shares collectively possess a significant amount of voting power of our common shares.

Future transfers by holders of Class B common shares will generally result in those shares converting to Class A common shares, subject to limited exceptions, such as certain transfers effected to permitted transferees or for estate planning or charitable purposes. The conversion of Class B common shares to Class A common shares will have the effect, over time, of increasing the relative voting power of those holders of Class B common shares who retain their shares in the long term. For a description of our dual class structure, see “Item 10. Additional Information—B. Memorandum and articles of association—Meetings of Shareholders—Voting Rights and Right to Demand a Poll.”

***We are a Cayman Islands exempted company with limited liability. The rights of our shareholders may be different from the rights of shareholders governed by the laws of U.S. jurisdictions.***

We are a Cayman Islands exempted company with limited liability. Our corporate affairs are governed by our Articles of Association and by the laws of the Cayman Islands. The rights of shareholders and the responsibilities of members of our Board of Directors may be different from the rights of shareholders and responsibilities of directors in companies governed by the laws of U.S. jurisdictions. In the performance of its duties, the board of directors of a solvent Cayman Islands exempted company is required to consider our interests, and the interests of its shareholders as a whole, which may differ from the interests of one or more of its individual shareholders. See “Item 10. Additional Information—B. Memorandum and articles of association—Principal Differences between Cayman Islands and U.S. Corporate Law”.

***As a foreign private issuer we have different disclosure and other requirements than U.S. domestic registrants.***

As a foreign private issuer, we are subject to different disclosure and other requirements than domestic U.S. registrants. For example, as a foreign private issuer, in the United States, we are not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports on Form 10-Q or to file current reports on Form 8-K upon the occurrence of specified significant events, the proxy rules applicable to domestic U.S. registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules applicable to domestic U.S. registrants under Section 16 of the Exchange Act. In addition, we rely on exemptions from certain U.S. rules which permit us to follow Cayman Islands legal requirements rather than certain of the requirements that are applicable to U.S. domestic registrants.

We follow Cayman Islands laws and regulations that are applicable to Cayman Islands companies. However, Cayman Islands laws and regulations applicable to Cayman Islands companies do not contain any provisions comparable to the U.S. proxy rules, the U.S. rules relating to the filing of reports on Form 10-Q or 8-K or the U.S. rules relating to liability for insiders who profit from trades made in a short period of time, as referred to above.

Furthermore, foreign private issuers are required to file their annual report on Form 20-F within 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information, although we will be subject to Cayman Islands laws and regulations having substantially the same effect as Regulation Fair Disclosure. As a result of the above, even though we are required to file reports on Form 6-K disclosing the limited information which we have made or are required to make public pursuant to Cayman Islands law, or are required to distribute to shareholders generally, and that is material to us, you may not receive information of the same type or amount that is required to be disclosed to shareholders of a U.S. company.

Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or within the same time frames as U.S. companies with securities registered under the Exchange Act. We currently prepare our financial statements in accordance with IFRS. We will not be required to file financial statements prepared in accordance with or reconciled to U.S. GAAP so long as our financial statements are prepared in accordance with the IFRS. We are not required to comply with Regulation FD, which imposes restrictions on the selective disclosure of material information to shareholders. In addition, our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of our securities.

We cannot predict if investors will find our Class A common shares less attractive because we will rely on these exemptions. If some investors find our Class A common shares less attractive as a result, there may be a less active trading market for our Class A common shares and our share price may be more volatile. See “Item 10. Additional Information—B. Memorandum and articles of association—Principal Differences between Cayman Islands and U.S. Corporate Law.”

***As a foreign private issuer, we are permitted to and may rely on exemptions from certain Nasdaq corporate governance standards applicable to U.S. issuers, including the requirement that a majority of an issuer’s directors consist of independent directors. This may afford less protection to holders of our Class A common shares.***

Subject to certain requirements, as a foreign private issuer, we are permitted to follow home country practice in lieu of certain Nasdaq corporate governance rules, which include rules relating to board independence, independent director oversight of executive compensation, nomination of directors and other corporate governance matters, such as the requirement that we obtain shareholder approval prior to an issuance of securities (in certain circumstances) in connection with certain events, or being required that a majority of board members be independent, or to have independent director oversight of executive compensation, the nomination of directors and corporate governance matters. To the extent Cayman Islands law does not require us to adopt these corporate governance standards, we are permitted to and may decide to follow (or continue to follow) home country practice in lieu of the above requirements. See “Item 10. Additional Information—B. Memorandum and Articles of Association—Principal Differences between Cayman Islands and U.S. Corporate Law—Corporate Governance.”

***We may lose our foreign private issuer status which would then require us to comply with the Exchange Act’s domestic reporting regime and cause us to incur significant legal, accounting and other expenses.***

In order to maintain our current status as a foreign private issuer, either (a) more than 50% of our outstanding voting securities must be either directly or indirectly owned of record by non-residents of the United States or (b) (i) a majority of our executive officers or directors may not be U.S. citizens or residents, (ii) more than 50% of our assets cannot be located in the United States and (iii) our business must be administered principally outside the United States. If we lose this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC and Nasdaq rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the costs we will incur as a foreign private issuer.

***Our shareholders may face difficulties in protecting their interests because we are a Cayman Islands exempted company.***

Our corporate affairs are governed by our Articles of Association, by the Companies Act (As Revised) of the Cayman Islands, or “Cayman Companies Act” and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under the laws of the Cayman Islands are not as established as they would be as under statutes or judicial precedent in some jurisdictions in the United States. Therefore, you may have more difficulty protecting your interests than would shareholders of a corporation incorporated in a jurisdiction in the United States, due to the comparatively less formal nature of Cayman Islands law in this area.

While Cayman Islands law allows a dissenting shareholder to express the shareholder’s view that a court-sanctioned reorganization of a Cayman Islands company would not provide fair value for the shareholder’s shares, Cayman Islands statutory law does not specifically provide for shareholder appraisal rights in connection with a court sanctioned reorganization (by way of a scheme of arrangement). This may make it more difficult for you to assess the value of any consideration you may receive in such a merger or consolidation (by way of a scheme of arrangement) or to require that the acquirer gives you additional consideration if you believe the consideration offered is insufficient. However, Cayman Islands statutory law provides a mechanism for a dissenting shareholder in a statutory merger or consolidation to apply to the Grand Court of the Cayman Islands, or the “Grand Court” for a determination of the fair value of the dissenter’s shares if it is not possible for the company and the dissenter to agree on a fair price within the time limits prescribed.

Shareholders of Cayman Islands exempted companies (such as us) have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders. Our directors have discretion under our Articles of Association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

***United States civil liabilities and certain judgments obtained against us by our shareholders may not be enforceable.***

We are a Cayman Islands exempted company and substantially all of our assets are located outside the United States. In addition, most of our directors and officers are Brazilian nationals and reside or are based in Brazil. A substantial portion of our assets and the assets of these persons are located in Brazil. As a result, it may be difficult to effect service of process upon us or these persons within the United States. A final conclusive judgment of a United States court for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if such judgment: (i) fulfills all formalities required for its enforceability under the laws of the place/jurisdiction where the foreign judgment was issued; (ii) is issued by a competent court and/or authority in the jurisdiction where it was awarded after proper service of process is made on the parties, in accordance with the applicable law, considering that service of process on individuals in Brazil must comply with the Brazilian applicable law, or after sufficient evidence of the parties' absence has been given, as requested under the laws of the jurisdiction where the foreign judgment was entered; (iii) is not rendered in an action upon which Brazilian courts have exclusive jurisdiction; (iv) is final and binding and, therefore, not subject to appeal in the jurisdiction where it was issued; (v) does not conflict with a previous final and binding decision issued by a Brazilian on the case records of a lawsuit involving the same parties, cause of action and claim; (vi) is apostilled by the appropriate authority of the state rendering such foreign judgment, or is duly authenticated by the appropriate Brazilian consulate; (vii) is translated into Portuguese by a sworn translator in Brazil; and (viii) is not contrary to Brazilian national sovereignty, public policy or public morality. Therefore, it may be difficult to enforce in judgments obtained in U.S. courts based on the civil liability provisions of U.S. federal securities laws against us and our officers and directors who are not resident in the United States. In addition, Brazil does not have a treaty with the United States to facilitate or expedite the enforcement in Brazil of decisions issued by a state court in the United States, which shall necessarily be previously recognized by the Brazilian Superior Court of Justice in order to be effective in Brazil.

Further, it is unclear if original actions predicated on civil liabilities based solely upon U.S. federal securities laws are enforceable in courts outside the United States, including in the Cayman Islands and Brazil.

Courts of the Cayman Islands may not, in an original action in the Cayman Islands, recognize or enforce judgments of U.S. courts predicated upon the civil liability provisions of the securities laws of the United States or any state of the United States on the grounds that such provisions are penal in nature. Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, courts of the Cayman Islands will recognize and enforce a foreign judgment of a court of competent jurisdiction if such judgment is final, for a liquidated sum, provided it is not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands' judgment in respect of the same matters, and is not impeachable under Cayman Islands law for fraud, being in breach of public policy of the Cayman Islands or being contrary to natural justice. In addition, a Cayman Islands court may stay proceedings if concurrent proceedings are being brought elsewhere.

***Judgments of Brazilian courts to enforce our obligations with respect to our Class A common shares may be payable only in reais.***

Most of our assets are located in Brazil. If proceedings are brought in the courts of Brazil seeking to enforce our obligations to pay any amounts in respect of our Class A common shares (including in the form of BDRs), we may not be required to discharge our obligations in a currency other than the *real*. Under Brazilian exchange control laws, an obligation in Brazil to pay amounts denominated in a currency other than the *real* may only be satisfied in Brazilian currency at the exchange rate, as determined by the Central Bank, in effect on the date the enforcement of the judgment in Brazil is obtained, and such amounts are then adjusted to reflect exchange rate variations through the effective payment date. The then-prevailing exchange rate may not fully compensate non-Brazilian investors for any claim arising out of or related to our obligations under the Class A common shares.

***The Cayman Islands Economic Substance Act may affect our operations.***

The Cayman Islands has enacted the International Tax Co-operation (Economic Substance) Act (As Revised), or the Cayman Economic Substance Act. We are required to comply with the Cayman Economic Substance Act. As we are a Cayman Islands exempted company, compliance obligations include filing annual notifications for us, which need to state whether we are carrying out any relevant activities and if so, whether we have satisfied economic substance tests to the extent required under the Cayman Economic Substance Act. We may need to allocate additional resources and may have to make changes to our operations in order to comply with all requirements under the Cayman Economic Substance Act. Failure to satisfy these requirements may subject us to penalties under the Cayman Economic Substance Act.

***There could be adverse tax consequences for our U.S. shareholders if we are a passive foreign investment company.***

U.S. shareholders of passive foreign investment companies are subject to potentially adverse U.S. federal income tax consequences. In general, a non-U.S. corporation is a passive foreign investment company (“PFIC”), for any taxable year in which: (i) 75% or more of its gross income consists of passive income; or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that owns, directly or indirectly, at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Cash is a passive asset for these purposes.

The determination of whether we are, or will be, a PFIC for a taxable year depends on the application of complex U.S. federal income tax rules, which are subject to various interpretations. Based on the composition of our income and assets, including goodwill, we do not believe that we were a PFIC for our 2023 taxable year. Our PFIC status is a factual determination that is made on an annual basis. Because our PFIC status for any taxable year will depend on the manner in which we operate our business, the composition of our income and assets, including the relative growth of our income resulting from our credit activities and the payment processing services we provide, and the value of our assets from time to time, there can be no assurance that we will not be a PFIC for any taxable year.

If we are a PFIC with respect to our U.S. shareholders, U.S. holders would be subject to certain adverse U.S. federal income tax consequences as discussed under “Item 10. Additional Information — E. Taxation — Material U.S. Federal Income Tax Considerations for U.S. Holders”. Investors should consult their own tax advisors regarding all aspects of the application of the PFIC rules.

### **General Risk Factors**

***An occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.***

Our business could be materially and adversely affected by natural disasters, such as fires or floods, or other events, such as wars, acts of terrorism, environmental accidents, power shortages or communication interruptions. The occurrence of a disaster or similar event could materially disrupt our business and operations. These events could also cause us to close our operating facilities temporarily, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. In addition, our net sales could be materially reduced to the extent that a natural disaster, health epidemic or other major event harms the economy of the countries where we operate. Our operations could also be severely disrupted if our clients or other participants were affected by natural disasters, health epidemics or pandemics or other major events.

***We have a limited operating history with financial results that may not be indicative of future performance, and our revenue growth rate is likely to slow as our business matures.***

We began operations in 2014. As a result of our limited operating history, we have limited financial data that can be used to evaluate our current business, and such data may not be indicative of future performance. In particular, we have experienced periods of high revenue growth since we began selling our products and services, and we do not expect to be able to maintain the same rate of revenue growth as our business matures. Estimates of future revenue growth are subject to many risks and uncertainties and our future revenue may be materially lower than projected.

We have encountered, and expect to continue to encounter, risks and difficulties frequently experienced by growing companies, including challenges in financial forecasting accuracy, determining appropriate investments, developing new products and features, among others. Any evaluation of our business and prospects should be considered in light of our limited operating history, and the risks and uncertainties inherent in investing in early-stage companies.

## ITEM 4. INFORMATION ON THE COMPANY

### A. History and development of the company

Our mission is to serve Brazilian entrepreneurs, providing them our financial and software solutions, with the best service in the industry. With a focus on micro, small and medium businesses (“MSMBs”), our goal is to transform their dreams into results.

We believe we were pioneers in challenging the status quo in Brazil, aiming to provide fairer-priced financial services to merchants. In 2017, we became the first non-banking entity to receive authorization from the Central Bank to operate as an acquirer, through a payments institution license. Also, since 2018, we have been the largest independent merchant acquirer in Brazil and the fourth largest player based on total volume in Brazil in 2023, according to ABECS data.

We started our journey by providing payment services to small and medium businesses (“SMBs”) clients through a differentiated business model centered around our client’s needs. Once we believed we had developed the capabilities to serve this segment of the market through payments, we sought to strategically position ourselves to grow both by expanding our product offering to those clients, as well as by expanding into other client segments. Throughout our journey, we made each strategic choices with a targeted focus, serving as a steppingstone to broaden our reach, as described by the “Five Acts of our Evolution”, each of which is detailed below.

#### Act one: Our beginning

We started Stone by serving SMBs with a very simple payments solution, at attractive prices and with a differentiated business model. Those merchants were often ignored or underserved by the industry at the time. We identified there was a specific need in the market and a large opportunity to address.

In this regard, we developed a strong client-centric culture that sought to delight our clients rather than simply provide them with a solution or service. We created a proprietary, go-to-market approach called the Stone Business Model, which enabled us to control the client experience and ensure that interactions were provided by our people or our technology. The Stone Business Model combined an advanced, end-to-end, cloud-based technology platform; a differentiated hyper-local and integrated distribution approach; and a white-glove, on-demand customer service, as described below.

**(1) Advanced, End-to-End, Cloud-Based Technology Platform**—We designed our cloud-based technology platform to: (i) help our clients connect, get paid and grow their businesses, while meeting the complex and rapidly changing demands of omnichannel commerce; and (ii) overcome long-standing inefficiencies within the Brazilian payments market. Having a proprietary, cloud-based, end-to-end platform enabled us to develop, host and deploy our solutions very quickly.

**(2) Differentiated Hyper-Local and Integrated Distribution**—We developed our distribution solution to proactively reach and serve our clients more effectively. In particular, we developed Stone Hubs, which are local operations close to our clients that include an integrated team of sales, service, and operations support staff to reach small and medium-sized businesses locally and efficiently, and to build stronger relationships with them.

**(3) White-Glove, On-Demand Customer Service**—We created our on-demand customer service team to support our clients quickly, conveniently, and with high-quality service designed to strengthen our customer relationships and improve their lifetime value with us. Our customer service approach combines: (i) a human connection, through which we seek to address our clients’ service needs in a single phone call using a qualified team of technically trained agents; (ii) proximity, through our Green Angels, team of local support personnel who can serve our clients in person within minutes or hours, instead of days or weeks; and (iii) technology, through a range of self-service tools and proprietary artificial intelligence, or AI, that help our clients manage their operations more conveniently and enable our agents to proactively address merchant’s needs, sometimes before they are even aware of an issue.

**(4) Client-Centric Culture**—We have cultivated a culture that thrives on innovation, entrepreneurship, and a steadfast commitment to our mission, that we believe helps attract new talent, enables us to achieve our objectives, and provides us a key competitive advantage.

Through the Stone Business Model, we sought to disrupt the market, achieve scale and gain operating leverage. Our client base grew rapidly as we took share from the incumbents reaching 3,522.1 thousand clients in December 2023. Once we had established a foothold in the SMB segment with good fundamentals, we began to look at extending and expanding further.

**Act two: Expansion into Micro Segment**

We envisioned an opportunity to leverage our distribution capabilities and product platform to reach the micro-merchant segment with payments solutions, by developing a lighter version of Stone, which we called “Ton”. Ton’s value proposition is to provide digital-first distribution and client experience, at attractive prices to micro clients. We believe this strategy provided good unit economics to us and attractive offerings to our clients, and we were able to expand our addressable market and gain relevance in the micro merchant space.

**Act three: Expansion into Banking**

Operating at scale in both Micro and SMB segments of the market meant we had a significant amount of payment volumes going through Stone platform with our two brands: “Stone” and “Ton”, with TPV growing from R\$83.4 billion in 2018 to R\$209.9 billion in 2020. However, a significant portion of our client’s funds were being deposited and spent elsewhere. For this reason, we saw the opportunity to expand our capabilities into banking by the end of 2020 and beginning of 2021.

We built our own banking platform from scratch, which allowed us to control the development and quality of the client experience. This was also important to make sure that payments and banking were fully integrated into a single solution, enabling us to make bundles on new sales, and scale with minimal incremental cost of acquisition. This approach enabled us to convert payment volumes into deposits, opening a new avenue of monetization in our business.

**Act four: Move upmarket in SMB**

Having achieved a significant level of scale in the SMB segment, we gained greater understanding of the diverse realities within this segment. We learned that medium clients, the more sophisticated clients within the segment, were the most profitable but also the most demanding in terms of their products and services. Thus, we evolved our model by building a specialized financial services sales approach to better target these clients, our team of “Sales Specialists” within the hub distribution.

We also believed that, for some profiles of clients, combining financial services with software could provide a stronger value proposition to our clients and economic benefits for us. In 2020, we acquired Linx, the leading retail software business in Brazil. After testing the concept on some smaller software company acquisitions, we wanted to serve this large installed base of clients with an integrated solution of software and financial services. We believed this would create a powerful competitive advantage in the medium-sized merchant market.

The acquisition took a long time to close. After our initial integration effort was performed, we were able to define a clear strategic focus on integrating high-potential verticals, which are gas stations, retail, food and drugstores.

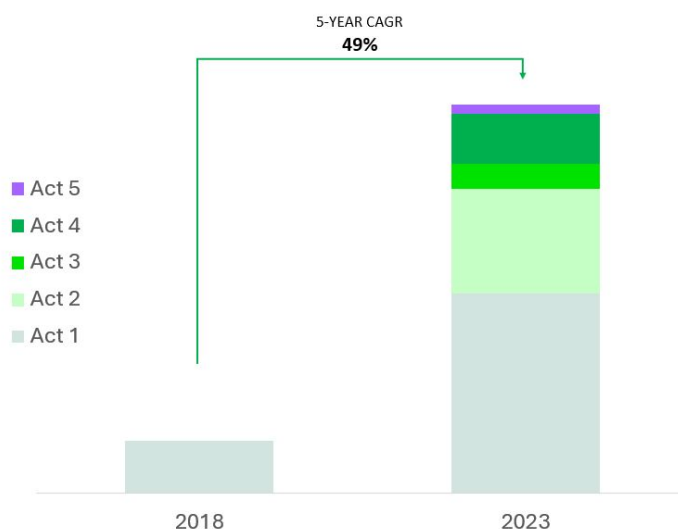
We believe these four verticals represent an optimal combination of software and financial services in Brazil. Therefore, by focusing on those verticals, we sought to capture what we believed to be the largest TPV pool, with the largest number of MSMB clients, and the most attractive opportunity to penetrate financial services in our installed base of software clients.

**Act five: Credit Deployment**

We began to test credit in 2020, but due to several problems and the difficult operating environment during the COVID-19 pandemic, we did not perform well and shut the product down. This impacted our earnings at the time but ultimately, we recovered almost 100% of the amount disbursed. Since then, we have been working to completely reestablish our credit operation, based on the learnings from our first trial, with a new team, new technology and new governance.

We seek to have a product that is synchronized with our clients’ business, with daily amortization to reduce our overall risk and to ensure that our growth can be based upon healthy cohorts. Moreover, over the long-term we see credit as part of a powerful self-reinforcing network effect. We also believe that the availability of credit is a key component for clients to increase their reliability on our platform as their main financial services provider, increasing engagement with our solutions and ultimately potentially increasing flow of funds into our financial ecosystem. As we ramp up our client base, we expect payments and banking to help unlock credit supply to clients and ease collections.

Looking at the revenue impact of all five acts together, we can see the power and benefits of our approach. We have been able to keep innovating and evolving to extend our capabilities and expand our market reach. Through this, we effectively diversified our business revenue profile, as each product offer matured within each market segment. Between 2018 and 2023, we have increased our total revenue and income at a compound annual growth rate of 49%. We believe we have managed this rapid growth while maintaining high-quality service. In 2023, we had the highest customer satisfaction score among our competitors according to “Reclame Aqui”, with a score of 8.8 for Stone and 8.9 for Ton, compared to a weighted average of 7.9 for our six main competitors.



With the expansion of our products’ portfolio and our recent reorganization to focus on micro and SMB segments, we believe we have increased our ability to serve our clients’ needs and solve their issues in a differentiated way. We seek to do so by increasing our competitive advantages, leading us to achieve more than 3.5 million payments active clients in Brazil as of December 31, 2023, including digital and brick-and-mortar merchants of varying sizes and types.

The following is a summary of our key operational and financial highlights:

- In 2023, we processed TPV of R\$408.3 billion, compared to R\$367.4 billion in 2022, representing 11.2% annual growth;
- As of December 31, 2023, we served approximately 3,522,100 payments active clients, compared to approximately 2,584,000 as of December 31, 2022, representing 36.3% annual growth;
- In 2023, we generated R\$12,055.0 million of total revenue and income, compared to R\$9,588.9 million of total revenue and income in 2022, representing annual growth of 25.7%; and
- In 2023, we generated net income of R\$1,600.4 million and adjusted net income of R\$1,557.5 million, compared to R\$526.4 million net loss and R\$410.5 million adjusted net income in 2022, respectively. Our adjusted net income (loss) of 2022 and 2023 does not reflect our bond financial expenses nor our share-based compensation expenses retrospectively, according to our new methodology of adjustments defined as of the second quarter of 2022 and first quarter of 2023, respectively. See “Presentation of Financial and Other Information” and “Item 5. Operating and Financial Review and Prospects—A. Operating results” for a reconciliation of adjusted net income (loss) to our profit (loss) for the period.

### Recent developments

On January 5, 2024, we received from the Central Bank a license to operate a financial services company (*financeira*), Stone SCFI. This license enables Stone SCFI to develop and offer a range of new products, such as time deposits to improve and diversify our funding sources.



## Sustainability Report

We reinforce transparency with all our stakeholder groups and have released our first annual Sustainability Report, based on the Global Reporting Initiative (GRI) standards, a methodology recognized for best global practices. The publication provides details of our activities from January, 1 to December, 31 2022 and can be found on our website [www.stone.co](http://www.stone.co). Our Sustainability Report for 2023, our second annual report, will highlight advancements in the addressed topics compared to 2022. The information contained in, or accessible through, our website is not incorporated by reference in, and should not be considered part of, this annual report.





### B. Business overview

Our focus is to serve MSMBs with great solutions, at fair prices, and provide the best customer experience to help them better manage their businesses and sell more. We have organized ourselves around each client segment to increase our ability to serve and solve their issues in a differentiated way, seeking to increase our comparative advantages.

We operate in two main business segments: financial services and software. In financial services, we offer payments, digital banking, and credit solutions, focusing our Ton solution mainly on micro merchants, and our Stone solution on SMBs. In software, we offer POS and ERP solutions for different retail and services verticals, Customer Relationship Management (“CRM”), engagement tools, e-commerce and Order Management System (“OMS”) solutions, among others, focused on both SMBs and large clients.

Our positioning in the micro client segment, which considers clients with monthly total payment volume (“TPV”) below R\$15,000, is to offer easy-to-use solutions and a digital business model with low costs for the clients and good economics for us. In the SMB client segment, which comprises clients with monthly TPV between R\$15,000 and R\$2 million, we have two different approaches: (i) for clients with simpler operations, we strive to offer an all-in-one Stone solution that combines our merchant-focused payments and banking services; and (ii) for clients with more mature operations, we look to offer more sophisticated solutions that integrate our financial services with software for specific verticals. We believe such approach supports the business of our more mature clients with their industry-specific needs. Finally, for large clients, we believe we are positioned to have an opportunistic approach focusing on efficiency and profitability, offering more tailor-made solutions.

With the acquisition of Linx in 2021, we became a leading player in the retail software market in Brazil. We believe that the combination of financial services and software solutions is powerful, and we are committed to capturing the opportunity by integrating these solutions within four strategic software verticals which are gas stations, retail, food and drugstores. As of December 31, 2023, our installed base in these verticals represent a potential new pool of more than 65% of our total MSMB TPV.

	TPV	HOW CLIENTS SEE US	OUR POSITIONING
<b>Large</b>	> R\$ 2MM per month	linx 	<ul style="list-style-type: none"> <li>○ Opportunistic approach</li> <li>○ Focus on efficiency</li> </ul>
<b>SMB</b>	R\$ 100k - 2MM per month	linx 	<ul style="list-style-type: none"> <li>○ All-in-one solution</li> <li>○ Superior service differentiation</li> </ul>
	R\$ 15k - 100k per month	stone 	<ul style="list-style-type: none"> <li>○ Software as an edge for more mature clients</li> </ul>
<b>Micro</b>	Up to R\$ 15k per month	ton 	<ul style="list-style-type: none"> <li>○ Simple and easy-to-use solutions</li> <li>○ Digital business model</li> <li>○ Low cost for the client, good economics for us</li> </ul>

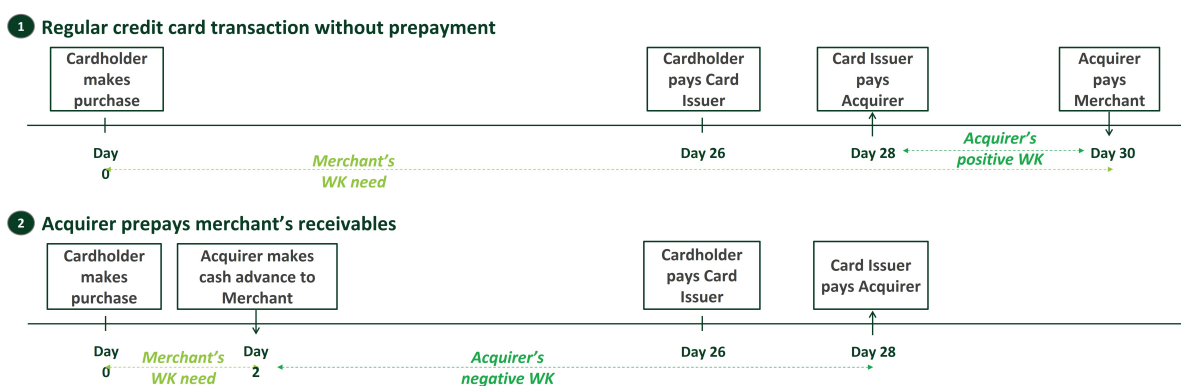
## Financial Services

Our goal in financial services is to be the best and more complete financial operating system for Brazilian merchants, from where they can manage their financial lives in a seamless and integrated way. This segment encompasses our financial services offering for both MSMBs (micro-merchants and SMBs) and key accounts (comprised of platform services and subacquirers). Our solutions include payments, digital banking and credit, as detailed below:

- **Payment Solutions:** Payment collection is streamlined by accepting numerous forms of electronic payments and alternative payment methods (“APMs”), such as payments slips (*boletos*) and Pix transactions and conducting a wide range of transactions in brick-and-mortar and digital storefronts in a quick and user-friendly manner. We also provide digital product enhancements to help our merchants improve their consumers’ experience, such as our split-payment processing, multi-payment processing, and recurring payments for subscriptions. Additionally, we have our TapTon solution that allows merchants to sell via their smartphones, opening new opportunities to improve their sales (“TapTon”).
- **Prepayment Solutions:** We help our clients manage their working capital needs and effectively plan for the future by offering them prepayment financing, which consists of making the settlement of a card transaction to our clients at a discount before the settlement is originally due. Such working capital solution provides clients with transparency and control over their receivables, enabling them to better manage their cash flow to help their businesses grow.

Below is an illustration of prepayment workflows in Brazil:

### Illustrative working capital flow on a credit card transaction



- **Digital Banking Solutions:** We offer our clients a digital bank account, which can be integrated to the POS and allows our clients to receive and make payments, issue payment slips (*boletos*), pay taxes, make Pix transfers, all in a cost-effective and user-friendly way, seeking to increase their cash-flow within the Stone platform, significantly increasing the experience and convenience. Also, we developed multi-user access, permissions and safe authorization processes for those merchants who have employees that help with their workflow. In addition, we provide our clients with store, personal life and health insurance solutions, acting solely as a broker.
- **Credit Solutions:** We offer an integrated working capital solution with an innovative repayment schedule, where clients pay down their loans in line with their performed TPV. In the recent product revision undertaken since 2021, we introduced monthly installments to help merchants keep up with their repayment schedule. Also, in case sales aren't keeping pace with the minimum, we offer other multiple payment sources, such as payment slips (*boletos*), payment link, Pix transfer, future receivables, or the possibility of using the Stone account balance.

We are expanding credit offers according to the performance of our models as we continue to improve our monitoring tools. We incorporated the generated retention information in our monitoring process, giving us a special edge in identifying potential credit problems and giving us the possibility to act accordingly by presenting restructuring or negotiating possibilities directly within the Stone account app. We have also incorporated ratios that are more familiar to the financial market and started generating information almost online & real time to better manage our portfolio. Our models and policies now also incorporate a wide range of external data, and we introduced control points to ensure the quality of the decision by continuously monitoring the output of our scoring process. In addition, our loans are booked with the personal guarantee of the shareholders of the company and all the acquiring collateral is registered at Trade Repositories (*entidades registradoras*) before disbursement, reducing considerably the possibility of cash evasion.

## Software

Our goal in software is to provide workflow tools for Brazilian merchants and help them to sell more through multiple channels. In 2023, after the significant turnaround the company underwent in 2022 and as part of our annual strategic revision, we have defined a clear strategic focus on integrating our financial services and software offerings in high potential verticals within the software business. As a result of this revision and the reorganization which was undertaken within the business, we moved from monitoring the segment based on Core and Digital, to currently managing it on three main fronts: (i) Strategic Verticals, comprised of POS/ERP solutions for retail, gas stations, food and drugstores, as well as value added solutions such as fiscal solutions, electronic transfer of funds (“TEF”) and CRM; (ii) Enterprise, comprised of POS/ERP solutions for large enterprise clients, as well as digital solutions such as OMS, ads solutions and marketplace hub; (iii) Other Verticals, comprised of POS/ERP solutions in verticals not prioritized for combination with financial services as well as other software solutions.

These fronts are detailed below.

- **Strategic Verticals:** We provide POS and ERP software solutions to our clients in retail, gas stations, food and drugstores, that enable them to manage their daily operations considering the specific needs of those verticals. We also offer our clients in these verticals integrated software, payments and banking solutions, which simplify our clients workflows and provide better offerings at attractive bundles. As mentioned above, our focus in terms of software and financial services integration is within these four verticals.
- **Enterprise:** We provide POS and ERP solutions for large and enterprise businesses, customized to the specific needs of each business. Within enterprise, we also allow clients to effectively implement omnichannel sales processes through our OMS, ads solutions and marketplace hub.
- **Other Verticals:** Comprises POS/ERP solutions in verticals where we do not see a significant opportunity in terms of financial services or that has not been set within our initial priority for capturing such opportunity. This front also comprises other value added software solutions, such as CRM, which are managed on a standalone basis.

We also have some solutions that are not allocated to our financial services and software divisions. As of December 31, 2023, those included Delivery Much (food delivery marketplace) and PinPag (financial solutions in electronic means of payment). PinPag was sold in February 2024.

## Our Business Model

We believe we have a dynamic mix of core competencies that significantly distinguish us from our main competitors in the Brazilian market. These core competencies are defined in four pillars: (i) Our Unique Culture; (ii) Comprehensive Merchant Platform; (iii) Tech Enabled Distribution; and (iv) Superior Client Service. When combined, these competencies yield a powerful set of competitive strengths that have: (1) enabled us to disrupt legacy practices, older technologies, and incumbent vendors in the Brazilian market; (2) empowered us to launch other technology and financial services solutions and further expand to software; and (3) positioned us favorably to continue to grow our business and expand our addressable market. Below, we will detail each of these four core competencies.

## 1. Our Unique Culture

We have proactively fostered and developed a highly-innovative, entrepreneurial, and mission-driven culture that we believe helps attract new talent, enables us to achieve our objectives, and provides a key competitive advantage. Our culture unites our team across numerous functions and focuses our collective efforts on passionately developing technology and disrupting legacy practices, older technologies, and incumbent vendors in order to provide solutions and a level of service that go beyond simply meeting the needs of our clients, and instead seeks to deliver an enhanced overall client experience. Our client-centric culture is built upon the following five themes, which we convey to our employees, employee candidates, clients and partners:

- **The Reason**—Our culture is centered on the fundamental belief that our clients drive everything we do. We also emphasize to our clients that, like them, we have also worked hard to start and grow a new business. We believe that building and maintaining close and active relationships with our clients will improve our ability to innovate, expand our leadership in the market, and grow our business.
- **Own It**—We expect that all employees present an “owner” mindset and use their intelligence to solve problems with a primary focus on making our clients’ experience great. We constantly strive to recognize exceptional achievement.
- **No Bullshit**—We encourage respectful candor in all interactions and aim to be straight to the point. We criticize ideas, not people. We expect our teams to always choose the correct path, not the fastest, and to act in a simple and efficient way.
- **Team Play**—We have learned that people achieve greater results together. We believe that more ideas flourish, are debated better, and questioned more effectively in teams. As a result, we strive to work together and constantly look for people with complementary skills to join our team.
- **Live the Ride**—We believe we will evolve more effectively by trying new ideas and improving on them with energy and passion. New ideas need to be tested in a controlled way, and only scaled once they have demonstrated authentic promise.

In 2021, we released our book “*5 Segundos: O Jeito Stone de Servir o Cliente*” (5 seconds - Stone way to serve the client) in which we talk about our culture and how we make those five values mentioned above stay alive while we continue working to grow our business.

## 2. Comprehensive Merchant Platform

We believe that building a robust technology stack on scalable platforms is a key element for companies aiming to stay competitive in the dynamic business landscape. Therefore, technology’s transformative impact is evident across industries, reshaping how businesses operate and engage with their audiences due to unparalleled scalability and extensive reach, outperforming conventional operational models.

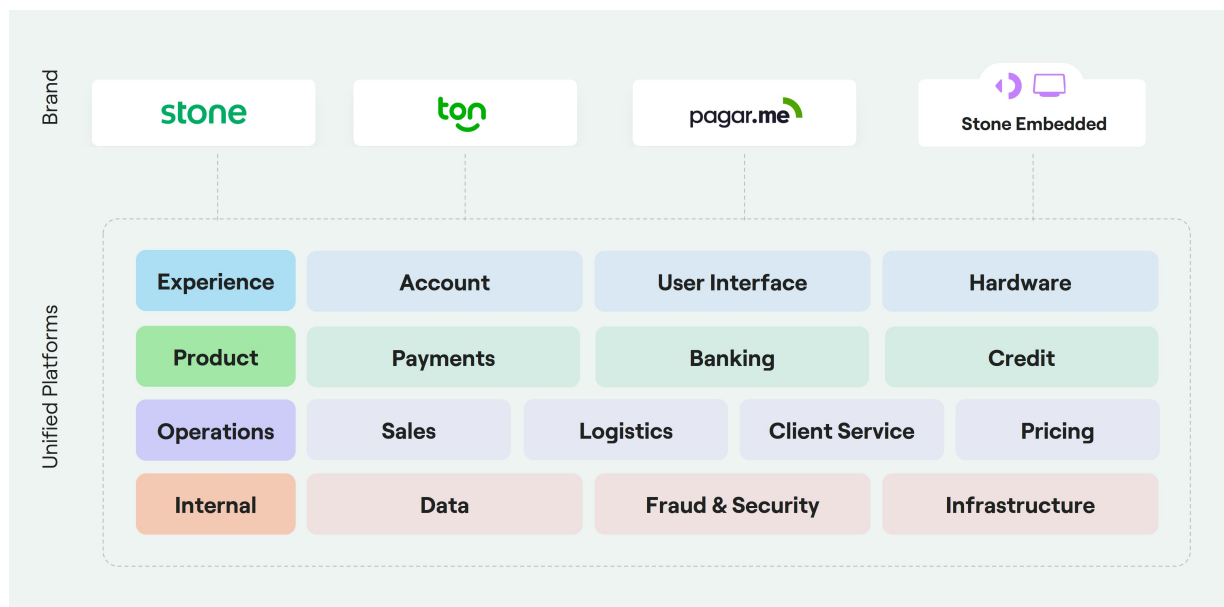
In the financial sector, particularly among major banks in Brazil, the adoption of technological advancements has been gradual. These institutions face challenges in transitioning to a tech-first operational model, resulting in a slower pace of change. As a result, we believe it creates opportunities for innovative players to get ahead.

We recognize that being a fintech means placing technology at the core of our operational processes and in designing our services and products. We understand that client demands are increasingly instantaneous, leading us to digital products and services with self-service, real-time response, automation, and personalization. This is made possible by our technological mindset centered on platforms.

However, our rapid growth initially leaned heavily towards development speed, sometimes at the expense of consistency and reusability. This resulted in the existence of multiple data platforms managed by different teams and implemented across various cloud platforms, for instance. We believe that our platform-focused approach is a key differentiator element for our business, and we are on an ongoing journey to reach our ultimate destination.

In the last two years, we made substantial strides in integrating these disparate silos. We have united our technology teams, established consistent processes, and developed foundational components. This collaborative effort has culminated in the creation of a unified technology team that builds a cohesive, scalable, and reusable set of platforms known as the Stone Platform, which is structured into four layers:

- **Experience:** facilitates the creation of intuitive and customizable interfaces, tailored through simple configuration changes to suit different products. We believe the best way to build a long-term competitive advantage is to deeply understand the needs of each of the different segments we operate to build different value propositions. However, to achieve scale while operating with multiple value propositions, we need to provide flexibility to adapt communication, to choose features and craft the final experience in a unique way for each segment, with the maximum utilization of reusable components. We plan to expand our platform in three main directions: (i) open ecosystem to enable partners to provide complementary products and services to our clients; (ii) omnichannel lifecycle to connect the increasing new acquisition and relationship channels as we seek to increase cross-selling opportunities and client loyalty; and (iii) personalized offering to facilitate aligning with the increased options introduced by the ecosystem, without overwhelming the client experience.
- **Product:** encompasses our primary financial service platforms, including payments, banking, and credit. The product platform aims to provide specialized expertise in each business domain through easily integrable and customizable components and features via a set of software development kit (“SDKs”), application programming interfaces (“APIs”), and services. This allows for the maximum possible reuse of components while providing the capacity for specific configurations and customizations for each segment. This way, we gain flexibility and agility to quickly enter new segments with very low investment. Our Product Platform will evolve: (i) from payments to an omnichannel checkout; (ii) from credit to a smart cash flow equalizer, by actively providing and proposing alternatives to optimize the use of third-parties’ capital with an almost infinite flow of information that will enable our models to predict cash flow needs; and (iii) from banking to intelligent spending management, with the combination of open finance, AI and embedded banking into ERP, to provide insights with an automation business process solution to our clients.
- **Operational:** empowering our sales, includes client services, marketing, and logistics through dedicated platforms. Our operations are founded on clear and simple principles: deliver the best experience to clients while pursuing operational excellence – and make it all with simplicity. We strive to do this through an integrated suite of proprietary technology solutions that our team uses every day, including: (i) Marco Polo, our platform for sales and distribution, which has an important role in managing our territories, sales pipelines, and client’s life cycle, helping us to increase the productivity of our sales force; (ii) Green App, our platform for logistics operations across Brazil with capabilities that range from supply chain management to last mile logistics; and (iii) One Platform, that supports our client service operations enabling us to support clients through multiple channels, including chatbots, and to have a more complete view of client’s information.
- **Internal:** empowering our developer and product teams with platforms that foster agility and a data-centric approach maintaining an unwavering focus on the security, scalability, and availability of our services. This platform is an essential structure for our operations, providing the essential tools and services that empower our developers to remain agile and allowing us to innovate across all product domains. In our tech-centric approach, data guides every aspect of our decision making and one critical metric of concern revolves around developer agility. We are deeply committed to building the services that enhance our developer’s productivity, enabling us to promptly respond to the evolving needs of our product team.



### 3. Tech-enabled distribution

We sell and distribute our solutions through three different types of channels: (i) Proximity channels, focused mainly on SMBs, in which we leverage our in-person distribution through proprietary hubs and franchised hubs, leading to a closer relationship with our merchants with service differentiation as the main driver; (ii) Digital channels, with the focus on scaling with efficient Customer Acquisition Cost (“CAC”) through our digital, inbound sales and self-onboarding services; and (iii) Strategic Partners, which is composed of our member-get-member channel, focused mainly on micro-merchants, and our Partner Program, focused on SMBs and Key Accounts, with expanded reach as the main driver. We believe we have significant competitive advantages through our distribution capabilities. Our multiple channels allow us to provide service differentiation at scale, as we can dynamically choose the right channel to serve each client in an optimal and tailored manner, balancing growth with unit economics optimization.

#### i. Proximity Channels:

- **Stone Hubs:** We distribute our technology and solutions to brick-and-mortar merchants primarily through our Stone Hubs, which are designed to provide hyper-local sales and service to SMB merchants in a designated geographic region. Our hubs are local operational offices that house an integrated team of sales and logistics support personnel. These offices are located in small-and-medium sized cities (or regions of larger cities), which have historically been underserved and disregarded by many of our competitors who sell their services through ordinary bank branches or remote call centers. We have both proprietary hubs as well as franchised hubs. In December 2023, we had more than 600 Proprietary and Franchised Stone Hubs.
  - *Proprietary Stone Hub*—We establish local operations and send highly trained Stone Agents and Green Angels to develop our operations, train new team members, and ensure that our focus on high-quality service is instilled. We currently have a few hundreds of operational Proprietary Stone Hubs across Brazil, representing the vast majority of our hub base and are our primary method of establishing new Stone Hubs.
  - *Franchised Stone Hub*—Our franchise hubs are similar to our proprietary hubs, except that the hub is owned and operated by a local business owner who typically provides local sales and operational support and relationships in the community. These hubs are entirely Stone-branded and operated by highly trained personnel who perform the same duties as personnel working in our proprietary hubs, in accordance with our policies, procedures and internal targets. We utilize the franchise hub method selectively when we identify an attractive potential partner in a region where it makes sense for our expansion plans.

Our hubs are staffed by sales and logistics personnel that include:

- **Stone Agents**—Our troops-on-the-ground sales team. This is a qualified team, who are highly trained to deliver personalized and effective sales and support directly to the doorstep of our clients. We believe that by being close to our clients, we have a unique ability to build strong client relationships, attend to their specific needs and react quickly to changes in each local market. Our Stone Agents are supported by an integrated proprietary technology platform, which combines smart routing with merchant behavior mapping, which enables them to provide sales and support services efficiently and effectively.
- **District “Owners” and Hub “Owners”**—Our regional sales leadership. This team is composed of highly trained and experienced former Stone Agents that are tasked with opening and managing new hub territories. Regional managers are supported extensively with daily performance indicators and tools provided by our technology platform and management to facilitate active interaction and support with their teams.

We have developed a proprietary method of training and supporting our sales personnel, which we believe has directly increased our team’s results. Our Stone Agents receive extensive training in our company’s culture and operations during their onboarding process, and on an ongoing basis, to help reinforce our client-centric culture and high-performance standards. Our sales personnel have disciplined daily, weekly, and monthly touchpoints with their leaders, along with routine reporting, key performance indicators (KPI) reviews, and other core processes to help ensure they are equipped with the tools and support they need to maximize their effectiveness. The usual day-to-day routine of a Stone Agent consists of team meetings in the beginning of the day, and client meetings for new sales and strength relationship. In addition, our sales personnel are supported by direct marketing campaigns to help build brand awareness as we enter new markets.

- **Software Direct Channels**— Our direct channels consist of business managers dedicated to our customer base (“farmers”) and business managers responsible for prospecting new clients (“hunters”). Our internal sales team is specialized in retail and is knowledgeable about the specialized needs of companies of different verticals and sizes and the various solutions we offer.
- **Software Indirect Channel**— Our indirect channels consist of independent sales agents. These sales channels allow us to be present in places where we do not have our own sales offices. Our independent sales agents are mostly exclusive distribution channels through which we acquire new customers and negotiate solutions in the regions where we operate. Our independent sales agents also carry out consulting services (implementation, installation, customization, and training services) of our software solutions.

#### ii. Digital Channels:

- **Inbound Sales and Distribution**— We also sell our solutions to brick-and-mortar and digital merchants through a similar, highly trained sales team that is centrally located and dedicated to fielding inbound calls as a result of digital advertising campaigns and referrals resulting from network effects of our clients within our hubs, as well as sales leads. This team can manage and onboard a new client in-house.
- **Online self-onboarding**— Our self-onboarding channel is fast and convenient for merchants that already know which solutions are better suited for them. This method allows merchants to sign up and complete the purchase process on their own, without the need for direct interaction with a sales representative through our user-friendly website and app.

#### iii. Strategic Partners

- **Partner Program**— Our distribution through partners, mainly software providers (ISVs), marketplaces and e-commerce platforms. Different from the channels mentioned above, partner program is mainly focused on platform services merchants, within the Key Accounts business segment. Participants within the partner program develop vertical-specific software for merchants that help them run their front-of-house functions and back-office operations. We integrate and embed our connection, payment acceptance, and data reconciliation capabilities into their software in order to improve functionality and convenience. Partners may also participate in a portion of the economics generated by payments processed through their software. In December 2023, we had around 500 Strategic Partners.
- **Member-get-member**— In 2021, we developed the “Renda-extra” channel, in which any client or person in Brazil that is registered in the channel can refer our Ton solutions to merchants in the country, in exchange for a commission for each POS offered. After the referral is made, the Ton team is responsible for the support and logistics to deliver the POS to the client.

An important part of making sure our distribution channels are excelling in their functions is to guarantee we have the right technological assets in place to support them. As we have already detailed in “Item 4. Information on the Company — B. Business Overview — 2. Comprehensive Merchant Platform”, the Stone Platform is structured in four layers, being one of those the Operational Platform. To assist our distribution channels, mainly our hubs, we have developed Marco Polo, our platform for sales and distribution. Marco Polo has an important role in managing our territories, sales pipelines, and client’s life cycle, which we believe helps us to increase the productivity of our sales force.

#### **4. Superior Client Service**

We serve and support our clients with fast, convenient, and high-quality customer service and support teams and technology tools that we believe are highly differentiated and have enabled us to maintain high customer service satisfaction. Our service and support functions, processes and tools were designed to embody our strong client-centric culture, continuously strengthen our client relationships, and increase their long-term value. Our client service team is essentially composed of our logistics and our customer support teams.

The first one is divided as below:

- **Green Angels Team**—These are teams of local, specialized personnel, who provide on-demand logistics support in the field. Green Angel teams are embedded inside our local Stone Hubs, where they interact with Stone Agents and our centralized client relationship team and leverage our cloud-based logistics platform to rapidly respond to the needs of our clients. Once they become aware of an issue, our Green Angels commonly travel by motorcycle and reach our clients within minutes or hours to help a client in need instead of taking days or weeks, through mail service, or using a third-party logistics company. Green Angels can deliver terminals, help with installation, set up a merchant’s Wi-Fi connectivity, replace parts, or provide other services.
- **Logistics Team**—Our logistics team manages the deployment of POS devices and related accessories and uses predictive modeling of merchant behavior to proactively identify potential client logistics service issues. This centralized team manages terminal programming and equipment services, deployment, set-up, technical support, repair and replacement, remote terminal software updates, warehousing and inventory control and reporting. They communicate with and deploy our local Green Angels to provide on-demand support.

Moving to customer support, our mission is to solve the clients’ issues as fast as possible, sustaining their satisfaction, which can be done through different ways. Below, we will detail each of the solutions our clients can reach to have their problems solved, from the simpler to the more complex ones.

- **Stone Self-Service Tools**— Our range of apps, online portals, and self-service tools that help our clients check all of their data, manage their operations more conveniently, and solve certain issues by themselves, according to their preference.
- **Servicing through bots**— We provide to our clients a chatbot capable of immediately resolving simpler issues, with access to clients information and authorization to execute actions. Brazil is highly conversational – a significant number of clients prefer to contact us via WhatsApp or chat, rather than by phone. This makes our bot a scalable and convenient solution for both our operation and our clients. Our chatbot team is a specialized, centralized and an in-house team responsible for the development and operation of our chatbots. The team’s main goal is to deploy scalable, high quality digital support for our clients with 24/7 availability. It leverages Natural Language Understanding (NLU) and Natural Language Processing (NLP) service providers with our CRM technology in order to build humanized conversation flows that can understand and solve our clients' requests and questions. The first chatbot we designed was made to support Ton’s customer experience operation, and is a key piece of Ton’s operational model, as it enables the customer support to scale up in high speed and low cost, reducing the cost to serve for this segment.
- **Servicing through hubs**— This is usually one of the first ways clients reach us. Through our hubs and franchises, clients can reach to our agents to resolve their day-to-day concerns. Our agents, utilizing the Marco Polo app, have access to the entire spectrum of client information, including historical relationship data, client profitability, and product usage details. Additionally, agents can request services, such as POS maintenance or additional devices, and immediately solve merchants’ issues.



- **Servicing through enchanters**— In addition to our self-service tools, bots and sales agents, our clients can rely on the expertise of our enchanters. Our enchanters are available through various channels, such as WhatsApp, in-app chat, and phone. Essentially, our clients can reach out to us in their preferred manner, and our unified platform seamlessly manages all interactions. When assisting a client, the enchanter quickly views their information, eliminating the need for time-consuming investigations. This improves efficiency and provides a comprehensive view of the client, from interactions with our sales team to detailed product configurations. There is still plenty of room to gain productivity using AI tools, but we have already started introducing AI to our client relationship team. With AI, we help our enchanters turn long conversations into short summaries that are stored in the client's history. This makes us more productive and also improves the quality of our service. In 2023, 89% of the calls were answered within 10 seconds for calls and within 60 seconds for written channels. As a result, 86% of contacts were rated as “excellent” by our clients according to our internal surveys. This agility has yielded numerous customer service awards and acknowledgments throughout our history, such as best NPS in the acquiring segment, granted by SoluCX in 2023 and top 3 acquirers, granted by iBest in 2023, 2022 and 2021.

Within our enchanters, we have one specialized team that is focused on client retention. This is a centralized team that is responsible for trying to keep clients who are considering canceling the services we provide. If a client calls our client relationship team to cancel their services, our retention team is notified and contacts the client within the same day or up to one business day. Our retention team studies the client's profile, speaks with them to understand the cause of their cancellations, and discusses potential ways in which we can better serve them. We also have an adjacent data analytics group that constantly monitors our clients, uses AI technology to predict potential churn, and proactively identifies possible actions that our client retention team could take to reverse the propensity for churn.

We believe the use of technology to support our customer service team and our focus on self-service tools provide us with scalable customer service operations, while maintaining the quality of our services. In order to do so, we use a range of integrated systems, powered by the Stone Technology Platform, which empowers our client relationship, client retention and Green Angel teams, to optimize our customer service and support functions through the Green App and the One Platform.

In the following section we will go over the opportunity we have within the market segments we target and the clients we serve, which we believe we are well-positioned to address through our competitive advantages just described.

## Our Markets

### *Our Market Overview*

We operate in Brazil, which is a large and fast-growing market for financial technology solutions. According to IBGE, Brazil nominal GDP and private consumption expenditures in 2023 were R\$10.9 trillion and R\$6.9 trillion, respectively, up from R\$10.1 trillion and R\$6.4 trillion, respectively, in 2022. The payments market has continued to grow and demonstrated resilience to macroeconomic fluctuations in Brazil. During Brazil's most recent economic recession from 2014 to 2017, nominal GDP grew at a compound growth of 4.3%, according to the World Bank. During the same period, electronic payments volume grew at a compound annual growth rate of 8.1%, according to ABECS. In 2023, total volume of card transactions increased 10.1% to R\$3.7 trillion, while in 2022, it recorded a growth of 27.5%, to R\$3.4 trillion. Electronic payments penetration in Brazilian household consumption has been increasing significantly throughout the years as consumers adoption increases. As a result, card's TPV as a percentage of household consumption has increased from 34.3% in the end of 2018 and is estimated to have reached 54.3% by the end of 2023.

We believe there still is a big opportunity to continue to grow and increase our presence in the markets we address. According to our internal estimates, as of December 31, 2023, we have a total available market (“TAM”), which considers revenue net of funding costs and provisions for loan losses for MSMBs in Brazil, in the amount of R\$32.0 billion for payments, as well as almost R\$40.0 billion for credit and R\$16.0 billion for banking.

In regards to software, according to our estimates considering our client base, data from *Receita Federal do Brasil* (RFB) and RAIS (Annual Social Information Report), the TAM for software tools for retail and services for MSMBs in Brazil is approximately R\$8.0 billion in revenue as of December 31, 2023.

Below, a description of what is being considered in each business TAM:

- Our TAM for the payments business includes revenues from Net MDR, Prepayment and POS rental, excluding taxes;
- Our TAM for the banking business includes revenues from credit card issuance, interchange and floating;

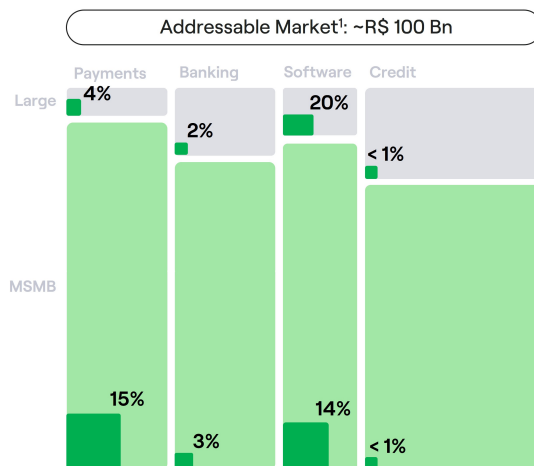
- Our TAM for the credit business includes revenues from working capital loans, overdraft, revolving credit card and credit card financing; and
- Our TAM for the software business includes recurring revenue from management systems as POS and ERP.

We believe we operate in a market with strong opportunities for long-term sustainable growth. This conclusion is based on the low penetration of management software in Brazil compared to more mature markets such as North America. It is also based on several underlying trends that have directly affected the Brazilian retail sector in recent years, including: (1) increases in sales; (2) increases in the number of stores; (3) increases in formalization; and (4) increased investment in IT by Brazilian companies.

**Our Opportunity and Market Share**

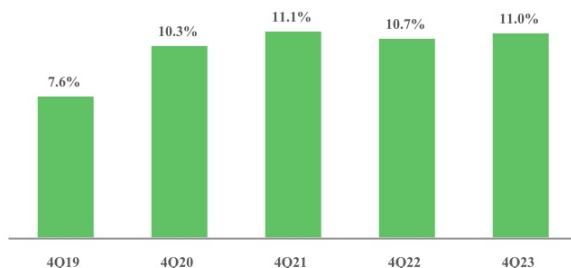
Analyzing the revenue impact of all “Five Acts of our Evolution,” we see the strengths and benefits of our strategy. We seek to continue innovating and evolving to extend our capabilities and expand our market reach. Through this, we diversified our business revenue offerings, as each product offer matured within each market segment. We expect this pattern to continue, making our company stronger and more resilient.

We estimate that we still have a relevant opportunity ahead with the diversification of our payments business into other solutions such as banking, software, and credit. Considering these products, we estimate that our TAM is approximately R\$100 billion in revenues net of funding costs and credit losses in the MSMB segment as of December 2023. We also estimate that the micro segment revenue pool represents more than R\$33 billion with a client pool of 11.6 million, while the SMB segment has the largest revenue pool opportunity, with R\$63 billion and a client pool of 2.5 million. Based on our internal estimates and publicly available data, we can see that by successfully executing our “Five acts”, we have the potential to multiply the penetration in our current addressable market. As a result of such expectations, we believe that our current market share on each of our addressable market’s buckets is still small in comparison to our TAM, as shown in the image below:

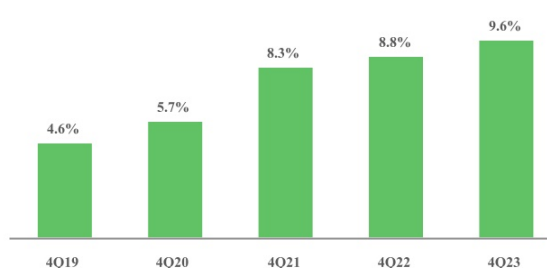


When analyzing the Brazilian merchant acquiring industry specifically, processing volumes were R\$3.7 trillion during 2023, according to ABECS data. This resulted in a market share for us in the fourth quarter of 2023 of 11.0%, an increase of more than 3 percentage points from the fourth quarter of 2019, even considering that we have reduced our focus on subacquirers, which contributed negatively to volumes. When considering only our MSMB TPV in comparison to total industry volume disclosed by ABECS, our market share was 9.6% of the total market in the fourth quarter of 2023 compared to 8.8% in the fourth quarter of 2022.

**StoneCo Payments Market Share in Brazil  
(Abecs)**



**Stone MSMB Market Share in Brazil (Abecs)**



While we estimate we have 11.0% market share in merchant acquiring volumes according to ABCECS data and 14% penetration of the software TAM for the fourth quarter of 2023, we believe we have not yet reached scale on new solutions, with 3% market share in digital banking and less than 1% market share in credit for MSMBs when compared to our TAM estimates for each segment as of December 2023.

### **Our Competition**

As we evolve our business model to a multi-product portfolio of solutions consisting of financial services and software, we face competition from different players, with competition intensity based on the solution, and with no single player competing with us on all product fronts at once.

For example, in our financial services business, we face competition mostly from a variety of payments providers, as well as banks (traditional and neobanks), that have significant financial resources and develop different kinds of services, including gateways, PSPs, other reconciliation providers, ERPs, banking services and credit operations. We may also face competition from fintechs that offer specific financial solutions.

In our software business, the market for retail management software in Brazil is highly fragmented. We believe most competitors are small software companies focused on specific niches, without the same breadth of solutions that we offer.

For information on risks relating to increased competition in our industry, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—If we cannot keep pace with rapid developments and change in our industry and continue to acquire new merchants, the use of our services could decline, reducing our revenues” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—The payment processing industry is highly competitive, and we compete with certain firms that are larger and have greater financial resources that allows them to adopt a more aggressive pricing strategy. Such competition could adversely affect the growth of our transactions volume, reduce our revenues and impact our margins, business, financial condition and results of operations”.

### **Our Competitive Strengths and Advantages**

Our operation in financial services combines our proprietary assets, intellectual property, capabilities and business processes to create a differentiated go-to-market approach and value proposition. We believe our business model, which is the combination of our comprehensive merchant platform, tech-enabled distribution and superior client service, disrupted the market and has enabled us to gain significant traction in only ten years since the launch of our service. Although these remain the pillars of our strategy, we are in a dynamic market, leading us to be in constant evolution, which we can do so in the following manner:

First, through our comprehensive merchant platform, we are expanding our engagement levers, as we have been investing to have a unified technology stack that supports multiple value propositions, allowing us to have a multi segment reach while scaling efficiently. Second, in distribution, as we expand our channels, we can provide service differentiation at scale, as we can dynamically choose the right channel to serve each client. And lastly, from a client service perspective, we strive to serve our clients better by solving their issues faster combined with a good feedback score.

We believe these three pillars provide us with several sustainable competitive advantages that have enabled us to gain market share and will help us grow in the future. In addition, with the acquisition of Linx, we now have relevant strategic assets in software, that we believe, when combined with our financial services operation, provide us a competitive advantage compared to other market participants. The main competitive advantages that our model provides are as follows:

- **First Mover Advantage**— In order to reach SMBs in Brazil, we disrupted the market through our Stone Business Model, detailed in “Item 4 – Information on the Company – A – History and Development of the Company”. As far as we know, no single player had ever tried to do it before in Brazil, and we were the first ones to do so while being profitable. We believe this has brought us significant advantages over time, as we learned a lot from our clients, allowing us to move faster than other players, while keeping very high client satisfaction within our services and products.

#### **Tech-enabled distribution:**

- **Extensive Reach to our Clients**— Due to our focus on proximity, digital and strategic channels, we have a broad range of ways we can reach to our clients. As a result, (i) through our hubs and other relational channels, we cover over 99.7% of Brazil’s GDP and over 5,000 cities, (ii) through our digital channel, we have more than 2.2 million accesses per month and (iii) we have the ability to serve our clients with industry-specific solutions through our software distribution franchises.
- **Effective Pricing**— Due to our merchant-driven culture, we have revamped our pricing system to treat each client on an individual basis, considering specific and regional factors of each client and the full spectrum of solutions desired. Through this comprehensive data, we are able to craft tailored offerings that bundle acquiring, Pix, and banking services, each with minimum and target return thresholds, leading to better unit economics per client.
- **Self-Reinforcing Network Effects**— As we grow and expand our distribution and set of solutions, we benefit from self-reinforcing network effects. Our expanding distribution network enables us to reach more merchants, to whom we can offer more solutions. As we expand our client base, launch new solutions and remain constantly committed to being close to our clients, we are able to build stronger relationships, leading to higher client satisfaction scores, which also leads to new learnings and market insights. This creates a very strong network effect, as clients help us develop new features and solutions and they can also refer our solutions to friends and family.
- **Low Cost of Acquisition**—We believe our model, combined with the power and efficiency of our fully-digital technology platform, enable us to leverage our distribution to acquire new clients and upsell new solutions and services at a low marginal cost as compared to our competitors. We have 6 different sales channels, with more than 600 Proprietary and Franchised Stone Hubs, 500 Strategic Partners and more than 2.2 million accesses per month in our digital channels, as of December 2023. We believe no single player in Brazil has a more extensive distribution network, allowing us to better balance returns and CAC on a client basis.

#### **Superior client service:**

- **Best Client Service**— Through our logistics and customer support we deliver the best experience in the market. The extensive and efficient network our logistics teams provides, leads us to deliver POSs for SMBs in up to 1 business-day and up to 3-days for micro clients. In our customer support, we have a fast call pickup time, where our clients talk to a human enchanter in under 5 seconds. As a result, we have consistently been ranked as the number one in client satisfaction in Brazil, according to Reclame Aqui, as of December 2023.

- **Effective Client Support**—The digital DNA and cloud-based architecture of our platform enables us to generate, capture, and aggregate a vast array of data across our various business activities. For example, we have developed and deployed machine-learning technologies throughout our company to leverage this data to improve the speed, functionality, and quality of many of our services and operations. For example, we use AI to (1) predict merchant behavior and enable proactive action by our sales and customer support teams, (2) turn long conversations our enchanter had with clients into short summaries that are stored in the client's history, and (3) increase the accuracy of our fraud management.
- **Greater Understanding of Our Clients**—We proactively interact with our clients and seek to understand their business needs in order to develop stronger relationships and serve them more effectively. We believe we are able to do this in a manner that differentiates us from our peers due to the close proximity to our clients, transparency, fast, high-touch, and personalized customer support provided by our in-house customer support team.

#### **Comprehensive merchant platform:**

- **Implement and Deploy New Capabilities**—We utilize our digital, cloud-based architecture and integration capabilities to implement and deploy new features and technologies to our clients and integrated partners. Our technology platform provides the flexibility to do this easily without the need for expensive upgrades, complex conversions, or lengthy service disruptions. This enables us to provide our clients with the latest functionality in a quick and frictionless process. In addition, our architecture and infrastructure are designed for rapid scalability, which enables us to expand our capacity and manage utilization efficiently and cost-effectively.
- **Integrated solutions of financial services and software**—By offering both financial services and software solutions, we are in a more favorable position compared to our competitors as we are more prepared to offer integrated solutions to merchants. This provides them a better experience by simplifying their daily operations and providing a one-stop-shop solution. We believe this combination is powerful, with financial services providing stronger growth and monetization opportunities while software provides higher stickiness and data to increase assertiveness of our financial services offerings. Among the four strategic software verticals, in the fourth quarter of 2023 we already had R\$5.8 billion of TPV coming from our software installed base.
- **Low Cost of Operations**—Our business model enables us to operate with a low cost of operations and significant efficiencies. For example, as we developed our own end-to-end technology platform and do not rely on third-party vendors for processing and settlement, we can operate with low marginal transaction costs, while also attending our clients' needs faster and more effectively. Also, through our Green Angels, we were able to create a reverse logistics ecosystem, in which we collect unused POSs from clients, refurbish them, and bring them back to our system, allowing us to grow with low incremental investments.
- **Sustained Growth at Low Marginal Costs** — Over the years, we developed foundational assets to enable our growth with low incremental costs. We have successfully reduced our nominal logistics costs per client by 31% from 4Q21 to 4Q23, all while expanding our client base by 2.0 times in the same period. This substantial reduction in costs amidst aggressive growth highlights our ability to leverage economies of scale, optimize logistics operations, and improve our cost structure. Our focus on identifying and addressing the core issues that lead to customer inquiries, coupled with the support of our tech team in implementing these solutions, has led to a decrease of 50% in the volume of contacts from our clients from the fourth quarter of 2023 compared with the fourth quarter of 2021. This approach resulted in a substantial 52% reduction in cost per client in the same period, while maintaining customer satisfaction at historical levels, with a CSAT (customer satisfaction index) of 88% in 2023. The architecture and various operating advantages of the Stone Technology Platform enable us to run our business increasingly efficiently and with lower incremental transaction costs.

- **Increasing Revenue per Customer**— Due to our comprehensive set of solutions, we are able to combine them in bundles, increasing client engagement and revenues. When looking at heavy users, which are merchants that use more than three of our financial services solutions, in 4Q23 they only represented 23% of our MSMB client base, while they bring 2.3x more revenue when compared to clients that use up to three solutions. Over time, the number of new active clients that join Stone with more than three solutions has increased from 15% in 4Q22 to 34% in 4Q23. Also, considering merchants that use our software solutions combined with our banking, they generate 2.5x more revenues than clients that only use financial services. We believe we have a big opportunity to address as we invest more in client engagement with our features while also making efforts to create and sell more software and financial services bundles within our four key strategic verticals.
- **Better Unit Economics**— The synergy between our growth strategies, monetization efforts, and efficiency improvements has led to strong unit economics performance, leading to a reduction in Customer Acquisition Cost (“CAC”), while scaling up the number of merchants we bring onboard and increasing contribution margin per client.

Also, we believe there are competitive advantages that derive from the combination of our business model pillars, as follows:

- **Greater Flexibility to Adapt and Innovate**—We strive to be well positioned to react quickly to competitive pressures through targeted, localized approaches. We believe the proprietary nature, vertical integration, and control of our model enables us to adapt to a rapidly changing competitive environment with greater agility and flexibility than other competitors. We can understand our clients’ needs and design, develop and deploy new solutions, while being prepared to support them quickly in order to meet the changing requirements of our markets.
- **Full Control of the Client Experience**— The proprietary nature of our technology, distribution and customer service assets enables us to directly control the development, deployment, and support of our financial solutions and services, leading to increased control of the client experience. We believe this provides us with a greater ability to ensure that our clients are served with the high-quality solutions and premium service levels that seek to enhance their experience instead of just fulfilling a function. We also believe this provides us with a greater ability to serve our clients versus competitors who outsource some or all these capabilities and rely on third-party vendors that may not have the same client focus.
- **Protective Barriers to Replicate**—The combination of the various proprietary, vertically integrated elements of our business model, combined with our unique culture are difficult to replicate in full. We believe this provides us with strong protective barriers to entry which may make it difficult for our competitors to replicate our value proposition.
- **Strong Lifetime Value**—We believe we are well positioned to provide high-quality service levels and build strong, local or highly integrated, relationships with our clients who value our differentiated approach and value proposition. These enable us to: (1) resist competitive pressures; (2) retain our clients for longer periods; and (3) upsell new solutions to increase our share of wallet. We also believe this enables us to enhance the overall lifetime value of our client portfolio.

### Our Growth Strategies

Our primary mission is to remain focused on empowering our clients to grow their businesses through our financial services solutions and help them conduct commerce and run their operations more effectively with our software solutions. We believe this focus is a key differentiator for us and an important driver in helping us win and retain clients. We believe we have already come a long way, but there is still a lot of value to be unlocked through “the power of combining”, as follows. For further information on our history and solutions we offer, see “Item 4. Information on the Company—A. History and Development of the Company” and “Item 4. Information on the Company—B. Business Overview—Financial Services” and “—Software.”

We have defined our growth strategies within 3 priorities: (1) win in the MSMB Market; (2) drive engagement; and (3) scale through platforms. We can also grow our business through (4) entering new markets and (5) selectively pursuing acquisitions. In each of the sections below we intend to detail how we intend to achieve Stone’s next phase.



## 1. *Win in The MSMB Market*

### a. *True distribution powerhouse allowing multiple segment reach*

We believe our distribution network is a key competitive strength that enable us to continue to scale our business, expand our geographic footprint and market penetration. As we have already detailed in section “Item 4. Information on the Company – B. Business Overview” we have a range of channels that we can leverage on to grow our client base. These channels are divided into (i) Proximity Channels, with its main growth driver being the service differentiation it offers through our Proprietary and Franchised Stone Hubs and Software franchises, (ii) Digital Channels, with its main goal to scale with efficient CAC mostly as a result of our marketing efforts in both traditional and digital media, and (iii) Strategic Partners, which we regard as key to expand our reach, mainly due to word of mouth from our existing clients through our member-get-member program and partners such as software providers (ISVs), marketplaces, and e-commerce platforms which also distribute our solutions.

Through these channels, we have already reached 90% of the national footprint of the cities in Brazil, and 99.7% of the services’ GDP as of December 2023. Despite this, we believe that our business model is not close to saturation, as all our territories continue to grow across the board, regardless of their maturity levels, based on our internal analysis. When we look at our TPV, we see that most substantial growth occurs in regions where our presence is strongest. As we mature in a given region, we believe our distribution channels yield higher productivity, and our superior services generate strong word-of-mouth effects, unlocking additional growth.

### b. *Attractive financial services opportunity in our installed Software Base*

In 2021, we acquired Linx, a leading retail software business in Brazil. Following some pilots with smaller software company acquisitions, our goal was to tap into Linx's extensive client base by offering an integrated solution of software and financial services, as we believe this approach could create a powerful competitive advantage in the SMB merchant market in the future. In 2023, we decided to focus on four key strategic verticals, namely, food, gas stations, retail and drugstores, as we believe they represent the optimal spot for the combination of financial services and software and due to their representativeness in TPV and financial services pools. Together, these verticals represent 64% of the total TPV pool of Linx clients, and 76% of the financial services revenue pool, due to better economics. We have prioritized those verticals to greatly enhance our value proposition by embedding our financial services platform in the POS and ERP Software, facilitating the most critical workflows that those clients need and offering an end-to-end solution.

Software verticals	TPV pool	Financial services revenue <sup>1</sup> pool mix
<b>4 Priority Verticals</b>	<b>64%</b>	<b>76%</b>
Enterprise Business	32%	14%
Other Verticals	4%	10%
<b>Total</b>	<b>R\$369.7 bn</b>	<b>100%</b>

We envision this combination of financial services and software as a strategic enabler of better growth rates in medium clients in the future. Based on our internal analysis of the overlap between Linx and Stone clients, we conclude that there still is a small overlap between them, amounting to R\$5.8 billion in the fourth quarter of 2023. Our strategy to penetrate this base lies on identifying the specific pain points of each segment, and then further developing an integrated solution, seeking to help merchants save time and better manage their businesses.

Throughout 2023 we already had some achievements in regard to the integration of financial services with gas stations, one of our key strategic verticals, where we developed specific offers related to the pain points of this segment by integrating payments to the POS and banking to the ERP of the vertical software. To expand the reach of our offer, we decided to sponsor Formula 1 Brazil, which increased awareness of our vertical specific solution.

As further detailed under our second growth strategy “Drive Engagement”, we believe the combination between Financial Services and Software will also enable us to produce more attractive unit economics as we ramp up these integrated solutions.

#### *c. Attractive financial services opportunity in our installed Software Base*

Our commitment to customer-centricity has been the cornerstone of our competitive advantage since our inception, when we decided to create a specialized service to provide the best customer experience in the market. In this regard, we have developed multiple channels to interact closely with our clients facilitating the resolution of their issues, and we believe that this is the key to comprehend and effectively address their needs.

In 2023, we served 3.5 million customers through (i) our proximity and digital channels and strategic partners, maintaining our values of proximity, (ii) our logistics, and (iii) our customer support team.

The journey of client interaction begins in the moment they sign up for our service through our sales teams, with proprietary and franchised hubs and digital channels, which include digital sales and inbound strategies. Within one business day for SMBs and three days for micro merchants, our green angels deliver and set up the contracted products and services, aiming to provide the best experience for the client, so they can start using our products and services immediately. Our customer support team helps clients with their daily needs, both through our in-house and outsourced customer support team, with telephone calls answered in less than 5 seconds. Our customer support team is composed of, highly trained agents, harnessing the best technological tools, and bots, our automated customer service.

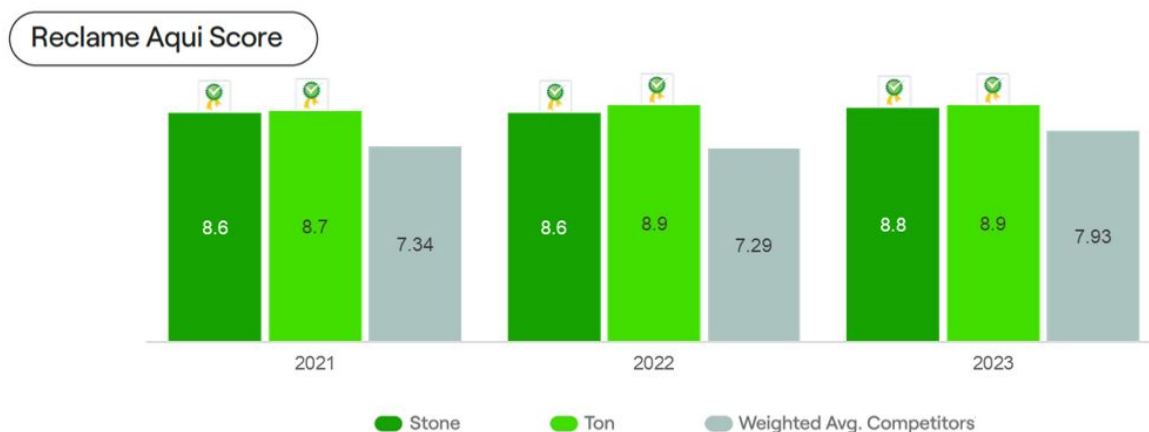
We believe our on-demand customer service team supports our clients quickly, conveniently, and with high-quality service designed to strengthen our customer relationships and improve their lifetime value with us. Our approach combines human connection, proximity, and technology, through a range of self-service tools and proprietary artificial intelligence, or AI, that seeks to help our clients manage their operations more conveniently and enables our agents to proactively address merchant’s needs, occasionally, prior to the awareness of any issue.



Since our establishment, we have consistently maintained the highest ratings for customer service on Reclame Aqui, Brazil's foremost customer service benchmark, and we believe the disparity between our performance and that of our competitors remains significant. Our score in Reclame Aqui has not only been the highest between competitors, but also has evolved throughout the past two years, both in Stone and Ton. Although this does not represent a financial metric, we see this as one of the catalysts for our future growth.

## Sustained best service in the market

We have consistently presented the best client satisfaction levels in our industry



Source: Reclame Aqui, as of December 31, 2023, 2022 and 2021.

### 2. Drive Engagement

#### a. More levers to build price bundles

Our culture of innovation and technology development has empowered us to price merchants in a much more dynamic way than anyone in Brazil. By the end of 2022, amid a tightening economic cycle in the country, we recognized the need to revamp our pricing system. We transitioned to an automated approach guided by transparent and straightforward standards. This new methodology treats each client as unique, taking into account various factors such as location, transaction volume, industry segment, and channel (whether through a hub or our inside sales team). Moreover, we consider the full spectrum of solutions desired by the client, ranging from POSs to prepayment options and options for customers to pay using a Pix QR code in the POS. Through this comprehensive data, we craft tailored offerings that bundle acquiring, Pix, and banking services, each with minimum and target return thresholds aligned with the individual characteristics of the client.

In the SMB segment, our engagement equation rests on driving bundles with payments and banking as an entry-point of more product penetration, which has yielded substantive results. Since 2022, 88% of new Stone clients have been onboarded with our payments and banking bundle, serving as a pivotal factor driving the growth of heavy users within our client base. Heavy users, defined as clients utilizing three or more solutions within our financial services ecosystem, have increased substantially, comprising 23% of our client base by the fourth quarter of 2023—an approximately 10-percentage-point increase from fourth quarter of 2022. We believe this upward trajectory is particularly promising as heavy users exhibit an average revenue per client 2.3 times higher than that of regular clients. Moreover, we are seeing consistent improvement across all sales cohorts, maintaining a stable CAC over time. A comparative analysis between clients onboarded in the fourth quarters of 2022 and 2023 reveals a substantial increase of around 20 percentage points, from 15% to 34%, in new clients adopting more than three solutions. We believe these trends underscore our commitment to foster sustainable growth and maximizing value for both our clients and stakeholders.

Our next step within financial services is to scale our credit solution through our revamped product, thereby enhancing the value proposition for SMBs. To more mature clients of the segment we envision leveraging software as a key differentiator, tailoring our offerings to address the vertical-specific requirements of each segment. For more information, see “—Drive Engagement – c. Software as a differentiator”.

***b. Scale working capital solutions to monetize further***

Following our mission of being the Brazilian entrepreneur’s best partner and helping them, through our solutions, to invest and manage their business, we identified the credit product as a significant asset for business owners. Thus, we developed a user-friendly product aimed at providing a solution to their existing capital needs.

In 2023, we started testing our new credit product, and we developed a comprehensive credit structure with new features and a robust monitoring process, collecting data from across the company and the market and we now manage the entire credit system from concession to recovery. The new product creates synergy between platforms, linking our clients account data in our banking platform to the credit card receivables in our payment’s platform, creating an end to end offer.

In the relaunch, we rebuilt both the product and user experience, learning from our initial credit venture. Key improvements include monthly installments, replacing the previous lump sum payment and maintaining the retention mechanism. We have integrated retention data into monitoring, enhancing our ability to identify credit issues and offer reschedule options via the app. Enhanced monitoring tools provide real time data for immediate response to any unusual vintage behavior, and our models now incorporate extensive external data and control points to ensure better decision making and continuous monitoring scoring processes. Also, acquiring collateral is registered at the trade repository before disbursement, as we seek to reduce cash evasion risk. Also, all loans are personally guaranteed by our main shareholder.

Once the clients are approved for our credit solutions, they can have the credit resources in their account in a couple of days and are able to access all information using the app. The credit acquired is paid through monthly installments by the retention of a percentage of the clients’ daily transactions receivables and they also can prepay the installments using the POS terminal, a “*boleto*” or a Pix transfer, allowing them to reduce the cost of the loan and us to minimize the delinquency of the portfolio. The client can use future receivables or the account balance as well.

We believe that the expansion into credit provides a substantial incremental revenue opportunity for us and the strong interaction between segments and platforms is a key strength to scale the product in our client base, always with a cautious approach. As of December 31, 2023, we disbursed a total of R\$353.6 million of loans reaching 10,752 contracts, with a credit portfolio of R\$309.4 million at year-end. We are still focused on SMB clients, with an average ticket of approximately R\$33,000.

Loan loss provision expenses totaled R\$62.1 million in the year and we are building provisions equivalent to 20% of the credit portfolio in the period. As of December 31, 2023, our nonperforming loans, or “NPL”, 15-90 days were 1.95% and NPL over 90 days were 0.29%.

### *c. Software as a differentiator*

Our merchant-driven DNA provides us with a significant advantage to continue building differentiated solutions. In the past years, and more specifically from 2023 onwards, we have focused on developing solutions for clients with more mature operations with multiple stores and multiple staff. As in these types of stores, owners and managers are no longer there at all times, having a unified control and a comprehensive view of their business is seen as crucial. Due to their higher maturity, they can have specific demands depending on which segment clients operate in. We seek to address these needs through more sophisticated end to end solutions that integrate our financial services with vertical specific software, helping them save time and money. We believe this approach enables us to address the diverse needs of diverse sectors, thereby fortifying our position as a trusted partner in their journey.

We expect to continue evolving over the years in being able to deliver the right offering for the right client within the SMB segment, serving businesses of different sizes and profiles, recognizing that they have specific needs. We believe our proximity with clients and our technological capabilities allow us to understand our clients better than anyone else, and hence, tailor our solutions to their specific needs. We have a unique value proposition for financial services and software solutions, and a broad distribution and service capability that has allowed us to become a strong partner of SMBs in Brazil. Below, we detail solutions we are building for two of our strategic verticals: gas stations and retail.

Throughout last year, we focused mainly on developing an offer for gas stations. In the gas station vertical, we are dealing with businesses with tight profit margins, a high tax burden and a need for constant management oversight, along with a high rate of fraud when compared to other sectors, as POSs often get “cloned” by fraudsters at the pumps. Therefore, having a solution that, at the same time, improves productivity and reduces fraud is essential. Today, our offer for gas stations includes an integrated smart POS system featuring instantaneous reconciliation capabilities, facilitating seamless card, Pix, or voucher transactions without necessitating customers to exit their vehicles. This streamlined payment experience not only enhances convenience but also improves operational efficiency for gas station proprietors. Furthermore, with this suite of integrations, we have significantly reduced the number of fraud incidents by essentially eliminating the possibility of cloned POSs.

In the retail vertical, the needs are completely different from those mentioned above for gas stations. Store owners are looking to optimize their physical space, as much as possible, to display their products and improve their clients’ shopping experience. To achieve this, we offer a mobile POS solution, minimizing the need for a traditional physical cash register to complete a sale. Each sales associate assumes the role of cashier, empowered to seamlessly guide customers through the sales process, even facilitating client registration within the system if necessary, without the need of a stationary computer.

Although we are still in the very early days of tackling these 4 verticals through integrated solutions, we have already seen some encouraging results in unit economics. When comparing clients that use our software integrated with our banking platform with those that only use financial services, they have proven to have better unit economics and better engagement, as they have presented a 2.5x better net Average Revenue per Active Customer (ARPAC), 2.1x more money in volume on average per client, and 1.7x more money out transactions. While we are still cautiously waiting for the number of clients to ramp-up, we are very excited with those initial results.

## **3. Scale Through Platforms**

### *a. Foundational assets: distribution, logistics, client service and brand*

The foundational assets of a company serve as the bedrock upon which its entire operations and success are built, and we believe that our foundational assets are one of the main reasons we are in a favorable position to capture the opportunities we have ahead in the market. Throughout our (i) sizable distribution model, (ii) our logistics operation, (iii) our strong client service, and (iv) a recognizable brand, we can reach, serve, and engage clients efficiently driving our growth, and long-term success. Below, we detail how we intend to leverage each of our foundational assets to scale our business for multiple segments, with low incremental costs.

First, our unique set of distribution channels are the pathways through which products reach customers. After a merchant becomes our client, the onboarding process begins with our logistics operations, in which they are essential for ensuring efficient supply chain management, timely delivery of products, and a cost-effective distribution. A well-organized logistics network can significantly enhance operational efficiency, reduce costs, and improve customer satisfaction by ensuring that our solutions reach our consumers promptly.

Similar to logistics, our customer service operations plays a critical role in building and maintaining strong relationships with customers with a responsive and overspecialized team to address inquiries, resolve issues promptly and proactively, and enhance customer loyalty, thereby contributing to repeat business and positive word-of-mouth marketing.

Last, a strong brand serves as a strong representation of the company's core values, quality, and reputation. We believe it distinguishes the company from competitors, instills trust and credibility among consumers, and creates a loyal customer base. Our marketing department employs a cohesive approach in crafting both online and offline strategies, ensuring that our campaigns maintain consistent visual elements and messaging across all channels. In line with our strategy, in 2023, we have made several campaigns that established the strength of our brand in the local market such as the sponsorship of “Big Brother Brasil”, one of the most watched reality shows in Brazil, as well as the Formula 1 race in Brazil, which was crucial to our bundle offering of financial services with software for gas stations.

The development of our foundational assets with a strong emphasis on leveraging technology plays a pivotal role in supporting our operations as we seek to enhance efficiency, connectivity, and innovation within our integrated applications.

***b. Stone Tech Platform: Build Once, Use Many***

Technology plays a fundamental role in expanding our operations, supporting various teams and the expansion of our product portfolio as we execute our strategy. For this reason, having a unified platform is substantial to govern the entire client life cycle, to operate with multiple value propositions and flexibility. Envisioning our expansion, in the last two years we have made improvements integrating technology teams, establishing consistent processes, and developing foundational components to create the Stone platform.

As we previously detailed in the “Item 4. Information on the Company—B. Business Overview—Comprehensive Merchant Platform”, the Stone Platform is structured into four layers: (i) Experience; (ii) Product; (iii) Operational; and (iv) Internal. Within each of these layers there are multiple platforms, each housing independently deployable services. These allow us to pursue with high scalability and implementation, using our specialized engineering tools, for a customized experience for each type of client.

Evidence of our efforts towards scaling efficiently through our “Build Once, Use Many” philosophy, is the development of our banking solutions. Rather than creating a stand-alone banking application, we focused on building a comprehensive banking platform, designed to serve a variety of applications and client segments. This platform is already seamlessly integrated into Ton, Stone and several other products within our software ecosystem. In “Item 4. Information on the Company—B. Business Overview—Comprehensive Merchant Platform” we have further detailed how we have been scaling efficiently within each of our platforms.

***c. Scale with reduced incremental investments***

Over the past ten years of our journey, we have cultivated the platforms that underpin our ability to drive our future growth efficiently with minimal incremental costs, our foundational assets. Two main assets that contributed to our growth are our logistics and customer service platforms.

Our logistics platform was developed with a robust and precise infrastructure, and with this firmly established, we have been able to grow our operations with reduced incremental costs. Our logistics cost per client has decreased by 31% all while expanding our client base by 2.0 times when comparing the fourth quarter of 2023 with the same period in 2021. This substantial reduction in costs amidst aggressive growth highlights our ability to leverage economies of scale, optimize logistics operations, and improve our cost structure.

We have identified similar trends in our client service platform, as we have reduced our cost per client over the past three years. Since the beginning, our approach to client service was not designed towards minimizing costs, but rather towards providing a superior service, through quality and proactivity. Our rationale was firmly grounded in the conviction that preemptive measures are superior to remedial actions, as by proactively addressing the root causes of client inquiries, we could deliver a superior service with remarkable efficiency. We have begun to capitalize on this approach, resulting in a decrease of approximately 52% in our cost per client on a unitary basis, when comparing the fourth quarter of 2023 with the same period in 2021. This reduction can be primarily attributed to the diminishing frequency of client interactions with our support services, reflecting the success of our proactive measures in mitigating issues before they arise.

When examining these trends over time, the synergy between our growth strategies, monetization efforts, and efficiency improvements has yielded significant results, with a reduction in CAC, while scaling up the number of merchants we bring onboard. We remain committed to reducing our CAC in the future.

### *Enter New Markets*

We believe our business model is well suited to serve clients in other markets where our technology, solutions, and support model can continue to disrupt traditional vendors and legacy business models. We believe this opportunity exists in:

- **New Geographies**—We are also expanding our geographic footprint by growing our distribution across Brazil. In the future, we may also seek to grow our business by selectively expanding into new international markets where we can leverage our business model.
- **New Sectors**—We are exploring new complementary business opportunities in adjacent sectors, such as digital banking, software solutions and credit. In the future, we may selectively expand into other sectors where we see an opportunity to leverage our capabilities to provide a differentiated value proposition for clients.
- **Client Segments**—We are a company focused on merchants, but if we believe we have an opportunity to address final consumers with a strong competitive advantage, we may also seek to do so.

#### *4. Selectively Pursue Acquisitions*

Although we are primarily focused on growing our business organically, we may selectively pursue strategic acquisitions to enhance our competitive position, improve our operations and expand our business. We may choose to acquire new technologies, expertise, volume and capabilities, enter new market segments or enter new geographies. We have established a track record of successfully investing, acquiring and integrating complementary solutions and businesses. For example, in 2021, we completed the Linx Transaction.

We also actively look for small software companies to be part of our ecosystem. The majority of those companies are now being managed under the Linx umbrella, in our software division. In addition, we also make investments in companies that we believe may have strategic value to us.

For the full track record of acquisitions and divestments, refer to “Presentation of Financial and Other Information—Corporate Events—Investments in Software and other Companies” and “—Divestments in Software and other Companies”.

### *Trends and Challenges*

In the dynamic landscape of the financial services and software markets, the possibilities for innovation and disruption are ever-present. With the rapid advancements in the regulatory environment in Brazil and in technology, companies have an expansive reach for experimentation. These innovations have the potential to revolutionize traditional services, offering more efficient processes, greater accessibility, and enhanced security. We believe there are various important trends that are impacting the growth and market opportunity for our services in Brazil. These include:

- **Increasing Use of Electronic Commerce**—Commerce in Brazil is increasingly being transacted through electronic accounts, such as credit, debit, and prepaid cards, eWallets and Pix transactions instead of cash and checks. Our main goal as a financial services company is to allow our merchants to accept all types of payments existent in the market, and thus we need to constantly evolve our solutions to do so. With the launch of Pix in the end of 2020, more volume has been transferred to electronic accounts. According to internal estimates, in 2023, cash is estimated to represent 29% of total volumes, compared with 46% in 2020. Also, according to the Focus report from the Central Bank, between 2024 and 2028, nominal household consumption in Brazil is expected to increase at a compounded annual growth rate between 5-6% each year, which we believe is a good metric to estimate payments market growth.
- **Increasing Shift to Digital Channels**—Consumers and merchants are increasingly conducting commerce through digital channels online and through mobile devices. We believe there is an important opportunity for us considering that both in Brazil and Latin America, e-commerce solutions penetration is still relatively low in comparison to other countries. According to a 2023 study from Insider Intelligence, e-commerce sales in Latam are expected to grow in high double digits from 2024-2027, while non-e-commerce retail sales, are expected to grow low single digits. Also, even when comparing Brazil to other Latam countries, including Argentina, Chile, Peru and Colombia, e-commerce CAGR expected for Brazil between 2022 and 2026 is the lowest, with 11% growth estimated. Thus, there is still a big opportunity to address this segment.

- **More Open Regulatory Environment**—The regulatory environment for the payments industry in Brazil has undergone significant changes in the past few years due to a concerted effort by the Central Bank and the Brazilian government to foster innovation and promote more open and fair competition. For example, (i) in 2010, the Central Bank and antitrust authorities initiated a series of measures that eliminated the exclusivity of certain vendors and opened up the market to new entrants, (ii) in 2019, Central Bank enacted a more robust framework, in which card receivables due by acquirers to merchants are subject to registration at trade repositories and (iii) in 2020, the Central Bank launched Pix, with the goal to streamline the process of completing payment transactions, making it straightforward, convenient, and direct for users. All of these measures have the goal to continue fostering competition. We believe this has created an attractive environment for innovative financial technology providers, such as us, to continue to disrupt the market, bring better solutions to clients, and grow our market share.
- **Growing Market in Small and Medium-Sized Cities**—According to IBGE data from 2022, small and medium cities with populations between 20,000 and 500,000 inhabitants account for more than 55% of total Brazilian population. Also, Brazil’s large geographic size can create logistical difficulties for MSMBs to conduct commerce, such as slow delivery times and slow, inconsistent customer support. In addition, local infrastructure and habits for conducting commerce can vary across regions. As a result, we believe merchants are increasingly looking for commerce-enabling solutions, with consistent, high-quality service and quick, on-demand support, that meet the needs of their specific region.
- **More Integrated Solutions to Manage Increased Business Complexity**—As consumers and merchants in Brazil increasingly connect across multiple channels, such as in-store, online and on mobile devices, an increased amount of data needs to be managed in their front office operations and back office functions. Thus, merchants are demanding better integrated and more seamless shopping and selling experiences, enabling them to manage their various commercial activities across channels on a single technology platform, and to conduct commerce more effectively, with greater functionalities and more sophisticated reporting tools. For example, most vendors in Brazil typically sell, manage, and process their point-of-sale and online solutions separately and on different platforms because they use older legacy technology platforms for point-of-sale transactions, which were not originally designed to incorporate e-commerce or mobile commerce. As a result, SMBs in Brazil typically have a lower penetration of management software use in comparison to other countries. According to a study from Atlantico, SMBs represent 15% and 20% of all businesses and 60% and 47% of employment in Brazil and USA, respectively. However, the contribution of SMBs to GDP in Brazil is close to 25%, much lower than the 44% recorded in the USA, proving that there is an opportunity for these businesses to become more efficient, with the use of integrated financial services and software solutions being one way to do so.
- **More Robust Technology Platforms, with Easier Connectivity Tools**—In order to provide the advanced functionality, seamless omni-channel experience, tighter integration, and better connectivity that merchants are seeking, providers require next-generation technology platforms with cloud-based architectures and more flexible connectivity solutions, such as gateways and APIs, to develop, host, deploy and manage these capabilities in a fast, flexible and cost-effective manner. The older legacy platforms provided by incumbent vendors typically do not have many of these capabilities and can be difficult and expensive to maintain.
- **Faster and More Specialized Customer Support**—In order to support merchants with advanced technologies, integrated solutions between software and financial services and multiple sales channels, providers in our market need to utilize more specialized and dedicated customer support operations that can help resolve the complex technical issues they face. The increased complexity that these new technologies can create for merchants requires customer support teams with experience and expertise in working with advanced technologies, advanced diagnostic technology, and the ability and support structure to respond quickly and effectively. Also, there is a big opportunity to use AI to increase efficiency in customer support, as through chatbots there is a possibility to solve simpler client issues and also already provide a screening of the issue to a person, if the issue is not solved through the chatbot.
- **New Business Models To Serve Clients**—As consumers and merchants increasingly adopt new technologies to conduct commerce and migrate towards digital channels, new approaches and business models are required to meet the demand for faster, safer, and more convenient commerce-enabling solutions. For example, we believe current models that sell payment acceptance solutions through traditional bank branches are outdated and provide a poor client experience for business owners. Bank sales representatives are not specialized in payment acceptance solutions, and as a result, they lack advanced knowledge of how new technologies can impact the merchant point-of-sale. In addition, the client onboarding and fulfillment processes through bank branches can take weeks to finalize. Also, to sell integrated solutions of financial services and software demands specific capabilities and knowledge from salespeople, thus creating the need to have specific and trained people to do so.

We believe we are well-positioned to take advantage of these trends and opportunities, and to continue to disrupt the market, bring better solutions to clients, and grow our market share.

## Our Solutions

We provide a wide range of solutions and tools for merchants, including a variety of payments, banking, credit and software products with features designed to attract and retain clients, focusing on helping our customers to manage and drive growth in their businesses. These solutions are divided between our Financial Services and Software segments and each of them are described in the tables below:

### Financial Services

Solution	Description
<b>App Store for POSs</b>	We have an application in our POS devices that can provide additional software features to a merchant's point-of-sale through our open, cloud-based Mamba App store. This enables third-party app developers to deploy new complementary solutions to the point-of-sale for merchants and consumers, such as mobile phone top-up, bill pay, and APM acceptance.
<b>Credit cards</b>	Our product has a diverse array of features designed to provide customers with flexibility in their day-to-day transactions while aiding in the financial management of their businesses. All functionalities are conveniently accessible through our digital banking app. Customers receive both a physical card for brick-and-mortar purchases and a virtual version for online transactions, ensuring enhanced security for e-commerce endeavors. Our rigorous credit approval process, which blends external and internal data, ensures that credit limits are tailored precisely to each customer's needs.
<b>Debit cards</b>	Our product enables customers to make purchases using funds available in their accounts, as well as withdrawals from automated teller machines (ATMs) within the accredited network. It is also available in a virtual version so that our customers can use it for online purchases in e-commerce.
<b>Digital Banking</b>	Fully digital banking platform, integrated to our acquiring solution, that enables merchants to get paid and manage their finances more effectively. This platform can provide the automation of cash management through a direct integration with the client's ERP. It is also integrated with our credit solution.
<b>e-Commerce Gateway</b>	Full-featured e-commerce gateway that seamlessly connects e-commerce merchants to the acquirers of their choice, enabling them to accept a wide variety of electronic payment options. Our clients are provided with a set of robust analytics, reporting and auditing capabilities through their portals.
<b>Omni-Channel Merchant Acquiring</b>	We are a fully licensed, end-to-end omnichannel merchant acquiring solution. With a large basket of features and products, clients are equipped with the tools they need to accept a wide array of electronic payments and effectively and efficiently manage their transaction receivables. Clients can integrate to our platform through multiple channels.
<b>Pix QR Code</b>	Our Pix QR Code is an instant P2M payment solution that enables merchants to accept Pix payments already integrated with the POS and thus enabling merchants to reconcile these transactions together with card receivables.
<b>Point of Sale Gateway</b>	In-store gateway for the point-of-sale that connects merchants to the acquirers of their choice enabling a wide array of payment options including traditional and APM methods. It also offers clients the ability to integrate their POS with other business management software, such as inventory and tax management solutions.
<b>Prepayment solutions</b>	Cash management solution that allows clients to accelerate the payment of their future receivables, including installment-based receivables up to 12 months. Clients can request and predetermine the payment of their receivables via their client portal, directly on their mobile application, POS device, via email, or over the phone with our dedicated receivables prepayment team.
<b>PSP Platform</b>	We have a sophisticated PSP solution with a quick and simple API integration, enabling omni-channel players and marketplaces to accept a wide array of electronic payments through multiple channels. With a large basket of features and products, clients are equipped with the tools and features they need to grow and manage their business.
<b>Registry of Receivables Platform (TAG)</b>	Financial Market Infrastructure (FMI) authorized by the Central Bank to operate as a Trade Repository for card receivables (credit and debit), captured through physical or online transactions. TAG enables creditors to safely buy merchants' card receivables or take it as collateral.
<b>SMB Credit Solutions</b>	Allows our clients to contract, monitor and payback loans by fully integrating our credit solution within our payments' platform. We have resumed disbursements in the beginning of 2023.
<b>Tap on Phone solution</b>	Solution that allows merchants to sell via their smartphones, both Android and iOS, through an app.
<b>Web Checkout</b>	Frictionless e-checkout that simplifies the buying experience leading to increased client conversion.

*Software*

<b>Solution</b>	<b>Description</b>
<b>Agilize</b>	Agilize develops technology that provides online accounting services.
<b>APP</b>	APP is a software management company, focused on the hotel segment.
<b>ClinicWeb</b>	ClinicWeb is Vitta's ERP for medical clinics in Brazil, helping professionals from the health segment to manage their appointments, patient's files, finance and marketing.
<b>Connectivity</b>	Suite of customized solutions to help retailers connect their consumers, protect their data and connect their network through a single point of contact.
<b>Dental Office</b>	Dental Office is an ERP for dental clinics, helping dentists better manage their businesses through features specifically designed for their needs.
<b>E-commerce platform</b>	Our e-commerce services consist of the receipt of (i) wholesale orders and the monitoring of sales targets, (ii) directed sales to the final consumer and (iii) an interactive electronic catalog with information about inventory and prices, among others, that are integrated to the ERP system.
<b>HubCount</b>	HubCount is a technology company focused on offering solutions for accounting offices and large corporations.
<b>Human Capital Management</b>	Humanus integrates all Human Resources procedures, allowing the organization of activities, processes, and information in a safe and reliable way.
<b>Menew</b>	Menew is an ERP/POS software for food service with a strong regional presence in the northeast of Brazil and an expanding operation throughout the country.
<b>Mercadapp</b>	Mercadapp is a digital product that offers an app and e-commerce for supermarkets which is integrated with POS and ERP.
<b>MID-E</b>	Middleware application used to connect the Linx systems with the Brazilian tax authorities for the purpose of issuing an electronic invoice (NFe), and electronic consumer receipt (NFCe), in an integrated manner.
<b>MLabs</b>	MLabs is an SMB social media management platform. Its purpose is to be the best cost-effective platform to make social media actions more effective and consequently increase the online presence of their clients. MLabs functionalities are focused on the specific needs of SMBs, using a variety of methods to help them reduce content production costs, optimize media investments and increase efficiency in the operations of social media management.
<b>Mobility ("SmartPOS")</b>	Via smartphones or tablets, customers are served in a fast and customized manner, with no lines and far more interaction with the variety of products offered in the store. We offer solutions for different retail segments using features such as the virtual catalog, lookbook combinations, inventory query, pre-sale and sale record, waitlist and closure of service.
<b>Neomode</b>	Neomode offers a sales channel and white label commerce app platform with integration to ERP, POS, e-commerce and gateways.
<b>Nodis</b>	Nodis is an app that helps clients digitize their businesses connecting them to the biggest marketplaces of the country such as Magalu, Americanas and Shoptime. Through one single portal, the merchant can control its catalog, manage the orders and shipping online.
<b>OMS</b>	By using our OMS technology, retailers can meet orders originating from any channel, regardless of where the product is located.
<b>Plugg.to</b>	Plugg.to integrates inventory, products and orders between the marketplaces and e-commerce platforms, POSs and ERPs in the market.
<b>Point of Sale and ERP</b>	Software solutions for our customers' in-store terminals where sales transactions occur. In the vast majority of cases, these solutions are integrated with our own ERP software.
<b>Questor</b>	Questor is a management system for accounting offices and integrated cloud ERP offering for SMBs.
<b>Reclame Aqui</b>	Reclame Aqui is a free public platform for consumers to complain about a product or service with a private interface for companies to respond to those complaints.
<b>Reconciliation, TEF and QR</b>	Software solutions that streamline the complex process of reconciling payments transactions, and managing cash flow. These powerful tools enable our clients, from brick and mortar SMBs to large online enterprises, to accept, reconcile and monitor transactional data from all payment solutions providers, such as merchant acquirers, e-wallets and gateways, giving transparency of fees paid, discounts/chargebacks, and taxes at the individual transaction level, in a single dashboard.
<b>Search and recommendation ("Linx Impulse")</b>	Our search solution uses machine learning and proprietary algorithms that best fit the customer.
<b>SimplesVet</b>	SimplesVet is an ERP solution for veterinary clinics, pet shops and autonomous veterinarians.



<b>Solution</b>	<b>Description</b>
<b>Sponte</b>	Sponte is a leading provider of cloud ERP solutions for schools in an underpenetrated sector in terms of both payments and software.
<b>Tablet Cloud</b>	Tablet Cloud is a white label Point of Sale and simple ERP application focused on less sophisticated SMBs, which runs on smart POS and tablet solutions, giving business owners complete control over their cash register and inventory in a fully mobile device while having a robust ERP platform accessible online.
<b>Trinks</b>	Trinks is a SaaS ERP and booking app which allows beauty and aesthetics service providers to manage all their operations. The system automates key components of service providers' functions such as client appointments, work schedules, inventory control and supplier contacts.
<b>VHSYS</b>	VHSYS is an omnichannel, cloud-based, API driven, POS and ERP platform built to serve a wide array of service and retail businesses. The fully self-service platform consists of over 40 applications such as order and sales management, invoicing, dynamic inventory management, cash and payments management, CRM, mobile messaging, along with multi-marketplace, logistics, and e-commerce integrations amongst others.

### *Other*

<b>Solution</b>	<b>Description</b>
<b>Delivery Much</b>	Delivery Much is a food delivery marketplace company focused on small-and-midsize cities, with a similar and synergistic expansion approach to ours. Delivery Much generates more sales to restaurants using their consumer client base.

PinPag was part of the "Other" business segment. From February 2024 onwards, we no longer have an equity stake in PinPag, a company focused in financial solutions in electronic means of payment, which was previously acquired by Linx Pay.

### **Seasonality**

We have experienced in the past, and expect to continue to experience, seasonal fluctuations in our revenues as a result of consumer spending patterns. Historically, our revenues have been strongest during the last quarter of each year as a result of higher sales during the Brazilian holiday season. This is due to the increase in the number and amount of electronic payment transactions related to seasonal retail events. Adverse events that occur during these months could have a disproportionate effect on our results of operations for the entire fiscal year. As a result of quarterly fluctuations caused by these and other factors, comparisons of StoneCo's operating results across different fiscal quarters may not be accurate indicators of its future performance. For additional information, see "Risk Factors—Risks Relating to Our Business and Industry—Our operating results are subject to seasonal fluctuations, which could result in variations in our quarterly profit."

### **Risk Governance**

During 2023, the Company underwent a process of centralization and integration of risk management. Risk management is performed by a specific area segregated from business areas and from the area that conducts the internal audit. The Chief Risk Officer is responsible for this specific area and reports to the Company's CEO.

The risk management area is responsible for the identification, measurement, evaluation, monitoring, reporting, control, and mitigation of mitigation of the risks to which are exposed including the following:

- Credit risk is defined as the potential losses for the Company deriving from: a counterparty's failure to meet its obligations under the contracted terms, including card issuers, holders of credit cards issued by the Company, and working capital loan borrowers; a devaluation or a reduction in remunerations or expected earnings of a financial instrument arising from a deterioration in the credit quality of the counterparty, the intermediary party, or the mitigation instrument; a forbearance of financial instruments; or recovery costs of problem assets;
- Market risk is defined as the potential losses for the Company deriving from changes in prices or rates;

- Liquidity risk is defined as the potential losses for the Company deriving from its inability: to duly honor its expected and unexpected obligations, both current and future, including those arising from guarantees provided, without affecting its daily operations; to trade a position at the market price, due to its significant size in relation to the volume normally transacted or due to some market discontinuity; and to convert electronic currency into physical or scriptural currency at the time of the user's request;
- Operational risk is defined as the potential losses for the Company resulting from external events or from failure, deficiency, or inadequacy of internal processes, personnel, or systems;
- Social risk is defined as the potential losses for the Company resulting from the violation of fundamental rights and guarantees or acts harmful to the common interest;
- Environmental risk is defined as the potential losses for the Company due to events associated with environmental degradation, including the excessive use of natural resource; and
- Climate risk is defined as the potential losses for the Company caused by events associated: with the transition process to a low-carbon economy, in which the emission of greenhouse gases is reduced or compensated and the natural mechanisms for capturing these gases are preserved (transition climate risk); and with frequent and severe weather or long-term environmental changes, which may be related to changes in climate patterns (physical climate risk).

For more information regarding risks, refer to “Item 11. Quantitative And Qualitative Disclosures About Market Risk”.

In addition to the above risks, the risk management area is responsible for the potential losses arising from interactions between them, regulatory capital management, and business continuity management.

The risk management area is structured into the following subareas:

- Market and liquidity risks, including the interest rate risk in the banking book;
- Credit risk;
- Regulatory capital management;
- Cybersecurity and data privacy;
- Fraud detection and prevention;
- Operational risk, which is responsible for internal controls, social, environmental, climate, business continuity management, and other operational risks; and
- Enterprise risk management.

The key governance bodies are the following:

- The Board and its committees, particularly the Risk, the Finance, and the Audit Committees;
- The Executive Management Committee and its supportive committees, particularly the Internal Risk and the Crises Management Committees; and
- The Risk Management area.

The key governance elements are as follows:

- Risk and Regulatory Capital Policy. It establishes the governance for risk and capital managements, defining structures and bodies and their respective roles and responsibilities;
- Risk Appetite Statement;
- Risk assessment methodology;
- Risk response policy; and
- Incident response policy.

## Compliance

The Compliance area is responsible for Regulatory Compliance, Prevention of Money Laundering and Terrorist Financing (“AML/FT”), and Integrity Compliance. The Compliance manager reports to the Company’s Chief Legal and Compliance Officer. The Regulatory Compliance team is responsible for ensuring the company’s regulatory adherence to applicable standards, as well as being the communication channel with regulators. The AML/FT team is assigned for implementation of AML/FT policies and measures, mitigating the risk of one uses the Company’s products and services to commit illegal acts. The Integrity team is responsible for receiving and handling complaints, conducting corporate investigations, and contributing to the achievement of institutional objectives honestly and ethically, in compliance with the guidelines of the StoneCo Code of Ethics.

## Regulatory Matters

Our business is subject to several laws and regulations that affect payment schemes and payment institutions, many of which are still evolving and could be interpreted in ways that could harm our business. While it is difficult to fully ascertain the extent to which new developments in the field of law will affect our business, there has been a trend towards increased consumer and data privacy protection. It is possible that general business regulations and laws, or those specifically governing payment institutions, may be interpreted and applied in a manner that may place restrictions on the conduct of our business. Below is a summary of the most relevant laws that apply to the operations of the Brazilian Payments System (the *Sistema de Pagamentos Brasileiro*, or SPB).

### *Regulation of the SPB*

Our activities in Brazil are subject to Brazilian laws and regulations relating to payment schemes and payment institutions. Law 12,865, establishes the first set of rules regulating the electronic payments industry within the overall SPB and creates the concepts of payment schemes, payment scheme settlors and payment institutions.

In addition, Law 12,865 gave the Central Bank, in accordance with the guidelines set out by the CMN, authority to regulate entities involved in the payments industry. Such authority covers matters such as the operation of these entities, risk management, the opening of payment accounts, and the transfer of funds to and from payment accounts. After the enactment of Law 12,865, the CMN and the Central Bank created a regulatory framework regulating the operation of payment schemes and payment institutions. The framework consists of CMN Resolution No. 4,282, as amended, each of them dated as of November 4, 2013, Central Bank Resolution 80, Central Bank Resolution 150 and Central Bank Resolutions No. 96, dated as of May 19, 2021 (“Central Bank Resolution 96”), N and No. 344, dated as of August 16, 2023, and other related rules and regulations.

### *Payment Schemes*

A payment scheme, for Brazilian regulatory purposes, is the set of rules and procedures that governs payment services provided to the public, with direct access by its users (i.e., payors and receivers). In addition, such payment service must be accepted by more than one receiver in order to qualify as a payment scheme. The main features of payments schemes set out in the Brazilian regulation are the following:

- Payment schemes that exceed certain thresholds are considered to form part of the SPB and are subject to the legal and regulatory framework applicable to the payment industry in Brazil, including the requirement to obtain an authorization by the Central Bank.
- Payment schemes that operate below these thresholds are not considered to form part of the SPB and are therefore not subject to the legal and regulatory framework applicable to the payment industry in Brazil, including the requirement to obtain an authorization from the Central Bank, although they are required to report certain operational information to the Central Bank on an annual basis.
- Limited-purpose payment schemes are not considered to form part of the SPB and, therefore, are not subject to the legal and regulatory framework applicable to the payment industry in Brazil, including the requirement to obtain authorization from the Central Bank. Limited-purpose payment schemes are those whose payment instruments are: (a) accepted only at the network of merchants pertaining to the same entity, even if not issued by it; or (b) accepted only at the network of merchants which have the same visual identity, such as franchisees and gas stations chains; (c) intended for the payment of specific public services, such as public transport and public telephone network; or (d) issued and accepted exclusively within the scope of a closed payment scheme and which are intended exclusively for payment of a specific type of product or service, of a restricted set of products or of services aimed at serving a certain economic activity or specialized markets.

- Certain types of payment schemes have specific exemptions from the requirement to obtain authorization from the Central Bank. This applies, for example, to payment schemes set up by governmental authorities, payment schemes set up by certain financial institutions, payment schemes aimed at granting benefits to natural persons due to employment relationships (such as meal vouchers) and payment schemes set up by an authorized payment institution in which financial settlement of payment transactions are carried out exclusively using the book-transfer method.

On October 6, 2021 the Central Bank published Central Bank Resolution 150, which replaced Central Bank Circular 3,885/13 and consolidated the rules on payment schemes. Such Resolution now governs the provision of payment services within the scope of payment schemes that are part of the SPB and establishes new criteria for a payment scheme to be considered part of the SPB. Besides, Central Bank Resolution 150 strengthened the governance mechanism to which the payment schemes rules — as released by the payment scheme settlor — are subject to. It not only has expanded the list of themes that, in order to be amended, are subject to prior authorization from the Central Bank, but also determined that the requests for Central Bank’s approval shall be preceded by consultation to the participants of the payment scheme.

#### *Payment Scheme Settlor*

A payment scheme is set up and operated by a payment scheme settlor, which is the entity responsible for the payment scheme’s authorization and functioning. Payment scheme settlers, for Brazilian regulatory purposes, are the legal entities responsible for managing the rules, procedures and use of the brand associated with a payment scheme. Central Bank regulations require that payment scheme settlers must be (i) incorporated in Brazil, (ii) have a corporate purpose compatible with their payments activities and (iii) have the technical, operational, organizational, administrative and financial capacity to meet their obligations. They must also have clear and effective corporate governance mechanisms that are appropriate for the needs of payment institutions and the users of payment schemes. As mentioned above, Central Bank Resolution 150 strengthened the governance mechanism to which the payment schemes rules are subject to, therefore, payment scheme settlers shall observe them in order to maintain their payment schemes in compliance with the applicable regulation.

#### *Payment Institutions*

A payment institution is defined as the legal entity that participates in one or more payment schemes and is dedicated to the execution of the remittance of funds to the receivers in payment schemes, among other activities. Specifically, based on the Brazilian payment regulations, payment institutions are entities that can be classified into one of the following four categories:

- Issuers of electronic currency (prepaid payment instruments): These payment institutions manage prepaid payment accounts for cardholders or end-users. They carry out payment transactions using electronic currency deposited into such prepaid accounts, and convert the deposits into physical or book-entry currency or vice versa.
- Issuers of post-paid payment instruments (e.g., credit cards): These payment institutions manage payment accounts where the end-user intends to make payment on a post-paid basis. They carry out payment transactions using these post-paid accounts.
- Acquirers: These payment institutions do not manage payment accounts but enable merchants to accept payment instruments issued by a payment institution or by a financial institution that participates in the same payment scheme. They participate in the settlement process for payment transactions by receiving the payment from the card issuer and settling with the merchant.
- Payment Initiation Service Provider (“PISP”): These payment institutions provide payment transaction initiation services without requiring the initiation of payment transactions. They accomplish this without (a) managing a payment account; and (b) intermediating, at any time, the funds transferred in the respective payment transaction.

Payment institutions must be authorized to operate in Brazil and must have a corporate purpose that is compatible with payments activities. As for payment schemes, the regulations applicable to payment institutions depend on certain features, such as the annual cash value of transactions handled by the payment institution or the value of resources maintained in prepaid payment accounts. Certain financial institutions have specific exemptions from the requirement to obtain an authorization from the Central Bank to act as a payment institution and provide payment services. Furthermore, certain payment institutions are not subject to the legal and regulatory framework applicable to the payment industry in Brazil. This applies, for example, to payment institutions that only participate in limited-purpose payment schemes and payment institutions that provide services in the scope of programs set up by governmental authorities aimed at granting benefits to natural persons due to employment relationships (such as meal vouchers).

The CMN and Central Bank regulations applicable to payment institutions cover a wide variety of issues, including: (i) penalties for noncompliance; (ii) promotion of financial inclusion; (iii) reduction of systemic, operational and credit risks; (iv) reporting obligations; and (v) governance. The regulation applicable to payment institutions also cover “payment accounts” (*contas de pagamento*), which are the end-user accounts, in registered (i.e., book-entry) form, which are opened with payment institutions that are card issuers of prepaid or post-paid instruments and used for carrying out each payment transaction. Central Bank Resolution 96, classifies payment accounts into two types:

- Prepaid payment accounts: Which is destined for the execution of payment transactions in electronic currency available as a result of previously deposited funds; and
- Post-paid payment accounts: Which is destined for the execution of payment transactions which do not depend on the prior deposit of funds.

In order to provide protection from bankruptcy, Law 12,865 or Law 4,595 requires payment institutions that issue electronic currency to segregate the funds deposited in prepaid payment accounts from their own assets. In addition, with respect to prepaid electronic currency, the payment institutions must hold a portion of the funds deposited in the prepaid payment account in certain specified instruments: either (i) in a specific account with the Central Bank that does not pay interest; or (ii) in federal government bonds registered with the SELIC. The portion of the prepaid electronic currency that must be held in this form is currently 100%.

### ***Our Regulatory Position***

Three of our subsidiaries perform activities that are subject to Law 12,865 or Law 4,595 and regulations from the Central Bank and the CMN, as applicable, which are Stone Instituição de Pagamento, Pagar.me and Stone SCD. On November 5, 2021, MNLTL applied for registration with CVM to become a category B public company (allowed to issue any securities other than shares and depositary receipts or other securities that entitle the holder to purchase shares or share certificates). As required by the applicable regulations, the four of them have submitted operational authorization requests before the Central Bank and CVM, as applicable, which current status follows below:

- Stone Instituição de Pagamento was granted a license to operate as a payment institution in the acquirer category on July 3, 2017, in the issuer of electronic currency category on April 24, 2018, in the issuer of post-paid payment instruments category on November 24, 2021 and in the payment initiation service provider category on October 28, 2021.
- MNLTL applied for registration to become a category B public company, aiming at being entitled to issue securities other than shares and depositary receipts or other securities that entitle the holder to purchase shares or share certificates, which was granted by the CVM on February 2, 2022.
- Pagar.me applied for a license to operate as a payment scheme settlor on February 3, 2017, and as a payment institution in the acquirer and issuer of electronic currency categories on April 7, 2017. Due to changes in the Central Bank regulation, Pagar.me’s payment scheme is no longer subject to the authorization of Central Bank. Therefore, Pagar.me’s authorization request as a payment scheme was dismissed by the Central Bank on June 8, 2017. In relation to the application for a license to operate as a payment institution, Pagar.me has supplemented the documentation submitted to the Central Bank in the application for authorization, and is currently waiting for the Central Bank’s approval; and
- Stone SCD was granted a license to operate as a financial institution established as a direct credit company (*sociedade de crédito direto*) on July 19, 2019.

Additionally, on October 20, 2020, one of our subsidiaries, TAG, received approval from the Central Bank to operate as a trade repository (*entidade registradora*) in Brazil, and, therefore, is subject to Brazilian laws and regulations relating to financial assets and securities subject to centralized deposit central securities depositories or registration in trade repositories, as per Brazilian Federal Law No. 12,810, dated as of May 15, 2013 and its related rules and regulations. The effective date of the credit transactions guaranteed by card receivables legal framework was June 7, 2021.

Furthermore, as of December 22, 2020, and according to Ordinance No. 7,723 of the Superintendence of Private Insurance (“Susep”), Stone Seguros S.A. (“Stone Seguros”), is authorized by SUSEP within a “Regulatory Sandbox” to operate for 36 months as an insurance company, oriented to offer innovative property and personal insurance products through proprietary channels. However, pursuant to our business strategy, in October 2022, we filed a request with SUSEP to cancel Stone Seguros license as an insurance company, which was approved in March, 2023.

Moreover, we started issuing post-paid instruments through Stone Cartões. As provided in Central Bank Resolution 80, payment institutions that act as post-paid instrument issuers are not required to file an authorization request until the regulatory threshold is met. We have been monitoring the volume of Stone Cartões' operations so that the authorization request is filed timely.

More recently, on December 7, 2022, we submitted an authorization request to the Central Bank for Stone SCFI to be licensed as a financial institution registered as credit, financing and investment company. Stone SCFI received such license from the Central Bank in January, 2024.

Since their licenses to operate were granted by the Central Bank, Stone Instituição de Pagamento and Stone SCD have been in compliance with applicable payment and financial laws and regulations. Pagar.me's request for authorization with the Central Bank is still under review.

In addition, Law 12,865 prohibits payment institutions from performing activities that are restricted to financial institutions, which are regulated by Law 4,595. There is some debate under Brazilian law as to whether providing early payment of receivables could be characterized as "lending," which is an activity that is restricted to financial institutions. Similarly, there is some debate as to whether the discount rates applicable to this early payment feature should be considered as "interest," in which case the limits set by the Brazilian Usury Law would apply to these rates.

For transactions performed in the Brazilian financial system, financial institutions may set interest rates freely, provided that they are not excessively burdensome to consumers. For transactions that are not comprised by the Brazilian financial system, the Brazilian Usury Law limited interest rates at 12% per year. Subsequently, the Brazilian Civil Code, which replaced the Brazilian Usury Law, restricted interest rates at two times the interest rates applicable to the National Treasury (*Fazenda Nacional*), which is currently the SELIC rate (although there is some legal debate as to whether the Brazilian Civil Code has effectively replaced the original Brazilian Usury Law). In this sense, it is possible to imply that, the discount rate that we charge directly from merchants for early payment of their receivables should be capped at two times the SELIC rate.

If we fail to comply with the requirements of the Brazilian legal and regulatory frameworks, we could be prevented from carrying out our regulated activities, we could be (i) required to pay substantial fines (including per transaction fines) and disgorgement of our profits, (ii) required to change our business practices or (iii) subjected to insolvency procedures under an intervention by the Central Bank and the out-of-court liquidation of Stone Instituição de Pagamento. We could also be subject to private lawsuits. For additional information, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Our business is subject to extensive government regulation and oversight in Brazil and our status under these regulations may change. Violation of or compliance with present or future regulation could be costly, expose us to substantial liability and force us to change our business practices, any of which could seriously harm our business and results of operations".

The Central Bank's regulations also allow payment schemes to set additional rules for entities that use their brands. Since we participate in these third-party payment schemes, we must comply with their rules in order to continue accepting payments from payment instruments bearing their brands.

### ***Regulation of Credit Fintechs in Brazil***

CMN enacted Resolution No. 4,656 on April 26, 2018, to regulate online lending fintechs and established two new categories of financial institutions ("CMN Resolution 4,656"). However, CMN Resolution 4,656 rules on credit fintechs have been replaced by CMN Resolution 5,050. Pursuant to such CMN Resolutions and Law 4,595, those new categories of financial institutions are the only ones authorized to grant credit through electronic platforms:

- Direct Credit Corporation (*sociedade de crédito direto – SCD*): a financial institution that carries out loan transactions, financing and acquisition of credit rights exclusively through an electronic platform, using mainly its own capital as financial source for such transactions. The SCDs are authorized to assign credits related to their own transactions to: (i) financial institutions; (ii) investment funds; or (iii) securitization companies, provided that the quotas of the investment funds and the securitization assets issued by the securitization company are offered exclusively to qualified investors; and

- Peer to Peer Lending Corporation (*sociedade de empréstimo entre pessoas – “SEP”*): a financial institution that intermediates lending and financing transactions between individuals, exclusively through an electronic platform. Creditors may be individuals, financial institutions, investment funds exclusively destined to qualified investors, securitization companies or other legal entities, but similarly to the SCD, the quotas of the investment funds and the securitization assets issued by the securitization company can only be offered to qualified investors. CMN Resolution 5,050 limits the exposure of non-qualified investors (as per CVM regulation) to R\$15,000.00 per debtor, for transactions intermediated by the same SEP.

As financial institutions, SCDs and SEPs, among other provisions: (i) are free to charge any compensatory interest rates, without caps or limitations, being excluded from the restrictions imposed by the Brazilian Usury Law; (ii) will have direct access to the Credit Risk Data System of the Central Bank (*Sistema de Informação de Crédito – SCR*) for credit purposes analysis; (iii) perform credit collection for third-parties (and customers, in the case of SEPs); (iv) issue electronic currency and post-paid instruments, in accordance with applicable regulation; and (v) may opt to have direct access to the SPB, which allows the performance of domestic wire transfers and issuance of payment slips (*boletos*) without the intervention of a traditional financial institution.

On the other hand, SCDs and SEPs must observe certain key governance, compliance and supervision requirements applicable to all the institutions part of the National Financial System (*Sistema Financeiro Nacional – SFN*), such as: minimum requirement of paid-in capital stock and net equity, prior authorization to operate, banking secrecy, establishment of internal controls and procedures, implementation of risk management structures, observation of know your client, anti-money laundering and counter terrorist financing rules, cybersecurity rules, constitution of ombudsman office and preparation of accounting statements pursuant to the Standard Chart of Accounts of the National Financial System (*Plano Contábil das Instituições do Sistema Financeiro Nacional – COSIF*), administrative penalties for noncompliance, among others.

Both companies are subject to prior licensing from the Central Bank in order to operate, following the procedure set forth in this new regulatory framework. Licensing requirements are slightly simpler (the business plan, for instance, is replaced by a statement of reasons), but are generally similar to those already in place for financial institutions, such as: (i) identifying the controlling group; (ii) proving financial and economic capacity, expertise and know-how; and (iii) showing evidence of approval from the applicant’s officer members.

#### *Direct Credit Corporation*

The regulatory framework for SCDs is simple and straightforward, considering that such institutions have a limited and less complex scope of activities, focusing exclusively on the extension of borrowings and financing, as well as on the acquisition of receivables, using financial resources that originate either from its own capital or from the BNDES (Brazilian Development Bank).

Seeking to provide greater legal certainty to this “new credit market” the applicable regulation requires SCDs to select their clients based on consistent, verifiable and transparent criteria, including relevant aspects of credit risk assessment.

The SCDs are authorized to provide ancillary credit services, limited to an exhaustive list set forth in the regulation, encompassing: (i) credit analysis for third-parties; (ii) collection of debts owed by third-parties; (iii) acting as insurance representative in distribution of insurance related to credit transactions; and (iv) issuance of electronic currency and post-paid instruments. Notwithstanding, SCDs are prohibited from having equity interest in financial institutions, and also restricted from raising funds from the public, except for the issuance of shares.

#### *Anti-Money Laundering and Terrorism Financing Rules*

Our activities in Brazil are subject to Brazilian laws and regulations relating to anti-money laundering (or “AML”), and terrorism financing (“CFT”) rules. These rules require us to implement risk-based policies and internal procedures to identify and qualify clients, employees, suppliers and business partners (KYC, KYE, KYS and KYP, respectively), as well as to monitor and identify suspicious or atypical money-laundering transactions, which must be duly reported to the Financial Activities Control Council (“COAF”) Brazil’s financial intelligence unit.

We comply with the applicable AML laws and regulations and we have implemented required policies and internal procedures to ensure compliance with such rules and regulations, including procedures to report suspicious or atypical activities money-laundering and suspected terrorism financing to COAF. Our employees are aware of and have been periodically trained regarding our policies and internal procedures, which is mandatorily complied with and supervised. The Brazilian AML law specifies the acts that may constitute money laundering crimes, which may subject the agents of these illegal practices to imprisonment, temporary disqualification from managing enterprises up to 10 years and monetary fines.

The Brazilian AML law also sets forth business activities that are required to implement measures to monitor and prevent such crimes (which includes payment and financial institutions), subjecting those who do not comply therewith to warning, monetary fines and the revocation of the authorization to operate given by the competent regulators. Additionally, it created COAF, which has a key role in the Brazilian AML and counter-terrorism financing system, and it is legally liable for the coordination of the mechanisms for international cooperation and information exchange.

We have adopted the internal controls and procedures required by the Brazilian AML/CFT rules, which are focused on:

- identifying and qualifying our clients, suppliers, employees and business partners;
- conducting risk-based KYC, KYS, KYP and KYE processes;
- carrying out a prior analysis of new products and services, under the perspective of money laundering prevention;
- keeping records of all transactions;
- reporting to COAF, within one business day and without informing the involved person or any third party: (i) any transaction exceeding the limit set by the competent authority and as required under applicable regulations; (ii) any transaction deemed to be suspicious, as required under applicable regulations; and (iii) at least once a year, whether or not suspicious transactions are verified, in order to certify the non-occurrence of transactions subject to reporting to COAF (negative report);
- applying special attention to: (i) Politically Exposed Persons; (ii) unusual transactions or proposed transactions with no apparent economic or legal basis; (iii) clients and transactions for which the UBO (ultimate beneficial owners) cannot be identified; and (iv) situations in which it is not possible to keep the clients' identification records duly updated;
- offering AML-CFT training for employees;
- monitoring transactions and situations that could be considered suspicious for anti-money laundering purposes, which includes checking the compatibility between the volume of funds of a client and such client's economic and financial capacity, as well as the origin of funds;
- ensuring that policies, procedures and internal controls are commensurate with the size and volume of transactions;
- the unavailability of goods, values and rights possessed, directly or indirectly, by any individual or legal entity sanctioned by any resolution of the United Nations Security Council;
- conducting and updating, in every 2 (two) years, risk assessments with respect to clients, employees, partners and suppliers, our business model, transactions, products and services; and
- assessing our AML-CFT program's effectiveness annually.

On October 1, 2020 the new regulation enacted by the Central Bank with regards to AML/CFT policies came into force. In summary, the new regulation comprises: (i) the Central Bank's Circular 3,978, which provides new guidelines for the AML/CFT processes and the expansion and the strengthening of the list of PEP (Politically Exposed People); and (ii) the Central Bank's Circular Letter No. 4.001/20, which sets forth a list of operations and situations that may constitute money laundering and terrorism financing. By the end of 2020, the Central Bank required certain adjustments in our AML-CFT to fully comply with the new guidelines, all of which have been promptly implemented by us and acknowledged/confirmed by the Central Bank. Nevertheless, we are continuously reviewing our AML-CFT program to identify improvement opportunities. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We are subject to anti-corruption, anti-bribery and anti-money laundering laws and regulations."

#### ***E-Commerce, Data Protection, Consumer Protection and Taxes.***

In addition to regulations affecting digital payment schemes, we are also subject to laws relating to internet activities and e-commerce, as well as banking secrecy laws, consumer protection laws, tax laws and other regulations applicable to Brazilian companies generally. Until September 2020 Internet activities in Brazil were mainly regulated by Law No. 12,965/14. On September 18, 2020, LGPD came into force, which unified and complemented legal provisions that governed personal data in Brazil so far by replacing or supplementing certain regulations and provisions and creating new ones. The new law provides for the processing of personal data, including by digital means, with the purpose of protecting the fundamental rights of freedom and privacy and the free development of the personality of the natural person. One important change brought by the LGPD is the establishment of nine legal bases other than consent upon which personal data may be legally processed. Despite the LGPD coming into force in September 2020, the sanctions provided for therein were only regulated in February 2023.



This legislative innovation brought new obligations and liabilities to all natural persons or a legal entity either public or private law that processes the personal data of people in Brazil, regardless of where that business or organization itself might be located. The LGPD is a new law that despite being in force, is still under development and many of its provisions have not yet been construed and clarified in a conclusive way by ANPD, which is entitled to enact sublegal regulation.

The Consumer Protection Code, regulates consumer relations in Brazil, including matters such as: commercial practices; product and service liability; areas where suppliers of products or services are subject to strict liability; the reversal of the burden of proof so as to benefit consumers; the joint and several liability of all companies within a supply chain; unfair contract terms; advertising; and information on products and services that are offered to the public. Consumers have the right to receive clear and accurate information regarding retail products and services, with correct specification of characteristics, structure, quality, price, risks, and consumers' rights to access and amend personal information collected about them and stored in private databases.

Customer accounts on our digital platform are subject to the LGPD and bank secrecy law (Complementary Law No. 105/01 and Article 17 of the CMN's Resolution No. 4,282/13). We are also subject to trademark and software protection rules, and to tax laws and related obligations such as the rules governing the sharing of customer information with tax and financial authorities. It is unclear whether the tax and regulatory authorities would seek to obtain information regarding our customers. Any such request could come into conflict with the data protection rules, which could create risks for our business.

The laws and regulations applicable to the Brazilian digital payments industry are subject to ongoing interpretation and change, and our digital payments business may become subject to regulation by other authorities. For further information on the risks relating to regulation of business, please see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Our business is subject to extensive government regulation and oversight in Brazil and our status under these regulations may change. Violation of or compliance with present or future regulation could be costly, expose us to substantial liability and force us to change our business practices, any of which could seriously harm our business and results of operations."

#### ***Consumer Protection Laws***

Due to some of our products, we are subject to several laws and regulations designed to protect consumer rights—most importantly, the Consumer Protection Code, which sets forth the legal principles and requirements applicable to consumer relations in Brazil, setting out certain basic rights, and the consumers' rights to access and modify personal information collected about them and stored in private databases. This law regulates, among other things, commercial practices, product and service liability, strict liability of the supplier of products or services, reversal of the burden of proof to the benefit of consumers, the joint and several liability of all companies within the supply chain, abuse of rights in contractual clauses, advertising and information on products and services offered to the public. These consumer protection laws could result in substantial compliance costs.

#### ***Data Privacy and Protection***

The LGPD establishes general principles and obligations that apply across multiple economic sectors and contractual relationships. The LGPD establishes detailed rules for the collection, use, processing and storage of personal data and affects all economic sectors, including the relationship between customers and suppliers of goods and services, employees and employers and other relationships in which personal data is collected, whether in a digital or physical environment. Unauthorized disclosure, sharing, destruction or modification of personal data for any reason (i.e., cybersecurity breaches, computer viruses or otherwise disruption of our services) can expose us to liability, protracted and costly litigation and damage our reputation.

Moreover, the LGPD created a new authority responsible for supervising and enforcing the new law. The ANPD is a special autarchy connected to the Brazilian Ministry of Justice and Public Security. According to the LGPD, the ANPD have the following responsibilities, among others: (i) enact rules and regulations relating to data protection; (ii) analyze and interpret, in the administrative sphere, matters relating to the LGPD; (iii) request access to information from data controllers and processors; (iv) supervise processing activities and impose sanctions; and (v) promote cooperation with international and transnational data protection authorities, among others. All legal entities will be required to conform their data processing activities to these new rules. A comprehensive data mapping of our personal data flows and the review of internal and external documents and procedures are examples of adaptations required for compliance with the LGPD.

In relation to the LGPD, we have implemented and continuously improve our processes to ensure compliance with its provisions. However, the foregoing list of laws and regulations to which we are subject is not exhaustive and the regulatory framework governing our operations changes continuously. Although we do not believe that compliance with future laws and regulations related to the payment processing industry and our business will have a material adverse effect on our business, financial condition or results of operations, the enactment of new laws and regulations may increasingly affect the operation of our business, directly and indirectly, which could result in substantial regulatory compliance costs, litigation expense, adverse publicity, the loss of revenue and decreased profitability.

### ***Intellectual Property***

Most of our services are based on proprietary software and related payment systems solutions. We rely on a combination of copyrights laws (which includes the Law No. 9,610/1998 and Law No. 9,609/1998, related to software), trademarks and trade secret laws (specifically Law No. 9,279/1996, the industrial property law of Brazil), as well as employee and third-party non-disclosure, confidentiality and other types of contractual arrangements to establish, maintain and enforce our intellectual property rights, including with respect to our proprietary rights related to our products and services. In addition, we license technology from third-parties.

As of February 2024, we owned more than 900 trademarks over 30 countries, including “Stone,” “Linx,” “Ton,” “Pagar.me,” “Equals,” “Buy4,” “Napse,” and others, as well as more than 100 trademarks applications before authorities pending in Brazil.

We have also registered several domain names with NIC.br, Brazil’s internet domain name registry, and domain registrars in the Latin America and the United States and elsewhere, including “stone.com.br”, “pagar.me”, “linx.com.br”, “napse.global” “equals.com.br”, “stone.co”, “taginfraestrutura.com.br” and “investors.stone.co.”

We have material contracts with Visa and Mastercard in connection with our activities as an acquirer for these card schemes. Our Visa Payment Arrangements Participation and Trademark License Agreement, dated as of February 19, 2016 (as amended from time to time), between Visa do Brasil Empreendimentos Ltda. and Stone Instituição de Pagamento sets forth the general terms and conditions under which Stone Instituição de Pagamento acts as a merchant acquiring principal participant for Visa in Brazil and provides Stone Instituição de Pagamento with a non-exclusive and non-transferable license to use certain trademarks owned by Visa in connection with its activities as an acquirer in Brazil. Under this agreement, Stone Instituição de Pagamento is exclusively responsible for all the costs and risks associated with its participation as a merchant acquiring principal and consideration payable to Visa under this agreement is determined by the standard payment terms set forth in the Visa Core Rules and Visa Product and Service Rules, available on Visa’s website. Our License Agreement, dated as of December 21, 2015 and as amended from time to time, between MasterCard International Incorporated and Stone Instituição de Pagamento sets forth the general terms and conditions under which Mastercard grants Stone Instituição de Pagamento a non-exclusive license to use certain trade names, trademarks, service marks and logotypes (including Mastercard, Cirrus and Maestro branded marks) in Brazil in connection with Stone Instituição de Pagamento’s issuing and acquiring activities. No consideration is due to Mastercard under this agreement.

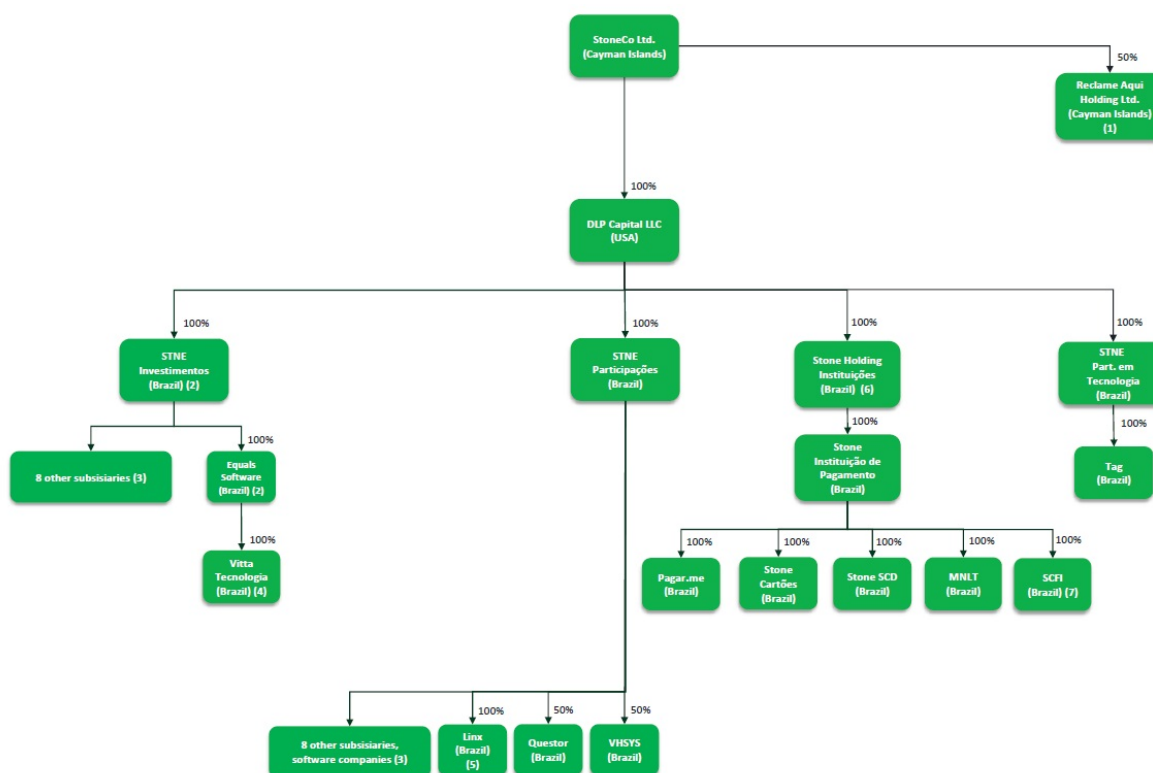
Other trademarks, service marks and trade names appearing in this annual report are the property of their respective owners. Solely for convenience, some of the trademarks, service marks and trade names referred to in this annual report are listed without the ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, service marks and trade names.

### **C. Organizational structure**

We are an exempted company with limited liability incorporated on March 11, 2014 under the laws of the Cayman Islands, with the legal name StoneCo Ltd. (formerly DLP Payments Holding Ltd.). Our registered office is located at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands and our office is located at Block 12D Parcel 33 and 95, 18 Forum Lane, Camana Bay, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. Our main operational hubs are located in (i) São Paulo, at Av. Doutora Ruth Cardoso, No. 7,221, Edifício Birmann 21, Pinheiros, São Paulo/SP, Postal Code 05425-902, Brazil and at Av. Brigadeiro Faria Lima, No. 3,064, Jardim Paulista, São Paulo/SP, Postal Code 01451-001, Brazil, and (ii) in Rio de Janeiro, at Rua do Passeio, No. 38/40, Centro, Rio de Janeiro/RJ, Postal Code 20021-290, Brazil. Our telephone number at this address is +55 (21) 3609-7742. In addition, we also have operational hubs located in Argentina, Uruguay, Mexico, Peru and Chile. Also, investor relations team can be contacted at [investors@stone.co](mailto:investors@stone.co).

Investors should contact us for any inquiries through the address and telephone number of our principal executive office. Our principal website is [www.stone.co](http://www.stone.co). The information contained in, or accessible through, our website is not incorporated by reference in, and should not be considered part of, this annual report.

We carry out our operations principally through our Brazilian operating companies. A simplified organizational chart showing our current corporate structure, as of March 31, 2024 is set forth below:



- (1) 50% of Reclame Aqui Holding Ltd. is held by VLP Holding Ltd. Reclame Aqui Holding Ltd. has subsidiaries, in which we have 50% of equity interest. Please refer to Item 4.1.2 – Subsidiaries of the Group on the Notes to consolidated financial statements for more details.
- (2) STNE Investimentos and Equals Software S.A. were incorporated due to the Group’s corporate reorganization in 2023.
- (3) For more details on the subsidiaries, please refer to Item 4.1.2 – Subsidiaries of the Group on the Notes to consolidated financial statements.
- (4) Vitta has subsidiaries, in which we have 100% of equity interest. Please refer to Item 4.1.2 – Subsidiaries of the Group on the Notes to consolidated financial statements for more details.
- (5) 16 other subsidiaries, including software companies. Please refer to Item 4.1.2 – Subsidiaries of the Group on the Notes to consolidated financial statements for more details. In addition to item 4.1.2., early in 2024, the Group incorporated Linx Impulse Ltda., Linx Automotivo Ltda., and Sponte Educação Ltda. due to a corporate reorganization.
- (6) Stone Holding Instituições S.A. was incorporated in 2022 due to a requirement of the Central Bank, to maintain the control of Stone Instituição de Pagamento held by a Brazilian company.
- (7) Stone Sociedade de Crédito, Financiamento e Investimentos S.A. was incorporated early in 2024 right after the Central Bank approved the license for the Group to operate financial services.

## **D. Property, plants and equipment**

### **Properties**

Our registered office is located in 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands, Cayman Islands, and is under a lease that expires in 2027. Our operational hubs are located in São Paulo, which include product development, sales, marketing, and business operations, and they are located at (i) Av. Doutora Ruth Cardoso, No. 7,221, Edifício Birmann 21, Pinheiros, São Paulo/SP, under two lease agreements, entered into by Linx S.A. and Linx Sistemas and (ii) Av. Brigadeiro Faria Lima, No. 3,064, Jardim Paulista, São Paulo/SP, Postal Code 01451-001, Brazil, under a lease agreement entered into by STNE Par. In Rio de Janeiro, our office is located at Rua do Passeio, No. 38/40, Centro, Rio de Janeiro/RJ, Postal Code 20021-290, Brazil and includes part of our business activities, including customer relations and technology development, under leases that expire in 2029. Our four offices jointly consist of approximately 29,074 square feet of space. In accordance with our business strategy, we have several operational proprietary Stone Hubs operating in Brazil. In addition, we also have operational hubs located in Argentina, Uruguay, Mexico, Peru and Chile. We believe that our facilities are sufficient for our current needs.

Additionally, as of December 31, 2023, we leased data center facilities in Rio de Janeiro and São Paulo in Brazil, and in Chicago, Illinois and Atlanta, Georgia in the United States.

Many of our operational, sales, and administrative facilities, including our operational headquarters and hubs, are held pursuant to lease agreements. The term of our leases for our facilities in Rio de Janeiro is greater than five years, and may be renewed with landlord consent or by filing a renewal lawsuit. We may be required to vacate these facilities upon request of the landlord if we are not able to reach an agreement to renew our leases or the terms of any renewals are unfavorable.

In addition, the lease agreements are not registered, nor annotated on the real estate record files of the leased properties. Therefore: (i) in the event of sale of the leased real properties to third-parties, even if the lease term is effective, the new owner will be entitled to terminate the lease upon a 90-day prior written notice period, counted as from the date of such acquisition, and the lessee will be forced to vacate the real property; and (ii) the lessee will not be entitled to adjudicate the leased properties in the event the respective lessor does not respect the lessee's right of first refusal and sell the property to third-parties.

We believe that our facilities are suitable and adequate for our business as presently conducted. However, we periodically review our facility requirements and may acquire new space to meet the needs of our business or consolidate and dispose of facilities that are no longer required.

### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not applicable.

### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

*The following discussion of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the notes thereto as well as the information presented under "Item 3. Key Information—A. Selected Financial Data." The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Item 3. Key Information—D. Risk Factors."*

## A. Operating results

### Overview

As of December 31, 2023 we served more than 3.5 million active payments clients in Brazil including digital and brick-and-mortar merchants of all sizes and types, although our focus is primarily on targeting the approximately 14.1 million micro, small and medium-sized businesses, or MSMBs, in Brazil. We believe these merchants have been historically underserved and overcharged by traditional banks and legacy providers that use older technology, less effective distribution networks through bank branches, and outsourced customer service and logistics support vendors. In addition to our reach in payments, we have achieved almost 2.1 million banking active clients as of December 31, 2023. We have also resumed our credit product in 2023, with a credit portfolio of R\$309 million as of December 31, 2023. In software, in 2023, we have selected four key strategic verticals to focus on integrations with financial services, namely gas stations, food, retail and drugstores.

The following is a summary of our key operational and financial highlights:

- We generated R\$12,055.0 million of total revenue and income in the year ended December 31, 2023, compared with R\$9,588.9 million of total revenue and income in 2022, representing annual growth of 25.7% and compared with R\$4,823.8 million of total revenue and income in 2021, representing annual growth of 98.8%.
- We generated profit of R\$1,600.4 million and adjusted net income of R\$1,557.5 million in the year ended December 31, 2023, compared with net loss of R\$526.4 million and adjusted net income of R\$410.5 million in the year ended December 31, 2022, compared with net loss of R\$1,377.3 million and adjusted net income of R\$40.0 million in the year ended December 31, 2021. Adjusted Net Income metrics just mentioned do not adjust for the bond financial expenses, as well as share-based compensation expenses retrospectively, according to our new methodology of adjustments defined as of the first quarter of 2023. See “Item 3. Key Information—Selected Financial Data” for a reconciliation of adjusted net income (loss) to our profit (loss) for the year.
- We processed TPV of R\$408.3 billion, compared to R\$367.4 billion in 2022, representing an annual growth of 11.2% and compared with R\$275.4 billion in 2021, representing annual growth of 33.4%.
- We served approximately 3,522,000 active clients as of December 31, 2023, compared to 2,584,000 active clients as of December 31, 2022, representing an annual growth of 36.3% and compared with approximately 1,766,100 as of December 31, 2021, representing annual growth of 46.3%.
- Software revenue reached R\$1,492.2 million for the year ended December 31, 2023, compared with R\$1,419.8 million for the year ended December 31, 2022, representing an increase of 5.1% and compared with R\$686.3 million in 2021, or an increase of 2.1x. The increase in revenues in 2022 compared to 2021 was largely driven by the consolidation of Linx in the third quarter of 2021.

### Significant Factors Affecting our Results of Operations

#### *Financial Services*

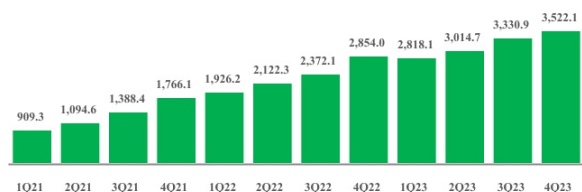
##### *Total Payments Volume and Processing Fees*

We derive a substantial part of our revenue from fees earned as a percentage of the TPV of our clients. Our TPV is primarily driven by:

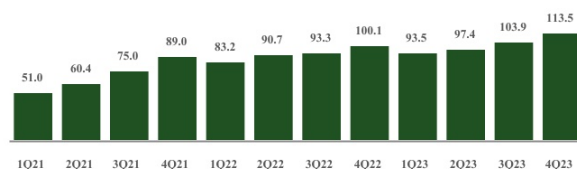
- Growth of volume within our active client base. As our active clients grow their transaction volume, our TPV also grows. Our active clients are positioned in attractive growth market segments. Our focus is primarily on targeting the approximately 14.1 million MSMBs in Brazil, which we believe have historically been underserved. In addition, despite the large size of Brazil’s economy, we believe its payments market, particularly among MSMBs in small and medium cities, remains less penetrated and has greater growth upside than more mature economies, such as the U.S. and the U.K. We also target the e-commerce market, which is expected to grow faster than the overall payments market in Brazil.
- Growth of our active client base. Growth of our active clients is mainly driven by growth in the number of MSMB clients both online and offline, resulting from the expansion of our distribution channels, marketing efforts and penetration of new solutions.

- Our quarterly TPV grew 13.3% from R\$100.1 billion for the quarter ended December 31, 2022, to R\$113.5 billion for the quarter ended December 31, 2023, with MSMB TPV growing 20.2%, while key accounts (comprised of platform services and sub-acquirers) TPV decreased 17.6% as we deprioritize sub-acquirers, who have a more volatile nature and lower contribution to bottom line. Our number of active payments clients expanded 36.3% over the same period, from approximately 2,584,000 active clients as of December 31, 2022 to approximately 3,522,000 active clients as of December 31, 2023, as shown in the graphs below.

Active clients (thousands)



TPV (in R\$ billions)



A significant part of our total revenue and income is generated through fees we charge for providing end-to-end processing services, which include the authorization, capture, transmission, processing and settlement of transactions. In the case of e-commerce merchants, we may additionally charge a fixed fee per transaction to provide gateway services.

The fees we charge our clients for processing services are subject to a variety of external factors such as competition, interchange and assessment fees and other macroeconomic factors, such as interest rates, inflation, among others.

#### Interchange and assessment fees

Our revenue from processing services is mainly composed of the net merchant discount rate, or net MDR, which is a commission withheld by us from the transaction value paid to the merchant. Our net revenue from MDR is defined as the total MDR charged to our merchants, net of interchange fees retained by card issuers, assessment fees charged by payment scheme settlors and sales taxes. Interchange fees are set by the payment schemes according to certain variables, including the type of card product (e.g., credit vs. debit), merchant segment, type of card (e.g., standard, gold, premium, business, others), transaction type (e.g., online vs. POS terminal) and the origin of the card (international vs. domestic). Assessment fees are charged per transaction by the payment scheme settlors, such as Visa and Mastercard, to cover the cost of providing access to their payment network.

We are unable to predict if or when payment schemes will increase or decrease their fees or what the amount of any such variations may be. Our standard contract with our clients allows us to readjust our rates and tariffs by notice to the merchant to offset any increase in interchange fees.

On September 26, 2022, the Central Bank extended the regulation issued in 2018 to cap interchange fees on debit transactions to 0.8% and maximum average interchange fee of 0.5% on total transaction volume, in order to subject the interchange fees applicable to transactions based on both debit and pre-paid instruments, whether e-commerce or present transactions, to a cap. According to the Central Bank Resolution No. 246, effective on April 1, 2023, interchange on debit card transactions are subject to a 0.5% cap, and pre-paid cards, to a 0.7% cap.

Additionally, aiming to reduce asymmetries between debit and pre-paid instruments, the mentioned ruling stated that the payment scheme settlors must establish the same maximum liquidation deadline by acquirers to the merchants on both schemes. Such change has also become effective on April 1, 2023.

For further information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—If we cannot pass increases in fees from payment schemes, including assessment, interchange, transaction and other fees, or increases in fees due to macroeconomic factors such as interest rate increases along to our merchants, our operating margins will decline,” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Certain ongoing legislative and regulatory initiatives under discussion by the Brazilian Congress, the Central Bank and the broader payments industry may result in changes in the regulatory framework of the Brazilian payments and financial industries and may have an adverse effect on us.”

#### Growth of financial services recurring revenue from our active client base

In addition to total revenue and income driven by payment processing, we also generate revenues from fixed monthly subscription fees paid by our active client base in our financial services business. These fees include mainly POS rental.

#### Working capital and credit solutions

We provide working capital solutions to help merchants manage their cash flows more effectively. We offer our merchants prepayment options for their future expected receivables from credit card installments and we charge a discount rate equivalent to a percentage of the total volume requested to be prepaid. The discount rate depends on factors such as merchant size, the maturity of receivables to be prepaid, and local market dynamics. An overall increase in TPV generally increases financial income from our working capital solutions due to an overall increase in the volume of prepayments. Higher levels of installment transactions usually lead to higher demand for our working capital solutions. On the other hand, a smaller share of credit transactions leads to a decrease in the ratio of financial income from our working capital solutions relative to total revenue and income, since debit card transactions are not eligible for prepayment.

We can also provide our clients with credit if they need further funding to grow their businesses beyond the working capital solutions that we provide. We leverage our client data to offer this solution in a proactive and cost-effective way, and we charge a specific risk adjusted rate from the client. Once onboarded, our clients can access credit through multiple channels in a simple and transparent way. Our credit offering enables our clients to pay back their loans effortlessly through the automatic retention of a percentage of their sales to pay for their monthly fixed fee. We temporarily stopped offering the credit solution for new clients between July 2021 and February 2023. We have evolved since then, focusing on building a fully automated process for credit underwriting, as we strive to make our decision models more sophisticated through enhancement of data, strengthening our team and approving our risk policies, among different other improvements. We have relaunched our credit solution in March 2023.

Due to our working capital and credit solutions offering, optimizing funding costs is a key driver of our margins. Through the date of this annual report, we have funded prepayments and credit to our active client base by (i) selling receivable rights owed to us by card issuers to banks we hold a commercial relationship with, or to special purpose investment funds, FIDCs that exclusively buy these receivables, (ii) using proceeds from general third-party borrowings, and (iii) using our own capital. For further information on our FIDCs, see “—Description of Principal Line Items—Financial Expenses, Net”. Our funding costs are primarily affected by our capital structure, interest rates, availability of third-party receivables financing on attractive terms, and our ability to continue to attract investment into our FIDCs on attractive terms.

#### Other Financial Services Solutions

We leverage our active client base and distribution capabilities to upsell other financial services solutions that we develop. We offer our clients a digital banking solution, which includes a free-of-charge account that is provided for our payment clients once onboarded. With the account, clients are entitled to a series of money-in and money-out functionalities available in our platform, including wire transfers, payment slips (*boletos*), Pix, receiving funds from their sales, among others. In addition, clients can ask for pre-paid, debit and credit cards, from which TPV we charge interchange rates. We also collect yield on clients’ outstanding balance in their digital accounts. In addition, we provide our clients with store, personal life and health insurance solutions, acting solely as a broker.

## **Software**

### Growth of software recurring revenue

We derive the majority of our software revenues from recurring revenues related to the payment of fixed monthly subscription for the use of our solutions. These fees are charged for providing different combinations of integrated services and solutions to support our clients' businesses, depending on their specific needs and can include, among others, reconciliation solutions, business automation solutions and an ecosystem of software solutions as they are developed or acquired.

Increases in these revenues are derived mostly from changes in the average ticket charged per client and the variation in the number of stores and clients served.

## **Overall**

### Complement Solutions Offerings through Acquisition and Investment Activity

We have an established track record of investing, acquiring and integrating complementary technology solutions and businesses. Since January 1, 2016, we have made several acquisitions and minority investments. The majority of these have been of businesses or technologies which have strengthened our solutions offerings. Our acquisition of Linx, concluded on July 1, 2021 enabled us to become a leading retail management software company in Brazil, which we believe allows us to diversify our revenues between software and financial services solutions, and to work towards revenues that are more recurring in nature.

The financial impact of acquisitions may affect the comparability of our results from period to period. In addition to the revenues and expenses associated with such acquisitions only being included in our financial results for any period upon the closing of the acquisition, we will incur transaction and other expenses associated with acquisitions, including amortization of intangibles relating to those acquisitions, which we expect will negatively impact our profit (loss). Amortization of intangibles related to acquisitions can vary substantially from company to company and from period to period depending upon the applicable financing and accounting methods, the fair value and average expected life of the acquired intangible assets, the capital structure and the method by which the intangible assets were acquired. See “—E. Critical Accounting Estimates—Intangible Assets.”

In connection with the acquisitions we made over our history, we recorded amortization expense for the years ended December 31, 2023, 2022 and 2021 of R\$92.4 million, R\$138.6 million and R\$89.1 million, respectively, related to the fair value adjustment on intangible assets, primarily software, property and equipment, customer relationship, trademarks and patents and exclusivity rights, as a result of the application of the acquisition method.

### Investments in our operation

Whenever we decide to make stronger investments for growth in our operation, which may include investments in our distribution capabilities, marketing, technology, new financial services and software solutions, among others, we may see temporary impacts in our financial results, such as lower margins, which may be accompanied by higher growth rates in our operation.

### Economies of scale resulting from our Technology Platform

Our technology platform allows us to grow our volumes and increase the number of active clients while reducing marginal operational costs.

The technologically advanced and integrated nature of our platform also allows us to run our operations in a cost-effective manner, by reducing the need for operational personnel and allowing several processes to be run with a high level of automation. For example, we are able to quickly onboard merchants because our platform is able to combine different sources of data and run automatic risk checks within minutes. Also, our Green Angels team of operations and support personnel allows us to improve POS deployment costs as we further penetrate and grow our active client base within our Stone Hubs.

### Timing differential between future revenues generated and operational investments

We expect to incur initial operational investments in periods prior to the realization of any future revenues associated with this upfront investment. For example, in the process of opening a new Stone Hub, we incur the expense of hiring a team of Stone Agents and Green Angels to set up the operation. As sales productivity from this Stone Hub ramps up and marginal operational costs are reduced, we realize greater contribution margins from our Stone Hubs.



### Macroeconomic environment

The vast majority of our operations are located in Brazil. As a result, our revenues and profitability are subject to political and economic developments and the effect that these factors have on the availability of credit, disposable income, employment rates and average wages in Brazil. Our results of operations are affected by levels of consumer spending, interest rates and the expansion or retraction of consumer credit in Brazil, each of which impacts the number and overall value of payment transactions. For more information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Brazil—Economic uncertainty and political instability in Brazil may harm us and the price of our Class A common shares.”

Brazil is the largest economy in Latin America, as measured by gross domestic product, or GDP. The following table shows data for real GDP, inflation and interest rates in Brazil and the U.S. dollar/real exchange rate at the dates and for the periods indicated.

	For the Year Ended December 31,		
	2023	2022	2021
Real growth in gross domestic product	2.90 %	3.00 %	4.80 %
(Deflation) Inflation (IGP-M) <sup>(1)</sup>	(3.18 %)	5.45 %	17.78 %
Inflation (IPCA) <sup>(2)</sup>	4.62 %	5.79 %	10.06 %
Long-term interest rates—TJLP (average) <sup>(3)</sup>	7.05 %	6.78 %	4.80 %
CDI rate	13.04 %	12.45 %	4.46 %
Period-end exchange rate—reais per US\$1.00	4.841	5.218	5.581
Average exchange rate—reais per US\$1.00 <sup>(4)</sup>	4.993	5.166	5.396
Appreciation (depreciation) of the real vs. US\$ in the period <sup>(5)</sup>	7.77 %	7.00 %	(6.90 %)
Unemployment rate <sup>(6)</sup>	7.80 %	9.30 %	11.10 %

Source: FGV, IBGE, Central Bank and B3.

<sup>(1)</sup> Inflation (IGP-M) is the general market price index measured by FGV.

<sup>(2)</sup> Inflation (IPCA) is a broad consumer price index measured by IBGE.

<sup>(3)</sup> TJLP is the Brazilian long-term interest rate (average of monthly rates for the period).

<sup>(4)</sup> Average of the exchange rate on each business day of the year.

<sup>(5)</sup> Comparing the US\$ closing selling exchange rate as reported by the Central Bank at the end of the period's last day with the day immediately prior to the first day of the period discussed.

<sup>(6)</sup> Average unemployment rate for the year as measured by IBGE.

### Interest rate

Interest rates have an effect on our ability to generate revenue and directly affect our cost of funds. Higher interest rates can lead to decreases in private consumption, negatively impacting our TPV. They can also lead to increased cost of funds as most of our third-party funding is linked to the country's interest base rate. Usually, when there is an increase in interest rates, and thus, in funding costs, there is a lag in time until we are able to pass on price increases to clients, negatively impacting our margins. On the other hand, when interest rates go down, we have an immediate benefit from higher spreads, which increase our margins. In 2022, with the strong hike in interest rates which started in the second half of 2021, we have significantly evolved our pricing policy and internal processes to be able to reprice clients when needed in a faster and seamless way. We will continue to optimize our pricing strategy, guaranteeing we are within the return hurdles established for each client.

### Inflation

Inflation has an effect on our obligations towards certain suppliers, such as office leasing and telecommunications operators, whose costs are indexed to inflation rates. However, most of our revenues are naturally hedged against inflation. In the financial services segment, our TPV tends to fluctuate according to inflation. When merchants adjust their prices for inflation, the purchasing power of consumers may be reduced, which may adversely affect our revenue if it results in a reduction in the number and volume of transactions. However, if our merchants raise their prices due to inflation, this will positively impact our TPV and, consequently, our revenues. In the software segment, the subscription fee is also updated by an inflation index.

### *Currency fluctuations*

The results of our operations are primarily denominated in reais (R\$). However, our results may be subject to currency fluctuations as we hold cash, debts, accounts payable and receivables denominated in foreign currency (primarily U.S. dollars). For example, we process transactions originated from our active client base in Brazil with credit cards issued by foreign banks that are settled in a foreign currency. In addition, we purchase items that have their prices partially indexed to U.S. dollars, such as POS devices, other equipment and our data centers. To partially offset our exchange rate risk, we may use derivative contracts. For the year ended December 31, 2023, 2022 and 2021, we had a net foreign currency gain (loss) of R\$(13.6) million, R\$19.0 million and R\$8.6 million, respectively.

### **Impact of pandemics, widespread health epidemic or other outbreaks**

The Brazilian economic outlook may worsen as a result of pandemics, such as novel variants of the COVID-19 pandemic, widespread health epidemics or other outbreaks. We are closely monitoring the evolution of any pandemics in Brazil and globally, in order to take preventive measures to minimize the spread of the disease, ensure the continuity of operations and safe-guard the health and safety of our personnel. See “Item 3. Key Information—D. Risk Factors—Risks Relating to the Brazil—Developments and the perception of risks in other countries, including other emerging markets, the United States and Europe, may harm the Brazilian economy and the price of securities issued by companies operating in Brazil, including the price of our Class A common shares” and “Item 3. Key Information—D. Risk Factors—General Risk Factors—An occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations” for information on the impact of the pandemics, widespread health epidemics or other outbreaks on our business.

### **Linx Transaction**

In August 2020, we signed a definitive agreement for STNE Participações, a company controlled by us that holds our software investments business in Brazil, to combine its business with Linx (“Linx Transaction”). On November 17, 2020, Linx S.A. held an Extraordinary General Meeting that approved the business combination between STNE Par (the company of our group that holds our software investments business) and Linx, a leading provider of retail management software in Brazil. Linx S.A.’s shareholders approved the Linx Transaction in a meeting held on March 31, 2021. Pursuant to the terms and subject to the conditions set forth in the Association Agreement and its amendments, each Linx S.A. share issued and outstanding immediately prior to the consummation of the transaction was automatically contributed to us in exchange for one newly issued redeemable STNE Par Class A Preferred Share and one newly issued redeemable STNE Par Class B Preferred Share. Immediately thereafter, each STNE Par Class A Preferred Share was redeemed for a cash payment of R\$33.5229 updated pro rata die according to the CDI Rate variation from February 11, 2021 until the date of the effective payment and each STNE Par Class B Preferred Share was redeemed for 0.0126730 BDR Level 1 (“StoneCo BDR”), admitted to trading on B3, and credited to the shareholders’ account on July 1, 2021, provided that each 1 (one) StoneCo BDR corresponded to 1 (one) StoneCo Class A Share (the “Base Exchange Ratio”). The Base Exchange Ratio was calculated on a fully diluted basis, assuming a number of fully diluted shares of Linx of 178,361,138 on the transaction consummation date and represented a total consideration of R\$37.78 for each Linx share, totaling R\$6.7 billion. The Linx Transaction was concluded on July 1, 2021.

### **Transaction with Banco Inter**

In May 2021, we signed a definitive investment agreement with Banco Inter, a leading and fast-growing digital bank in Brazil, whereby we would invest up to R\$2.5 billion in new shares to be issued by Banco Inter, becoming a minority investor (limited to a 4.99% stake) of Banco Inter after the transaction. The Banco Inter Investment was implemented in June 2021 through a follow-on public offering conducted by Banco Inter, whereby we acquired 85,904,674 common shares and 42,726,032 preferred shares, corresponding to 4.99% of Banco Inter’s capital stock. As part of the Banco Inter Investment, we acquired the right of first refusal in the case of change of control of Banco Inter, for a period of six years and according to certain price thresholds; and the right to join the board of directors of Banco Inter with one seat out of nine.

In May 2022, we agreed to sell 21.5% of our stake in Banco Inter through a cash-out option offered in Inter’s corporate restructuring for a total of approximately R\$181 million. In February 2023, we decided to sell our remaining stake in Banco Inter, representing 16.8 million shares, which were sold at a price of R\$12.96 per share, equivalent to R\$218 million. After the sale, we no longer have the right of first refusal in the case of change of control and a seat on the board.

## Transaction with Reclame Aqui

On February 17, 2022 we acquired 50% of equity interest in Reclame Aqui Holdings Limited (“Reclame Aqui”) for R\$230.1 million. Reclame Aqui is an unlisted company based in Cayman Islands, with operations in Brazil, whose main activity is related to a public electronic platform for resolution of conflicts between customers and companies.

We have also joined the board of directors of Reclame Aqui with two seats out of four, and have the right to appoint the chief financial officer. We also have a call option to acquire the remaining equity interest on Reclame Aqui to hold 100% of such entity, which can be exercised between January 1, 2027 and July 30, 2027.

The agreement with selling shareholders provides contingent consideration linked to net revenue performance related to 2023 and 2025 fiscal years. The amount of contingent consideration is limited to R\$145.5 million.

## Recent regulatory developments

### *Post-paid Payment Instruments Financing*

On the scope of Law 14,690, also known as “Desenrola Brasil”, the CMN and the Central Bank published a set of rules on December 21, 2023 aimed at regulating the provisions on interest on revolving and installment credit operations and combating the financial over-indebtedness of Brazilian consumers, especially resulting from credit card debts.

As such, the CMN Resolution No. 5,112 of December 21, 2023 (“CMN Resolution 5,112”) provided significant changes in the regulation of revolving loans by revising CMN Resolution No. 4,549 of January 26, 2017. The main changes cover the granting of financing related to the outstanding balances of credit card invoices and other post-paid instruments. Although CMN Resolution 5,112 became effective immediately, its provisions apply only to credit transactions entered into as of January 1, 2024.

In addition, CMN Resolution 5,112 also introduced changes related to the portability of credit operations and the disclosure of information when contracting credit operations, as provided for in other regulations. These provisions will become effective as of July 1, 2024.

With regards to the Central Bank regulation, Central Bank Resolution No. 365, of December 21, 2023, amended Central Bank Resolution 96, in order to provide greater transparency and visibility for post-paid cardholders in their relationship with the issuer. As such, issuers will be required to adjust the invoices and the communication with their clients. These provisions will become effective as of July 1, 2024.

### *Pix*

On August 12, 2020, the Central Bank enacted the Resolution No. 1, which put in place a payment system denominated Pix where the user is granted real-time payments and transfers. The main objective of the Central Bank in setting up an instant payment ecosystem is to render the completion of a payment transaction a simple, easy, convenient and direct act and, therefore, enhancing the experience of users. Following this principle, the Central Bank states that Pix has potential to promote the following standards: (i) enhance competition; (ii) improve market efficiency; (iii) reduce costs; (iv) straighten security; (v) enhance client experience; (vi) accelerate the digitalization of the retail payment market; (vii) promote financial inclusion; and (viii) overcome gaps of other payments methods. Central Bank issued afterwards further regulation on the Pix ecosystem, setting forth operational procedure, technological infrastructure, disclosure requirements and potential penalties to relevant participants.

Pix transactions shall be validated by the relevant institutions within 34 seconds and subsequently liquidated within 40 seconds, through a centralized payment infrastructure developed by the Central Bank, denominated Brazilian Instant Payments System (*Sistema de Pagamentos Instantâneos*) (“SPI”) and implemented by Central Bank Circular No. 3,985, dated as of February 18, 2020, currently under Central Bank Resolution No. 195, dated as of March 3, 2022.

All financial and payment institutions with a license to operate granted by the Central Bank and which have more than 500,000 active client accounts (including checking, savings and payment accounts) are required to be a participant on Pix and on the SPI. The participation by other financial and payment institutions that operate client accounts by the National Treasury Secretariat is optional. We enable Pix acceptance to our clients through our point-of-sale (POS) devices and execute and receive Pix transactions through our integrated financial platform. We also offer solutions that enable Pix integration into our clients POS/ERP.

Central Bank Resolution No. 1 also creates the Pix Forum, which is a permanent advisory committee that aims to make recommendations to the Central Bank in respect of the rules and procedures that govern the operation of the Pix System. The Pix Forum consists of: (i) participants in the Pix system, individually or through representative national associations; (ii) providers and potential providers of information technology services, as provided in Central Bank Circular No. 3,970, dated as of November 28, 2019, and subsequent regulations; (iii) paying and receiving users, through representative national associations; and (iv) clearing houses and providers of clearing and settlement services that offer liquidity provision mechanisms within the scope of the Pix System.

According to the mentioned rule, as amended, there are four participation categories: (i) transactional account provider, which is a financial institution or a payment institution that offers deposit accounts or payment accounts to end users; (ii) government entity, which is the National Treasury Secretariat, with the exclusive purpose of making collections and payments related to its activities; (iii) special clearing houses, that are the financial institutions and payment institutions that (a) within the scope of the Pix system, have the exclusive purpose of providing settlement services to other participants, (b) meet the requirements to act as settlement participants in the SPI, and (c) do not meet the criteria of mandatory participation in the Pix system; and (iv) payment initiation service provider, which initiates Pix transactions in accordance to the payment scheme provisions.

Besides, on October 1, 2020, the Central Bank issued (i) Resolution No. 19, which provides for the collection of client fees for the provision of services in the Pix system, as well as for the initiation of payment transactions, and (ii) Resolution No. 20 (currently Central Bank Resolution No. 175), which regulates the discount window line to be granted by the Central Bank to financial institutions participating directly in the SPI.

On October 29, 2020, the Central Bank issued Resolution No. 30, which amends Central Bank Resolution No. 1 to include new functionalities in the Pix regulations. Among these new functionalities is the Pix Cobrança, through which merchants, suppliers, service providers and other entrepreneurs can issue a QR Code to make instant payments, in points of sale or e-commerce, for example, or collections due on a future date. Another functionality is Pix Agendado, through which users can schedule transactions. The rule also provides that financial and payment institutions that wish to provide the integration services to receiving users must adopt an application programming interface (API) standardized by the Central Bank, among other updates to the Pix regulations.

As Pix gained scale in 2021, concerns about security during the usage of this payment method also increased. To address these, Central Bank Resolution No. 142, dated as of September 23, 2021, implemented mandatory frauds records and reports prepared by financial and payment institutions and established nighttime limits, by which the user can only make transactions limited to R\$1,000.00 between 8 p.m. and 6 a.m., as a general rule, and a special devolution mechanism to request return of funds in case of frauds and other scenarios was created (“*Mecanismo Especial de Devolução*”).

Moreover, on November 29, 2021, Central Bank released two features related to cash withdrawal with Pix – Pix Saque and Pix Troco, which enable users to withdraw cash from any accredited merchant participating in the system, a role traditionally played by ATMs.

On December 1, 2022, the Central Bank issued Resolution No. 269 to discipline the requirements and obligations regarding partnerships and banking as a service (“BaaS”) agreements under the Pix payment scheme. In general terms, the resolution reiterated that (i) a transactional account provider may only initiate or receive Pix transactions on its client’s payment account if such provider is a participant on Pix, and (ii) a third party may only initiate Pix transactions regarding the resources maintained on a transactional account provider if such third party is a participant on Pix. As per this second scenario, such third party must provide the payment initiation in accordance with the Open Finance terms and technology. The BaaS discipline provided by the resolution aforementioned became effective in March 2023.

To elucidate the obligations regarding partnership options allowed by the regulation, the Central Bank issued on February 15, 2023, Resolution No. 293 in addition to Resolution No. 269. The regulation outlines two situations in which outsourcing is forbidden: (i) when the third party holds a transactional account, as they should be a participant of Pix; and (ii) when the third party does not hold a transactional account but uses outsourcing for the initiation of the operation through an account provided by a participating institution, as this agent would be acting as a payment initiation without being authorized by the regulator. These changes came into effect alongside the provisions of Resolution 269, in March 2023.

Following the anticipated public agenda for 2023, in May 2023 the Central Bank and the CMN issued the Joint Resolution No. 6, establishing a framework for data sharing among market institutions aimed at enhancing controls for fraud prevention within the institutions. One of the types of data to be shared concerns fraudulent Pix transactions.

In December 2023, the Central Bank issued Resolutions Nos. 360, 361, and 177 addressing the operational rules of its new Pix product called Pix Automático. Although it is also a product aimed at recurring transfers, the difference between Pix Automático and Pix Agendado is that only companies will be able to generate Pix Automático charges, unlike Pix Agendado where anyone could receive using the feature. Pix Automático features brings a new range of opportunities for institutions whose clients are mainly companies. The Central Bank's agenda foresees the publication of technical specifications for the development of the product in early 2024, with its market launching in October 2024.

The Pix's ecosystem is in constant evolution. As the number of transactions and users grows – there were more than 158 million active users in December 2023, which correspond to more than 77% of Brazilian population, Central Bank is planning to incorporate more functionalities to this payment method. Therefore, we are always keeping up with new rules and building new functionalities with the regulator and its stakeholders with the aim to offer the best payment services for our clients.

### *Open Finance*

Open Finance consists of standardized sharing of data, products and services by financial institutions and other institutions authorized to operate by the Central Bank, at the customer's discretion. Therefore, integration of information system is a key element to Open Finance's proper functioning and is considered by the Central Bank as an important tool for innovation in the financial market, making the banking sector more efficient and competitive.

The Open Finance system model being implemented in Brazil will enable to share, upon client's authorization, (i) data on products and services, (ii) customer record data and (iii) customer transaction data. In this context, institutions authorized to operate by the Central Bank that participate in Open Finance must share the information listed above with other participating institutions, and membership will be mandatory for financial institutions belonging to the prudential segments 1 and 2, according to Central Bank Resolution No. 4,553, dated as of January 30, 2017. In relation to the sharing of payment transaction initiation services, mandatory membership will apply to account provider institutions and payment initiation service providers (PISPs).

On May 4, 2020, the CMN and the Central Bank enacted the Joint Resolution No. 1 and the Central Bank issued Central Bank Circular No. 4,015 to regulate the scope of services and data protection of the Open Finance system. The implementation of Open Banking will be gradual, conducted in four phases, as follows:

- a) Phase 1: sharing of public data belonging to participating institutions on their access channels and product/service channels related to checking, savings, prepaid payment accounts and to lending transactions. This phase is also called "Open Data;"
- b) Phase 2: sharing of customer reference data and customer transactional data among the participating institutions upon customer's consent;
- c) Phase 3: sharing of payment initiation services, as well as forwarding credit transaction proposals; and
- d) Phase 4: expansion of in-scope data to encompass foreign exchange, acquiring, investment, insurance, and open-end private pension transactions.

Technological and security standards, in turn, must be established by the participating entities, under the supervision of the Central Bank, responsible for ensuring that access to the Open Finance environment is non-discriminatory and represents all segments of the industry. Therefore, a governance structure was created: at first, in transitory way; in the future, it will be turned into a legal entity.

The transitory governance structure, pursuant to Central Bank Circular No. 4,032, dated as of June 23, 2020, is composed by technical groups of discussion, a secretariat and a deliberative council, and conducts debates about APIs, technological infrastructure, communication, compliance, fraud prevention, security, technical specifications and many other subjects. Financial and payments market associations have joined the governance structure to contribute and build a diverse ecosystem, promoting competition and innovation. All the decisions made by this governance structure are submitted to Central Bank's review.

Brazilian's Open Finance ecosystem is one of the biggest in the world, since it aims to share both individuals and legal entities data, as well as payment and credit services. Furthermore, the scope of data also includes foreign exchange, acquiring, investment, insurance, and open-ended private pension transactions. Moreover, Brazil also is developing Open Insurance, a similar initiative in progress, made by SUSEP, Brazilian regulator on the insurance market.

At first, the initiative was named Open Banking. However, the Joint Resolution No. 4 issued on March 24, 2022, amended the previous resolution in order to emphasize one of the regulators' main goals: to create a system that will be able to interoperate between the markets that are under its supervision and the insurance market. Therefore, such Joint Resolution renamed the innovative agenda to Open Finance.

Additionally, Joint Resolution No. 5, issued on May 20, 2022 established the directives to allow for the interoperability between the systems regulated by Central Bank, CMN and SUSEP, which became effective on January 2, 2023.

In December 2023, the Central Bank issued Normative Ruling No. 441, which publishes the first Open Finance Monitoring Handbook. The regulation is a measure by the Central Bank to enhance Open Finance compliance rules, detailing the procedures to be followed by the Open Finance Governance Structure for monitoring the performance of the participant institutions.

In December 2023, over 800 institutions were participating in Open Finance, with approximately 41 million active consents. Despite the impressive numbers, the APIs are still being built and implemented gradually, and a lot of adjustments and corrections are being made to enable data and services sharing. Payment and financial institutions are engaged in making the ecosystem prosper, although still facing challenges to establish a truly interoperable ecosystem.

### ***Registration of Card Receivables***

On June 27, 2019, a more robust legal framework for card receivables was enacted underneath CMN Resolution 4,734 and the Central Bank Circular 3,952. As a result of these regulations, card receivables due by acquirers to merchants are subject to registration at trade repositories (*entidades registradoras*), which aim to facilitate (i) acquirers to anticipate card receivables originated by other acquirers, and (ii) such card receivables to be used as collateral in credit transactions.

Although the above mentioned regulations were initially expected to fully come into effect on August 3, 2020, this date has been postponed by the Central Bank on different occasions, coming into effect on June 7, 2021.

We intend to explore this opportunity both commercially (through StoneCo) and technologically (through one of our subsidiaries, TAG). In this context, TAG, which was authorized by the Central Bank to operate card receivables registration system on October 20, 2020, became operational by June 7, 2021, when it started to render services of card receivables registration.

Since the entry into force of such rules, the operating trade repositories have been facing operational challenges to comply with the regulation. Problems still persist, mainly regarding interoperability between the registration systems. After several interactions between trade repositories, market participants and the Central Bank, the Central Bank enacted Resolution 264 reinforcing duties of trade repositories to (i) ensure the reliability of information, whether owned or interoperated, through recurring reconciliations between registration systems, and (ii) develop mechanisms to protect creditors' collaterals.

Notwithstanding, we believe this regulation will increase our addressable market for both prepayment and credit solutions, while bringing transparency and more efficiency to the financial market.

### **Description of Principal Line Items**

The following is a summary of the principal line items comprising our statement of profit or loss and other comprehensive income.

#### ***Total revenue and income***

Our total revenue and income consist of the sum of our net revenue from transaction activities and other services, net revenue from subscription services and equipment rental, financial income and other financial income.

### *Net revenue from transaction activities and other services*

Our net revenue from transaction activities and other services consists of commissions and fees charged for end-to-end processing services we provide, which include the capture, routing, transmission, authorization, processing, and settlement of transactions, carried out using credit and debit cards, meal vouchers, payment slips (*boletos*), Pix QR Code and other APMs. Our net revenue from transaction activities and other services consists mainly of net MDR, which is a commission withheld by us that is discounted from the transaction values paid to the merchant, and/or other per-transaction commissions for providing gateway services. We also recognize revenues from transactional services related to our banking operation, revenues related to membership fees, and revenues from our registry of receivables (TAG). We recognize revenue from transaction activities when the purchase transaction is captured. We recognize revenue from other services when the service is rendered. For more information on our revenue recognition policies, see note 17.1 of our audited financial statements. License fees paid to payment schemes are included in the cost of services as discussed below. Our net MDR revenue is recognized net of interchange fees retained by card issuers, assessment fees charged by payment schemes and deductions. Such deductions consist primarily of the applicable Brazilian sales taxes and social security contributions: service tax (ISS); contributions to the Brazilian government's Social Integration Program (PIS); and contributions to the Brazilian government's social security program (COFINS). We are required to collect each of the above-mentioned taxes and contributions on our transaction activities and other services.

### *Net revenue from subscription services and equipment rental*

We earn monthly recurring revenue from subscription services and equipment rental, which include rentals of electronic capture equipment, monthly fees charged for the use of our software solutions and other solutions or services, such as reconciliation solutions, business automation, fees charged for continuous technology support, helpdesk services, software hosting services, support teams and connectivity services, among other services. Revenue generated by electronic capture equipment rental varies according to the value of the equipment, the quantity of equipment rented to a particular merchant and the location of the merchant. Each subscription service fee is charged as a fixed monthly fee and is either billed and deducted from the merchant's transaction receivables or is billed to the client monthly. We recognize revenue from subscription services as the services are rendered and from equipment rental on a straight-line basis over the lease term. We also recognize revenues on commissions from our insurance solution within our digital banking offering. The amounts deducted from our revenue from subscription services and equipment rentals consist primarily of the applicable Brazilian sales taxes and social security contributions, including ISS, PIS and COFINS. We are required to collect each of the above-mentioned taxes and contributions on our subscription services and equipment rentals when applicable.

### *Financial income*

Financial income is generated by our working capital and credit solutions, and consists of fees charged for the prepayment of our clients' receivables from credit card transactions and from our credit operations. In addition, it also includes yield on liquid securities on which we invest cash from client deposits of our digital banking.

Some merchants allow cardholders to elect to pay for purchases in multiple installments. We allow our merchants to elect early payment of single or multiple installment receivables, less a prepayment fee.

The prepayment fee included in financial income is charged, in addition to our payment processing transaction fees, as described above under “—Net revenue from transaction activities and other services.” The prepayment fee is recognized as financial income once the merchant elects for the receivable to be prepaid. If the merchant elects prepayment of a receivable on a weekend or bank holiday, the prepayment fee will be recognized in financial income on the next business day when the merchant receivable is paid. The expenses we incur in funding the prepayment of receivables and credit operations are included in financial expenses as discussed below. For more information regarding our working capital solutions, see “Item 4. Information on the Company—B. Business Overview—Our Solutions.”

Financial income also includes the results from our credit solution legacy portfolio (pre-July 2021) which is accounted for at fair value and factors in expected delinquency rates. From July 2021 onwards, financial income from loans receivable are recognized under the effective interest method (accrual methodology).

### *Other financial income*

Our other financial income consists principally of interest generated by funds held in interest-bearing bank accounts and by deposits we are required to make by the Brazilian courts, known as judicial deposits, which are legal reserves as security for any damages or settlements we may be required to pay as a result of litigation.

### *Cost of services*

Our cost of services include transaction costs, depreciation and amortization (“D&A”), costs to deploy merchant equipment, personnel expenses related to customer service, technology, operations, logistics and other, payment scheme license fees, losses from chargebacks, provisions for credit losses (as we started to account for credit portfolio in the accrual methodology from July 2021 onwards), transactional costs from our registry of receivables (TAG) and other costs. For further information on these costs, see note 18 to our audited consolidated financial statements.

- Transaction costs consist of amounts related to processing, data center and cloud costs, telecommunications costs related to leased terminals and wire transfer costs and other transactional costs related to our banking operations.
- Depreciation and amortization expenses are allocated to cost of services, administrative and selling expenses. Depreciation and amortization included in our cost of services consists mainly of (i) depreciation of equipment leased to merchants, (ii) the amortization of software that we develop internally for use in our operations, (iii) depreciation of datacenter used in our processing operations and (iv) amortization of right-of-use assets due to the adoption of IFRS 16.
- Costs to deploy merchant equipment consist of third-party supplier logistics services and internal and external costs related to delivery of leased equipment to merchants and other supply chain costs.
- Personnel expenses are divided between cost of services, administrative expenses and selling expenses. Personnel expenses included in cost of services relate to customer relations personnel, certain personnel in our technology team, logistics personnel, and other personnel that support our transaction processing and other services.
- Payment scheme license fees under cost of services are fees paid to Visa, Mastercard and other card schemes to enable communications between network participants, access to specific reports, expenses related to projects involving the development of new functions, operational fixed fees, fees related to chargeback restatements and royalties.
- Losses from chargebacks consist of transactions credited back or refunded to the cardholder in the event a billing dispute between a cardholder and merchant is not resolved in favor of the merchant. Chargebacks may occur due to a variety of factors, such as a claim by the cardholder or cases of fraud. If we are unable to collect chargeback or refund from the merchant’s account, or if the merchant refuses to or is unable to reimburse us for a chargeback or refund due to closure, bankruptcy, or other circumstances, and, we bear the loss for the amounts paid to the cardholder.
- Provisions for credit losses consist of provisions for losses related to our credit operation, which we resumed disbursements in March 2023. Provisions for expected losses are now accounted for as cost of services in our financial statements, unlike previous disbursements, as provisions used to be deducted directly from revenues as they were accounted for under the fair value methodology.

### *Administrative expenses*

Administrative expenses represent the amounts that we spend on back-office activities, quality control, indirect relations with our clients and overhead. These amounts consist of certain personnel expenses, depreciation and amortization and other expenses.

- The portion of our personnel expenses that form part of our administrative expenses relate to our finance, legal, human resources, administrative, courses, events expenses and other administrative personnel, including new software companies’ team.
- The portion of our third-party services expenses include (i) fees paid for professional services, including legal, tax and accounting services, (ii) expenses associated with annual and quarterly reporting, investor relations, register and transfer agent fees, incremental insurance costs, and accounting and legal services and also (iii) expenses associated with the Linx Transaction, mostly related to legal and advisory services.
- The portion of our depreciation and amortization expenses that forms part of our administrative expenses relates to (i) the depreciation of the equipment, furniture, tools and technology used in our head office, back-office, and other operations, (ii) the amortization of acquired intangibles for customer relationships and brand, (iii) the amortization of software developed internally to support our head office and back-office needs and (iv) depreciation of right-of-use of leased assets.
- The portion of our other expenses that form part of our administrative expenses includes items such as travel, lodging, insurance, facilities, rent, consultancy fees, reimbursement of staff expenses and office supplies.



***Selling expenses***

Selling expenses represent the amounts we spend on commercial teams, marketing, publicity, commissions for third-party commercial partners, depreciation expenses and expenses associated to the sales team.

- The portion of our personnel expenses that form part of selling expenses relates to our commercial team which has direct interactions with potential and existing clients. The main portion of this team are individuals who act in a direct sales model.
- The portion of our commissions for third-party commercial sales partners that form part of our selling expenses relates to amounts paid for sales partners or franchisees that act directly with potential clients in some determined areas. These sales partners are generally paid in accordance with a profit-sharing model and are paid monthly.
- The portion of marketing and advertising expenses included in our selling expenses relates to the production and distribution of our marketing and advertising campaigns on traditional offline media, traditional online advertising, the positioning of our products in internet search platforms and expenses incurred in relation to trade marketing at events.
- The portion of our depreciation expenses included in selling expenses relates to the right-of-use of leased assets.

***Financial expenses, net***

Our financial expenses, net include (i) discounts charged to us for the sale of our receivables from card issuers either to commercial banks or capital market structures, (ii) interest expense on our other borrowings, (iii) the net amount of foreign currency gains and losses on cash balances denominated in foreign currencies, (iv) the gain or loss on derivative financial instruments not recognized in other comprehensive income, and (v) bank services fees.

To date, we have funded our working capital solutions primarily by (i) selling receivables owed to us by card issuers to banks, (ii) selling receivables owed to us by card issuers to FIDCs and special purposes vehicles (“SPVs”), (iii) raising debt, either through capital markets or banking facilities and (iv) with our own capital. For further information regarding these FIDCs, see note 6.7 to our audited consolidated financial statements and “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Note on the impact of different funding sources in our operating and financing cash flows.”

All of our bank borrowings and senior and/or mezzanine quota holder obligations in FIDCs as of December 31, 2023, 2022 and 2021 were denominated in Brazilian reais, except for the issuance of our inaugural bonds in June 2021.

***Mark-to-market on equity securities designated at FVPL***

Mark-to-market on equity securities designated at fair value through profit or loss (“FVPL”) relates to mark-to-market gains or losses from our investment in Banco Inter, which was accounted for at fair value through profit and loss. In the first quarter of 2023, we divested our stake in Banco Inter. As a result, from 2Q23 onwards, our profit & loss statement no longer includes mark-to-market gains or losses associated with this investment.

***Other operating expenses, net***

Other operating expenses, net consist mainly of share-based payments, contingencies, write off and sale of POSs, divestment of assets donations and miscellaneous income and/or expenses items. For further information around share-based payments, please refer to “Item 6. Directors, Senior Management and Employees—B. Compensation—Long-Term Incentive Plans (LTIP).” and note 20 from our Consolidated Financial Statements.

***Loss on investment in associates***

Loss on investment in associates consists mainly of results from operations from other entities that are not consolidated into our financial statements.

***Income tax and social contributions******Current income tax and social contribution tax on net profits***

We are domiciled in Cayman and there is no income tax in that jurisdiction. Despite that, some operations abroad can be subject to a withholding income tax at the main rate of 15%.

The combined rate applied to all entities in Brazil is 34%, comprising the Corporate Income Tax (“IRPJ”) and the Social Contribution on Net Income on the taxable income of each Brazilian legal entity (not on a consolidated basis).

Our tax assets for the current year are calculated based on the expected recoverable amount, and tax liabilities for the current year are calculated based on the amount payable to the applicable tax authorities. The tax rates and tax laws used to calculate this amount are those enacted or substantially enacted at the reporting date. We periodically evaluate our tax positions with respect to interpreting tax regulations and, when appropriate, establish provisions. Due to the nature of income tax and social contributions in Brazil described above, where income tax and social contributions are payable on a legal entity basis as opposed to on a consolidated basis, tax losses for one subsidiary entity cannot be used to offset income tax owed by other subsidiary entities.

#### *Deferred income tax and social contributions tax on net profits*

The accounting records of deferred tax assets on income tax losses and/or social contribution loss carryforwards, as well as those arising from temporary differences, are based on technical feasibility studies which consider the expected generation of future taxable income, taking into account the history of profitability for each subsidiary individually. In accordance with the Brazilian tax legislation, and as a general rule, loss carryforwards can be used to offset up to 30% of taxable profits for the year and do not expire.

Our deferred tax income (expenses) are mainly generated by our net tax operating loss (gain) and by expenses with tax credits offset or to be offset. See note 9 to our audit consolidated financial statements.

#### *Tax Incentives*

Similar to other Brazilian companies across multiple industries, we benefit from certain tax and other government-granted incentives associated with technological innovation under Law 11,196 (*Lei do Bem*), which enable us to reduce the IRPJ base. For the effective tax rate reconciliation, see note 9 of our audited consolidated financial statements.

### Results of Operations for the Years Ended December 31, 2023, 2022 and 2021

The following table sets forth our statement of profit or loss and other comprehensive income data for the years ended December 31, 2023, 2022 and 2021.

	For the Year Ended December 31,						
	2023	2022	Variation (RS)	Variation (%)	2021	Variation (RS)	Variation (%)
<b>RS millions, except amounts per share</b>							
<b>Statement of profit or loss data:</b>							
Net revenue from transaction activities and other services	3,309.8	2,617.4	692.4	26.5 %	1,626.9	990.6	60.9 %
Net revenue from subscription services and equipment rental	1,825.0	1,760.9	64.1	3.6 %	1,071.9	689.0	64.3 %
Financial income	6,229.3	4,638.0	1,591.3	34.3 %	1,877.7	2,760.3	147.0 %
Other financial income	691.0	572.6	118.4	20.7 %	247.3	325.3	131.5 %
<b>Total revenue and income</b>	<b>12,055.0</b>	<b>9,588.9</b>	<b>2,466.1</b>	<b>25.7 %</b>	<b>4,823.8</b>	<b>4,765.2</b>	<b>98.8 %</b>
Cost of services	(2,982.8)	(2,669.8)	(313.0)	11.7 %	(1,713.8)	(955.9)	55.8 %
Administrative expenses	(1,188.9)	(1,121.4)	(67.5)	6.0 %	(813.3)	(308.0)	37.9 %
Selling expenses	(1,698.3)	(1,511.2)	(187.0)	12.4 %	(1,012.5)	(498.7)	49.3 %
Mark-to-market on equity securities designated at FVPL	30.6	(853.1)	883.6	n.m.	(1,264.2)	411.2	(32.5) %
Financial expenses, net	(3,999.5)	(3,514.7)	(484.7)	13.8 %	(1,269.1)	(2,245.7)	177.0 %
Other income (expenses), net	(241.2)	(302.5)	61.3	(20.3) %	(185.9)	(116.6)	62.7 %
Loss on investment in associates	(4.2)	(3.6)	(0.6)	16.4 %	(10.4)	6.8	(65.5) %
<b>Profit (loss) before income taxes</b>	<b>1,970.8</b>	<b>(387.3)</b>	<b>2,358.1</b>	<b>n.m.</b>	<b>(1,445.6)</b>	<b>1,058.3</b>	<b>n.m.</b>
Income tax and social contribution	(370.4)	(139.1)	(231.3)	166.3 %	68.2	(207.3)	n.m.
<b>Net income (loss) for the year</b>	<b>1,600.4</b>	<b>(526.4)</b>	<b>2,126.8</b>	<b>n.m.</b>	<b>(1,377.3)</b>	<b>851.0</b>	<b>n.m.</b>
Controlling shareholders	1,592.1	(519.4)	2,111.5	n.m.	(1,358.8)	839.4	n.m.
Non-controlling shareholders	8.4	(7.0)	15.3	n.m.	(18.5)	11.6	n.m.
Basic earnings (loss) per share	5.09	(1.67)	6.76	n.m.	(4.40)	(2.73)	(62.0) %
Diluted earnings (loss) per share	4.74	(1.67)	6.40	n.m.	(4.40)	(2.73)	(62.0) %

### TPV and Active Clients

The following table sets forth our TPV and active clients for the years ended December 31, 2023, 2022 and 2021:

	For the Year Ended December 31,						
	2023	2022	Variation (RS)	Variation (%)	2021	Variation (RS)	Variation (%)
TPV (in R\$ billion)	408.3	367.4	41.0	11.2 %	275.4	92.0	33.4 %
Active clients (in thousands)	3,522.1	2,584.0	938.1	36.3 %	1,766.1	817.9	46.3 %

As discussed in “—Significant Factors Affecting our Results of Operations,” TPV is one of the main drivers of revenue for our business. Growth for the year ended December 31, 2023, both in TPV and active clients, was driven mainly by strong addition of MSMB clients (micro, small and medium-sized businesses), in line with our strategy.

	For the Year Ended December 31,						
	2023	2022	Variation (R\$)	Variation (%)	2021	Variation (R\$)	Variation (%)
Net revenue from transaction activities and other services	3,309.8	2,617.4	692.4	26.5 %	1,626.9	990.6	60.9 %
Net revenue from subscription services and equipment rental	1,825.0	1,760.9	64.0	3.6 %	1,071.9	689.0	64.3 %
Financial income	6,229.3	4,638.0	1,591.3	34.3 %	1,877.7	2,760.3	147.0 %
Other financial income	691.0	572.6	118.4	20.7 %	247.3	325.3	131.5 %
<b>Total revenue and income</b>	<b>12,055.0</b>	<b>9,588.9</b>	<b>2,466.1</b>	<b>25.7 %</b>	<b>4,823.8</b>	<b>4,765.2</b>	<b>98.8 %</b>

### ***MD&A for the Year Ended December 31, 2023 compared to the Year Ended December 31, 2022***

#### ***Total revenue and income***

Total revenue and income was R\$12,055.0 million for the year ended December 31, 2023, an increase of R\$2,466.1 million or 25.7% from R\$9,588.9 million for the year ended December 31, 2022. Total revenue and income growth in 2023 was driven by a 29.8% increase in financial services platform revenues, as a result of active client base growth and higher monetization from clients, mainly in our MSMB segment.

*Net revenue from transaction activities and other services.* Net revenue from transaction activities and other services was R\$3,309.8 million for the year ended December 31, 2023 an increase of R\$692.4 million or 26.5% from R\$2,617.4 million for the year ended December 31, 2022. This increase was primarily attributable to (i) the 11.2% higher TPV year over year and (ii) revenue streams from other solutions including banking and Pix. According to note 17.3 of our financial statements, membership fees contributed with R\$315.9 million to our transaction activities and other services revenue in the period, compared with R\$230.6 million in 2022.

*Net revenue from subscription services and equipment rental.* Net revenue from subscription services and equipment rental was R\$1,825.0 million for the year ended December 31, 2023, an increase of R\$64.0 million or 3.6% from R\$1,760.9 million for the year ended December 31, 2022. This increase was primarily attributable to higher software revenues.

*Financial income.* Financial income for the year ended December 31, 2023 was R\$6,229.3 million, an increase of R\$1,591.3 million or 34.3% from R\$4,638.0 million for the year ended December 31, 2022, primarily attributable to (i) higher prepaid volumes, and (ii) floating interest from our banking solutions.

*Other financial income.* Other financial income was R\$691.0 million for the year ended December 31, 2023, an increase of R\$118.4 million or 20.7% from R\$572.6 million from the year ended December 31, 2022, mainly due to (i) higher average cash balance, and (ii) higher average base rate in Brazil in the period.

#### ***Cost of services***

Cost of services for the year ended December 31, 2023 was R\$2,982.8 million, an increase of R\$313.0 million, or 11.7%, from R\$2,669.8 million for the year ended December 31, 2022. Cost of services as a percentage of total revenue and income was 24.7% for the year ended December 31, 2023, 3.1 percentage points lower than the 27.8% reported in the year ended December 31, 2022. The nominal increase in our cost of services was primarily driven by (i) higher investments in technology and logistics, (ii) higher depreciation and amortization (D&A) costs, as we continue to expand our client base, and (iii) higher provisions from credit losses, which contributed R\$62.1 million in 2023. As a percentage of revenues, cost of services decreased due to operating leverage in our business.

#### ***Administrative expenses***

Administrative expenses for the year ended December 31, 2023 were R\$1,188.9 million, an increase of R\$67.5 million or 6.0% from R\$1,121.4 million for the year ended December 31, 2022. Administrative expenses as a percentage of total revenue and income were 9.9% for the year ended December 31, 2023, 1.8 percentage points lower than the 11.7% reported for the year ended December 31, 2022. The nominal increase in our administrative expenses was primarily driven by (i) higher personnel expenses and (ii) higher amortization of fair value adjustments due to software acquisitions. These effects were partially compensated by (a) lower expenses related to third-party services and (b) lower travel expenses. As a percentage of revenues, administrative expenses decreased due to operating leverage in our business.

***Selling expenses***

Selling expenses were R\$1,698.3 million for the year ended December 31, 2023, an increase of R\$187.0 million or 12.4% from R\$1,511.2 million for the year ended December 31, 2022, primarily attributable to higher investments in our distribution channels, including increased expenses for partner commissions, partially offset by lower marketing expenses.

***Financial expenses, net***

Financial expenses, net were R\$3,999.5 million for the year ended December 31, 2023, an increase of R\$484.7 million from R\$3,514.7 million for year ended December 31, 2022. This increase was mainly due to the significant increase in the average CDI Rate year over year, which increases our cost of funding, in addition to a higher prepayment volume. CDI Rate in Brazil increased from an average of 12.45% in 2022 to an average of 13.04% in 2023.

***Mark-to-market adjustments on equity securities designated at FVPL***

Mark-to-market gains in our investment in Banco Inter totaled R\$30.6 million in 2023. In 1Q23, we divested our stake in Banco Inter. As a result, from 2Q23 onwards, our profit & loss statement no longer includes mark-to-market gains or losses associated with this investment. This compares to a loss of R\$853.1 million in the year ended December 31, 2022.

***Other operating expenses, net***

Other operating expenses, net were R\$241.2 million for the year ended December 31, 2023, a decrease of R\$61.3 million or 20.3% from R\$302.5 million for the year ended December 31, 2022. This is mainly related to (i) the reversal of earn-out provisions, (ii) benefits from the divestment of assets and (iii) lower POS write off, partially offset by higher share-based compensation expenses due to an increase in the share price in the period.

***Profit/ Loss before income taxes***

Profit before income taxes was R\$1,970.8 million for the year ended December 31, 2023, a variation of R\$2,358.1 million compared to a loss before income taxes of R\$387.3 million for the year ended December 31, 2022. This is mainly related to (i) the growth in our total revenue and income, and (ii) lower losses from mark-to-market in the investment in Banco Inter. These effects were partially offset by higher financial expenses.

***Income tax and social contribution***

Income tax and social contribution was an expense of R\$370.4 million for the year ended December 31, 2023, compared to R\$139.1 million for the year ended December 31, 2022. The main effect was the growth of taxable income in 2023 compared to 2022.

For further information about our income taxes, see note 9 to our audited consolidated financial statements.

***Net income (loss) for the year***

Net income was R\$1,600.4 million for the year ended December 31, 2023 compared to a net loss of R\$526.4 million for the year ended December 31, 2022. The main factors that contributed to the improvement in net income are the same ones as for the improvement in profit/loss before income taxes above. See “Presentation of Financial and Other Information—Selected financial data” for a reconciliation of adjusted net income (loss) to our profit (loss) for the period.

***Adjusted net income***

Adjusted net income was R\$1,557.5 million for the year ended December 31, 2023, an increase of R\$1,147.0 million from R\$410.5 million for the year ended December 31, 2022. The higher adjusted net income is mainly explained by the improvement in total revenue and income net of financial expenses of 32.7% year over year, due to the growth of our operations. This effect was partially offset by increases in costs and expenses as we grow our business. Note that from the first quarter of 2023 onwards we no longer adjust share-based compensation expenses in our adjusted results. Also, from the second quarter of 2022 and following the partial sale of our stake in Banco Inter, we no longer adjust the financial expenses related to our bond in our adjusted numbers. As such, for this annual report on Form 20-F, we have done both changes retrospectively, as well as for previous MD&As already reported.

## ***MD&A for the Year Ended December 31, 2022 compared to the Year Ended December 31, 2021***

### ***TPV and Active Clients***

As discussed in “—Significant Factors Affecting our Results of Operations,” TPV is one of the main drivers of revenue for our business. Growth for the year ended December 31, 2022, both in TPV and active clients, was driven mainly by strong addition of MSMB clients (micro, small and medium-sized businesses), in line with our strategy.

### ***Total revenue and income***

Total revenue and income was R\$9,588.9 million for the year ended December 31, 2022, an increase of R\$4,765.2 million or 98.8% from R\$4,823.8 million for the year ended December 31, 2021. Total revenue and income growth in 2022 was driven primarily by strong growth in MSMBs (micro, small and medium-sized businesses), with (i) MSMB TPV growing 52.3% year over year, mostly a result of strong net addition of clients and (ii) higher prices as a result of our commercial policy adjustment efforts following the hike in the Brazilian base rate in the period.

*Net revenue from transaction activities and other services.* Net revenue from transaction activities and other services was R\$2,617.4 million for the year ended December 31, 2022 an increase of R\$990.6 million or 60.9% from R\$1,626.9 million for the year ended December 31, 2021. This increase was primarily attributable to (i) the 33.4% higher TPV year over year, (ii) higher net MDRs as a result of commercial policy adjustment efforts and (iii) revenue streams from other solutions including banking, Pix and our registry business Tag. According to note 17.3 of our financial statements, membership fees contributed with R\$230.6 million to our transaction activities and other services revenue in the period, compared with R\$132.0 million in 2021.

*Net revenue from subscription services and equipment rental.* Net revenue from subscription services and equipment rental was R\$1,760.9 million for the year ended December 31, 2022, an increase of R\$689.0 million or 64.3% from R\$1,071.9 million for the year ended December 31, 2021. This increase was primarily attributable to a higher software revenue, including the consolidation of Linx which started in the third quarter of 2021.

*Financial income.* Financial income for the year ended December 31, 2022 was R\$4,638.0 million, an increase of R\$2,760.3 million or 147.0% from R\$1,877.7 million for the year ended December 31, 2021, primarily attributable to higher prices due to adjustments in our commercial policy amid changes in CDI which increased from an average of 4.42% in 2021 to an average of 12.38%, (ii) higher prepaid volumes and (iii) floating from our banking solutions.

*Other financial income.* Other financial income was R\$572.6 million for the year ended December 31, 2022, an increase of R\$325.3 million or 131.5% from R\$247.3 million from the year ended December 31, 2021, mainly due to the higher base rate in Brazil, and partially offset by a lower average cash balance.

### ***Cost of services***

Cost of services for the year ended December 31, 2022 was R\$2,669.8 million, an increase of R\$955.9 million, or 55.8%, from R\$1,713.8 million for the year ended December 31, 2021. Cost of services as a percentage of total revenue and income was 27.8% for the year ended December 31, 2022, 7.7 percentage points lower than the 35.5% reported in the year ended December 31, 2021. The nominal increase in our cost of services was primarily driven by (i) the consolidation of Linx into our results as of the third quarter of 2021, (ii) higher investments in technology, customer support and logistics, (iii) higher D&A costs, as we continue to expand our client base and (iv) higher provisions and losses. These effects were partially offset by lower costs with our registry business, compared to previous year. As a percentage of revenues, cost of services decreased due to operating leverage in our business, mainly a result of adjustment in our commercial policy due to the increase in CDI in the period, which affected mainly our financial income.

***Administrative expenses***

Administrative expenses for the year ended December 31, 2022 were R\$1,121.4 million, an increase of R\$308.0 million or 37.9% from R\$813.3 million for the year ended December 31, 2021. Administrative expenses as a percentage of total revenue and income were 11.7% for the year ended December 31, 2022, 5.2 percentage points lower than the 16.9% reported for the year ended December 31, 2021. The nominal increase in our administrative expenses was primarily driven by (i) the consolidation of Linx into our results as of the third quarter of 2021, (ii) higher personnel expenses, (iii) higher amortization of fair value adjustments due to the Linx acquisition and other software acquisitions, and (iv) higher expenses related to third-party services. These effects were partially compensated by (a) non-recurring expenses recognized at Linx in 2021, related to the Stone and Linx deal and (b) one-off fees paid to advisors relative to the Linx and Banco Inter transactions in 2021, which we did not have in 2022. As a percentage of revenues, Administrative Expenses decreased due to operating leverage in our business.

***Selling expenses***

Selling expenses were R\$1,511.2 million for the year ended December 31, 2022, an increase of R\$498.7 million or 49.3% from R\$1,012.5 million for the year ended December 31, 2021, primarily attributable to (i) the consolidation of Linx into our results as of the third quarter of 2021, (ii) higher expenses with our salespeople, mostly related to our hub operations, (iii) higher marketing expenses and (iv) higher expenses with partners commissions.

***Financial expenses, net***

Financial expenses, net were R\$3,514.7 million for the year ended December 31, 2022, an increase of R\$2,245.7 million from R\$1,269.1 million for year ended December 31, 2021. This increase was mainly due to the significant increase in the CDI Rate year over year, which increases our cost of funding, in addition to a higher prepayment volume. CDI Rate in Brazil increased from an average of 4.42% in 2021 to an average of 12.45% in 2022.

***Mark-to-market adjustments on equity securities designated at FVPL***

Mark-to-market losses on equity securities designated at FVPL were R\$853.1 million in the year ended December 31, 2022, a decrease of R\$411.2 million from a loss of R\$1,264.2 million in the year ended December 31, 2021, related to the Banco Inter Investment. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Transaction with Banco Inter” for additional information on Banco Inter.

***Other operating expenses, net***

Other operating expenses, net were R\$302.5 million for the year ended December 31, 2022, an increase of R\$116.6 million or 62.7% from R\$185.9 million for the year ended December 31, 2021. This is mainly related to higher share-based compensation expenses from both higher social contribution taxes and new grants.

***Profit before income taxes***

Loss before income taxes was R\$387.3 million for the year ended December 31, 2022, a variation of R\$1,058.3 million compared to a loss before income taxes of R\$1,445.6 million for the year ended December 31, 2021. This is mainly related to (i) the growth in our total revenue and income which almost double year over year and (ii) lower losses from mark-to-market in the investment in Banco Inter.

***Income tax and social contribution***

Income tax and social contribution was an expense of R\$139.1 million for the year ended December 31, 2022, compared to a gain of R\$68.2 million for the year ended December 31, 2021. The main effect was the growth of taxable income in 2022 compared to 2021.

For further information about our income taxes, see note 11 to our audited consolidated financial statements.

### *Net income (loss) for the year*

Net loss was R\$526.4 million for the year ended December 31, 2022 compared to a net loss of R\$1,377.3 million for the year ended December 31, 2021. The main factors that contributed to the improvement in net income are the same ones as for the improvement in profit/loss before income taxes above. See “Presentation of Financial and Other Information—Selected financial data” for a reconciliation of adjusted net income (loss) to our profit (loss) for the period.

### *Adjusted net income*

Adjusted net income was R\$410.5 million for the year ended December 31, 2022, an increase of R\$370.5 million from R\$40.0 million for the year ended December 31, 2021. The higher adjusted net income is mainly explained by the improvement in total revenue and income net of financial expenses of 70.7% year over year as we adjusted our commercial policy throughout the year given the rising interest rate environment which started in second semester of 2021. This effect was partially offset by increases in costs and expenses as we grow our business. Note that from the second quarter of 2022 and following the partial sale of our stake in Banco Inter, we no longer adjust the financial expenses related to our bond in our adjusted numbers. Also, from the first quarter of 2023 onwards, we stopped adjusting for share-based compensation expenses. As such, for this annual report on Form 20-F, we have done this change retrospectively. Considering our previous methodology, which adjusted for shared-based compensation expenses and did not adjust for the financial expenses related to our bond, our Adjusted Net Income was R\$525.5 million for 2022 and R\$84.7 million for 2021. For further details regarding adjustments to net income, please refer to “Presentation of Financial Information— Selected Financial Data”.

## **B. Liquidity and capital resources**

The following discussion of our liquidity and capital resources is based on the financial information derived from our audited consolidated financial statements.

### *Liquidity*

Our sources of liquidity have primarily been derived from our (i) sale of our receivables from card issuers to commercial banks, (ii) sale of receivables to SPVs and FIDCs, (iii) bank borrowings and (iv) capital contributions and cash flows from operations. Our primary capital needs related to funding include: (i) funding our working capital and credit solutions to clients; (ii) purchase of POS equipment; (iii) investment in product development; and (iv) selective acquisitions. We believe our current working capital is sufficient for our present requirements.

The following table is a summary of the generation and use of cash in the years ended December 31, 2023, 2022 and 2021.

	<b>For the Year Ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>R\$ millions</b>		
<b>Liquidity and Capital Resources:</b>			
Net cash provided by operating activities	1,647.7	1,683.7	3,606.9
Net cash used in investing activities	(845.4)	(1,871.1)	(2,977.2)
Net cash (used in) provided by financing activities	(148.8)	(2,810.1)	1,419.4
Effect of foreign exchange on cash and cash equivalents	10.3	14.5	(0.5)
<b>Change in cash and cash equivalents</b>	<b>663.8</b>	<b>(2,983.0)</b>	<b>2,048.6</b>

Our cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less, which have an immaterial risk of change in value. For more information, see note 5 to our audited consolidated financial statements.

Short-term investments include bonds and other short-term investments. Our short-term investments were R\$3,481.5 million as of December 31, 2023, R\$3,453.8 million as of December 31, 2022 and R\$1,993.0 million as of December 31, 2021. For more information, see note 6 to our audited consolidated financial statements.



We regularly evaluate opportunities to enhance our financial flexibility through a variety of methods, including, without limitation, through the issuance of debt securities, entering into additional credit lines, and the sale of receivables. As a result of any of these actions, we may be subject to restrictions and covenants in the agreements governing these transactions that may place limitations on us, and we may be required to pledge collateral to secure such instruments.

### ***Cash Flows***

Our net cash provided by (used in) operating activities has consisted of net income (loss) for the period adjusted for certain non-cash items including depreciation and amortization, share-based payments expense, accrued interest, monetary and exchange variations, net, loss on sale of subsidiaries, allowance for expected credit losses, mark-to-market effect from our investment in Banco Inter, among other non-cash items, as well as changes in our operating assets and liabilities and the cash amounts of income taxes and social contributions that we pay and net interest income that we receive during the period.

Our net cash used in investing activities has consisted of amounts paid on our purchase of property and equipment, purchases and development of intangible assets, acquisition (redemption) of financial instruments, cash received on disposal of non-current assets, acquisition of interest in associates and cash received in acquisitions.

Our net cash provided by (used in) financing activities has consisted of proceeds from capital contributions, amounts we raised from senior and mezzanine FIDC quota holders, the net amount of proceeds from borrowings and amortization of debt and lease liabilities, repurchases of our own shares and acquisitions and other events with non-controlling interests in our subsidiaries. For further information on third-party funding, see “—Indebtedness and FIDC Quota Holder Obligations”.

### ***Note on the impact of different funding sources for prepayment on our cash flow statement***

A natural consequence of TPV growth is the corresponding increase in both accounts receivable from Card Issuers and accounts payable to Clients. When we make a prepayment to our clients as part of our working capital solutions offering, we derecognize our accounts payable by the corresponding prepaid amount plus our fees earned by providing such prepayment service. In order to fund our prepayment operation, we predominantly use one of the following sources of funding (i) the sale of our receivables from card issuers on a non recourse basis to third-parties, including banks, financial institutions or other vehicles not controlled by us, (ii) the issuance of senior and/or mezzanine quotas by FIDCs that we control and therefore consolidate, (iii) the issuance of debentures and other kind of financial obligations such as loans or (iv) by deploying our own capital from capital contributions or cash flows from operations. These funding options lead to different effects on our balance sheet and statement of cash flows:

- (i) **Sale of receivables:** the sale of receivables results in the de-recognition of our accounts receivable from Card Issuers. As a result, when a prepayment operation is funded through the true sale of receivables, both accounts receivable from Card Issuers and accounts payable to Clients are derecognized from our balance sheet in the same amount and the combined effect to our cash flows is a positive operational cash flow equivalent to our net fees earned by providing such prepayment service.
- (ii) **Issuance of FIDC senior and/or mezzanine quotas:** when we launch a new FIDC that we control in order to raise capital and therefore consolidate, the amount raised from senior and/or mezzanine quota holders less structuring and transaction costs will be recognized on our balance sheet as cash and as a liability to senior and/or mezzanine quota holders. We then transfer our receivables from card issuers from our operating subsidiary to the FIDC and use the cash to fund our prepayment operations. As a result of consolidating the FIDC in our financial statements, the accounts receivable from Card Issuers held by the FIDC remain on our consolidated balance sheet. This set of transactions generates a positive impact on our cash flows from financing activities in the amount received by the FIDC from senior and/or mezzanine quota holders less structuring and transaction costs. However, since accounts receivable from Card Issuers remains on the balance sheet but the accounts payable to Clients are derecognized, these transactions also cause a negative impact on our cash flow from operations. The net effect of impacts in cash flow from operations and cash flow from financing activities is positive.
- (iii) **Issuance of debentures or other kind of financial obligations such as loans:** when we issue a debenture or take a private loan, the effect on our balance sheet and statement of cash flows is similar to the issuance of FIDCs.
- (iv) **Deployment of our own capital:** when we use our own capital to fund prepayment operations, we do not sell our receivables from card issuers and they remain on our balance sheet. However, our accounts payable to Clients are derecognized, and therefore these transactions cause a negative impact on our cash flow from operations.

***Net cash provided by (used in) operating activities***

For the year ended December 31, 2023, net cash provided by operating activities was R\$1,647.7 million, primarily as a result of:

- Net income of R\$1,600.4 million combined with non-cash expenses consisting primarily of R\$878.2 million from depreciation and amortization, share-based payments expenses of R\$251.2 million and allowance for expected credit losses of R\$160.2 million. The total amount of adjustment to net income from non-cash items for the year ended December 31, 2023 was R\$1,327.6 million, resulting in R\$2,928.0 million net income adjusted by non-cash items.
- Net cash from changes in working capital, totaled an outflow of R\$1,280.3 million, and is composed of (i) R\$308.7 million inflow from recoverable taxes and taxes payable, (ii) R\$205.1 million inflow from trade accounts receivable, banking solutions and other assets, (iii) R\$20.3 million inflow from receivables from related parties, (iv) R\$19.3 million inflow from labor and social security liabilities, (v) R\$79.9 million outflow from trade accounts payable and other liabilities, (vi) R\$312.8 million outflow from loans operations portfolio, (vii) R\$582.8 million outflow from changes related to accounts receivable from card issuers, accounts payable to clients and interest income received, net of costs, (viii) R\$865.5 million outflow from payment of interest and income taxes and (ix) R\$7.3 million inflow from other working capital changes.

For the year ended December 31, 2022, net cash provided by operating activities was R\$1,683.7 million, primarily as a result of:

- Net loss of R\$526.4 million combined with non-cash expenses consisting primarily of fair value adjustments in financial instruments of R\$1,179.5 million, and depreciation and amortization of R\$800.3 million. The total amount of adjustment to net income from non-cash items for the year ended December 31, 2022 was R\$1,908.5 million, resulting in R\$1,358.1 million net income adjusted by non-cash items.
- Net cash from changes in working capital, totaled an inflow of R\$301.6 million, and is composed of (i) R\$496.6 million net inflows from our credit business, (ii) R\$399.7 million from recoverable taxes and taxes payable, (iii) R\$348.3 million from prepaid expenses and labor and social security liabilities, (iv) R\$210.9 million from trade accounts receivable, banking solutions and other assets apart from credit, (v) R\$323.6 million from trade accounts payable, (vi) an outflow of R\$835.1 million from changes related to accounts receivable from card issuers, accounts payable to clients and interest income received, net of costs, (vii) payment of R\$621.5 million of interest and income taxes and (viii) R\$3.1 million from other working capital changes.

***Net cash provided by (used in) investing activities***

Net cash used in investing activities in the year ended December 31, 2023 was R\$845.4 million, compared to R\$1,871.1 million of net cash used in investing activities for the year ended December 31, 2022. Net cash used in investing activities for the year ended December 31, 2023 is explained by (i) R\$1,210.3 million outflow of capital expenditures (being purchases of property, equipment and intangible assets) and (ii) R\$37.8 million outflow from acquisition of interest in associates. These effects were partially offset by (a) R\$181.6 million inflow from acquisition of short-term investments, and (b) R\$220.5 million inflow from disposal of equity securities related to the sale of our remaining stake in Banco Inter.

Net cash used in investing activities in the year ended December 31, 2022 was R\$1,871.1 million, compared to R\$2,997.2 million of net cash used in investing activities for the year ended December 31, 2021. Net cash used in investing activities for the year ended December 31, 2022 is explained by (i) R\$1,222.4 million from acquisition of short-term investments, R\$723.2 million of capital expenditures and (ii) R\$116.7 million from acquisition of subsidiaries and interest in associates. These effects were partially offset by (a) R\$183.5 million from disposal of equity securities related to the partial sale of our stake in Banco Inter and (b) R\$7.7 million from other effects.

***Net cash provided by (used in) financing activities***

Net cash used in financing activities in the year ended December 31, 2023 was R\$148.8 million, compared to net cash used in financing activities of R\$2,810.1 million for the year ended December 31, 2022. Net cash used in financing activities in the year ended December 31, 2023 was mainly driven by (i) R\$151.4 million outflow from payment of borrowings, net of proceeds, which includes amortization of CCBs (Bank Credit Notes) and the total amortization of FIDC AR III. See “Item 5. Operation and Financial Review and Prospects—B. Liquidity and Capital Resources—Indebtedness and FIDC Quota Holder Obligations.”, and (ii) R\$292.7 million outflow from repurchase of our own shares. Other effects contributed with a R\$7.4 million negative effect.

Net cash used in financing activities in the year ended December 31, 2022 was R\$2,810.1 million, compared to net cash provided by financing activities of R\$1,419.4 million for the year ended December 31, 2021. Net cash used in financing activities in the year ended December 31, 2022 was mainly driven by R\$2,859.6 million in payment of borrowings, net of proceeds, which includes amortization of CCBs (Bank Credit Notes), the partial amortization of FIDC AR III and the full amortization of our debenture. See “Item 5. Operation and Financial Review and Prospects—B. Liquidity and Capital Resources—Indebtedness and FIDC Quota Holder Obligations.” This was slightly offset by R\$53.4 million in sale of our own shares. Other effects contributed with a R\$3.9 million negative effect.

### *Indebtedness and FIDC Quota Holder Obligations*

As of December 31, 2023, we had outstanding debt and FIDC quota holder obligations in the aggregate amount of R\$5,519.2 million. The following table contains a summary of our third-party debt and quota holder obligations as of December 31, 2023 and 2022:

	Average annual interest rate %	Maturity	Current portion	Non-current portion	As of December 31, 2023 Amount (R\$ million)	As of December 31, 2022 Amount (R\$ million)
Obligations to FIDC TAPSO quota holders <sup>(i)</sup>	CDI Rate* + 1.85%	Jul/24	53.1	—	53.1	22.5
Obligations to FIDC AR III quota holders	CDI Rate* + 1.50%	Aug/23	—	—	—	952.8
Obligations to FIDC ACR FAST quota holders <sup>(ii)</sup>	CDI Rate* + 1.12%	Not applicable	452.1	—	452.1	—
<b>Obligations to FIDC quota holders</b>			<b>505.2</b>	<b>—</b>	<b>505.2</b>	<b>975.2</b>
Leases <sup>(iii)</sup>	105.1% to 151.8% of CDI Rate*	Jan/23 to Jun/29	30.2	143.5	173.7	200.1
Bonds <sup>(iv)</sup>	3.95% USD	Jun/28	2.9	2,399.8	2,402.7	2,587.9
Bank borrowings <sup>(v)</sup>	CDI + 1.30% to CDI+ 1.94% p.a.	Up to six months	1,321.3	—	1,321.3	1,787.9
Receivables backed securities <sup>(vi)</sup>	CDI + 2.28% p.a.	Sep/26	3.3	98.7	102.0	—
Debentures <sup>(vii)</sup>	CDI + 1.95% p.a.	Oct/26	17.0	997.3	1,014.2	—
<b>Borrowings and financing</b>			<b>1,374.8</b>	<b>3,639.2</b>	<b>5,013.9</b>	<b>4,575.9</b>
<b>Total Debt</b>			<b>1,880.0</b>	<b>3,639.2</b>	<b>5,519.1</b>	<b>5,551.1</b>

\* CDI Rate” (Brazilian Certificado de Depósito Interbancário), which is an average of interbank overnight rates in Brazil, the average rate of December 31, 2023 was 13.04% (2022 – 12.38%)

<sup>(i)</sup> In March 2021, we negotiated an amendment of the contract to postpone the payment date of the principal to March 2022.

In February 2022, the Group negotiated an amendment of the contract to postpone the payment date of the principal to March 2023. The mezzanine quotas were settled on March 2, 2023. Upon maturity of the mezzanine quotas, in July 2023 the Group negotiated new issuance of TAPSO Senior Quotas.

<sup>(ii)</sup> The first series of FIDC AR III senior quotas maturing after 36 months, with a grace period of 15 months to repay the principal amount. During the grace period, the payment of interest is made every three months. After this period, the amortization of the principal and the payment of interest is every three months. Upon its maturity on August 2023 the fund was liquidated.

<sup>(iii)</sup> We have lease contracts for various items of offices, vehicles and software in our operations. Our lease obligation are secured by the lessor’s title to the leased assets. Generally, we are restricted from assigning and subleasing the leased assets.

<sup>(iv)</sup> In June 2021, we issued our inaugural dollar bonds, raising US\$500 million in 7-year notes with a final yield of 3.95%. The total issuance was R\$2,510.4 million (R\$2,477.4 million net of the offering transaction costs, which will be amortized over the course of the debt). See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and capital resources—Issuance of Inaugural Bonds.” The Group has entered into a hedge to protect its currency risk (Refer to note 6.9.1 from our financial statements).

<sup>(v)</sup> The Group issued bilateral unsecured term loans, with multiple counterparties and maturities up to six months. The principal and the interest of this type of loan are mainly paid at the date of maturity. The proceeds of these loans were used mainly for prepayments to acquiring customers.

<sup>(vi)</sup> On September 6, 2023, a Certificate of Real Estate Receivables (“CRI”) was issued by Opea Securitizadora S.A., raising R\$100,000 in a three year note bearing interest at CDI + 1.30% p.a.. The CRI security is backed by commercial notes issued by Stone Pagamentos as well as STNE Participações S.A. This is the first funding structure of the Company to access retail and with institutional investors.

<sup>(vii)</sup> On November 8, 2023 the subsidiary MNL T concluded its first issuance of debentures placing R\$1,000,000 with a three year maturity at CDI + 1.75%p.a. The debentures are guaranteed by both Stone Instituição de Pagamento and by the Company being the first corporate issuance by the Group in the Brazilian capital markets.

On December 18, 2023 we announced that we entered into a US\$467.5 million revolving securitization facility with the United States International Development Finance Corporation, or “DFC”, to assist us in our offering of receivables prepayment to MSMBs as well as optimize our cash flow and financial flexibility. The facility has a term of seven years, maturing on January, 31 2031. StoneCo holds 6.5% of subordinated quotas from FIDC ACR I, which is the Brazilian facility related to this transaction.

#### ***Bilateral loan facilities***

In addition to own capital and receivable rights securitization, we fund our capital needs through bilateral loan facilities. As of December 31, 2023, we had R\$1,321.3 million (compared with R\$1,787.8 million as of December 31, 2022) outstanding under such loan agreements.

#### ***Issuance of Inaugural Bonds***

On June 11, 2021, we issued our inaugural dollar bond, raising US\$500 million in 7-year notes, issued in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The principal amount of the bonds is payable on June 16, 2028 (the maturity date). The bonds accrue interest at 3.95%, payable semi-annually in arrears on June 16 and December 16, commencing on December 16, 2021. Between June and August, 2021, we entered into a hedge to mitigate our currency risk. For further information, see note 6.9.1 to our financial statements included elsewhere in this annual report.

#### **Capital Expenditures**

Capital expenditures comprise purchases of intangible assets and property and equipment.

In the year ended December 31, 2023, we made capital expenditures of R\$1,210.3 million. Of these, R\$736.2 million was spent on the purchase of property and equipment, comprised primarily of expenditures related to the purchase of equipment, mainly POS and other equipment to lease to our client base. In addition, R\$474.1 million was spent in relation to the purchase and development of intangible assets, primarily related to software licenses and compensation expenses of software developers that we capitalize.

In the year ended December 31, 2022, we made capital expenditures of R\$723.2 million. Of these, R\$417.7 million was spent on the purchase of property and equipment, comprised primarily of expenditures related to the purchase of equipment, mainly POS and other equipment to lease to our client base. In addition, R\$305.5 million was spent in relation to the purchase and development of intangible assets, primarily related to software licenses and compensation expenses of software developers that we capitalize.

In the year ended December 31, 2021, we made capital expenditures of R\$1,298.7 million. Of these, R\$1,083.0 million was spent on the purchase of property and equipment, comprised primarily of expenditures related to the purchase of equipment, mainly POS and other equipment to lease to our client base. In addition, R\$215.7 million was spent in relation to the purchase and development of intangible assets, primarily related to software licenses and compensation expenses of software developers that we capitalize.

We estimate that our capital expenditures for 2024 will be primarily for purchases of property and equipment (mainly relating to purchases of POS and other equipment to lease to our client base and IT equipment) and intangible assets (mainly relating to software licenses and compensation expenses of software developers that we capitalize). We expect to meet our capital expenditure needs for the foreseeable future from our cash flows from operations and our existing cash and cash equivalents.

#### **Off-balance sheet arrangements**

As part of our ongoing business, we have agreements to sell accounts receivables from card issuers with multiple counterparts (banks, conduits, FIDCs, etc) in a mix of both spot and committed basis. Under such agreements, we sell our accounts receivables on a fully non-recourse basis and pass to our counterparts all the risks and benefits of such assets. The future cash flow is paid directly from escrow agents to our counterparts and therefore we de-recognize such assets from our balance sheet.

## Contractual obligations

Our contractual obligations at December 31, 2023 were as follows:

	Payments Due By Period <sup>(1)</sup>			
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings and financing	1,372	1,345	5,049	—
Obligations to FIDC quota holders	505	—	—	—
<b>Total</b>	<b>1,877</b>	<b>1,345</b>	<b>5,049</b>	<b>—</b>

<sup>(1)</sup> Amounts refer to contractual undiscounted cash flows.

Our contractual obligations at December 31, 2022 were as follows:

	Payments Due By Period <sup>(1)</sup>			
	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings and financing	2,255	431	1,232	2,730
Obligations to FIDC quota holders	1,029	—	—	—
<b>Total</b>	<b>3,284</b>	<b>431</b>	<b>1,232</b>	<b>2,730</b>

<sup>(1)</sup> Amounts refer to contractual undiscounted cash flows.

## C. Research and development, patents, and licenses, etc.

Our research and development focuses on developing an integrated suite of advanced technologies designed to provide differentiated capabilities and seamless omnichannel commerce client experiences in a more secure, all-in-one environment, that is developed to operate in a completely digital environment and enables us to develop, host, and deploy our solutions, conduct a broad range of transactions seamlessly across in-store, online and mobile channels, manage our distribution hubs and franchisees, and optimize our client support functions—all in a fully digital, fully integrated, and holistic manner.

## D. Trend information

The following discussion is based largely upon our current expectations about future events, and trends affecting our business. Actual results for our industry and performance could differ substantially. For further information related to our forward-looking statements, see “Forward-Looking Statements” and for a description of certain factors that could affect our industry in the future and our own future performance, see “Item 3. Key Information—D. Risk Factors”.

## E. Critical Accounting Estimates

Our consolidated financial statements are prepared in conformity with IFRS. In preparing our audited consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on amounts reported in our consolidated financial statements. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We regularly reevaluate our assumptions, judgments and estimates. Our significant accounting policies are described in each of the notes within our audited consolidated financial statements, except general accounting policies not related to subjects treated in specific notes, which are described in note 3. We believe that the following critical accounting policies are more affected by the significant judgments and estimates used in the preparation of our consolidated financial statements:

### Consolidation of structured entities

We consider the investments to be structured entities as defined by IFRS 12 – Disclosure of Interests in Other Entities. Our participation in each of them is stated as follows:

	<b>Outstanding quotas as of December 31, 2023</b>
Tapso Fundo de Investimento em Direitos Creditórios ("FIDC TAPSO")	100% of subordinated quotas representing approximately 99% of total (subordinated and senior and/or mezzanine) quotas
Tapso II Fundo de Investimento em Direitos Creditórios ("FIDC TAPSO II")	100% of subordinated quotas representing total quotas
SOMA I Fundo de Investimentos em Direitos Creditórios Não Padronizados ("FIDC SOMA")	100% of subordinated quotas representing total quotas
SOMA III Fundo de Investimentos em Direitos Creditórios Não Padronizados ("FIDC SOMA III")	100% of subordinated quotas representing total quotas
StoneCo exclusivo Fundo de Investimento em Cotas de Fundo de Investimento Multimercado Crédito Privado ("FIC FIM STONECO")	100% of all outstanding quotas of a single class
ACR I Fundo de Investimento em Direitos Creditórios ("FIDC ACR I")	100% of subordinated quotas representing approximately 97% of total (subordinated and senior and/or mezzanine) quotas
ACR III Fundo de Investimento em Direitos Creditórios ("FIDC ACR III")	100% of subordinated quotas representing total quotas
ACR V Fundo de Investimento em Direitos Creditórios ("FIDC ACR V")	100% of subordinated quotas representing total quotas
ACR VI Fundo de Investimento em Direitos Creditórios ("FIDC ACR VI")	100% of subordinated quotas representing total quotas
ACR FAST Fundo de Investimento em Direitos Creditórios ("FIDC ACR FAST")	100% of subordinated quotas representing approximately 97% of total (subordinated and senior and/or mezzanine) quotas

The bylaws of these structured entities were established by us at their inception, and grant us significant decision-making authority over these entities. The Company can raise FIDCs to raise capital or to provide credit or working capital solutions to our clients. As sole holders of the subordinated quotas, we are entitled to the full residual value of the entities, if any, and thus we have the rights to their variable returns. In 2023, the structured entities FIDC AR III and Retail Renda Fixa Crédito Privado Fundo de Investimento were closed.

In accordance with IFRS 10, we concluded that we control all structured entities listed above, therefore, they are consolidated in our financial statements. The senior and mezzanine quotas, when applicable, are accounted for as a financial liability under "Obligations to FIDC quota holders" and the remuneration paid to senior and mezzanine quota holders is recorded as interest expense. For further information, see note 6.8 to our audited consolidated financial statements.

### Financial Assets

We measure the loss allowance for expected credit losses of financial assets as follows:

- **Loans operation:** We calculate an expected credit loss allowance in three stages, (i) Stage 1 corresponds to loans that do not present significant increase in credit risk since origination, (ii) Stage 2 corresponds to loans that presented significant increase in credit risk subsequent to origination, and (iii) Stage 3 corresponds to impaired loans. We regularly seek forward looking perspectives for future market developments including macroeconomic scenarios as well as their portfolio risk profile. We may adjust the Expected Credit Losses ("ECL") resulting from the model in order to better reflect this forward looking perspective.
- **Accounts receivable from card issuers:** We estimate ECLs based on available external (including ratings from major agencies) and internal information. We also monitor credit risk of issuers.
- **Trade accounts receivable:** We estimate ECLs based on provision rates that are based on days past due for groupings of various client segments that have similar loss patterns (e.g., by product type, customer type and rating). We calibrate to adjust the historical credit loss experience with forward-looking information every year.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of client's actual default in the future.

For further information see note 6.2. to our consolidated financial statements.

We estimate the fair value of financial instruments as follows:

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flows (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

For further information, including sensitivity analysis see note **6.13.** to our consolidated financial statements.

### ***Revenue recognition***

The recognition of revenue from equipment rental includes the preparation of estimates to determine the expected life of merchants, with the objective to recognize revenue on a straight-line basis and as a fixed monthly fee, as well as recognize the amortization of the costs of obtaining and fulfilling contracts with these merchants. We estimate the expected life of two different classes of merchants, that are revised annually and is related to the average time that are expected that the merchants will process transactions with us, through the experience observed in the customers' life cycle.

### ***Property and equipment and intangible assets useful lives***

Property and equipment assets include the preparation of estimates to determine the useful life for depreciation purposes. Useful life determination requires estimates in relation to the expected technological advances and alternative uses of assets. There is a significant element of judgment involved in making technological development assumptions, since the timing and nature of future technological advances are difficult to predict.

Assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date and adjusted prospectively, if appropriate. The estimated useful lives for the Property and equipment are as follows:

	<b>Estimated useful lives (years)</b>
Pin Pads & POS	5
IT equipment	3 – 10
Facilities	3 – 14
Property	34
Furniture and fixtures	3 – 10
Machinery and equipment	5 – 14
Vehicles and airplanes	2 – 10

### ***Intangible Assets***

Certain direct development costs associated with internally developed software and software enhancements of our technology platform are capitalized. Capitalized costs, which occur post determination by management of technical feasibility, include external services and internal payroll costs. These costs are recorded as intangible assets when development is complete and the asset is ready for use, and are amortized straight-line, generally over a period of five years. Research and pre-feasibility development costs, as well as maintenance and training costs, are expensed as incurred. In certain circumstances, management may determine that previously developed software and its related expense no longer meets management's definition of feasible, which could then result in the impairment of such asset. Intangible assets with finite useful lives are amortized over their estimated useful lives and tested for impairment whenever there is an indication that their carrying amount may not be recovered. The period and method of amortization for intangible assets with finite lives are reviewed at least at the end of each fiscal year or when there are indicators of impairment. Changes in estimated useful lives or expected consumption of future economic benefits embodied in the assets are considered to modify the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with definite lives is recognized in profit or loss in the expense category consistent with the use of intangible assets.

As of December 31, 2023, 2022 and 2021, we do not hold indefinite life intangibles assets, except for goodwill and some of trademark and patents.

We test whether goodwill suffered any impairment on an annual basis at October 31 and, when circumstances indicate that the value may be impaired, at our single Cash Generating Unit (“CGU”). The recoverable amount of our CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period, based on past performance and management’s expectations of market development and on current industry trends and including long-term inflation forecasts for each territory.

We performed our annual impairment test as of October 31, 2023, November 30, 2022 and December 31, 2021, which did not result in the need to recognize impairment losses on the carrying value of goodwill. For further information, including sensitivity analysis see note 11.4. to our consolidated financial statements.

The useful lives for the intangible assets are presented below:

	<b>Estimated useful lives (years)</b>
Software	3 – 10
Customer relationship	2 – 34.5
Trademarks and patents	7 – 30.9
Non-compete agreement	5
Licenses	1 – 5

### ***Business combination***

The process of accounting a business combination includes the use of (i) valuation techniques to determine the amounts of intangible assets identified, (ii) estimates to determine its useful life, and (iii) valuation techniques to estimate the contingent consideration included in the total consideration paid to acquire the companies.

### ***Share-based payments***

We have equity-settled share-based payment plans, under which management grants shares to employees and non-employees depending on our strategy. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model and underlying assumptions, which depends on the terms and conditions of the grant and the information available at the grant date. We use certain methodologies to estimate fair value, which include the following:

- estimation of fair value based on equity transactions with third-parties close to the grant date; and
- other valuation techniques including option pricing models such as Black-Scholes.

These estimates also require determination of the most appropriate inputs to the valuation models including assumptions regarding the expected life of a share option or appreciation right, expected volatility of the price of our shares and expected dividend yield.

### ***Provision for contingencies***

We evaluate provisions for the judicial and administrative proceedings based on (i) the nature, complexity, and history of the lawsuits, and (ii) the opinion of internal and external legal counsels, to determine when the risk of loss is considered probable and the amounts can be reliably measured, based on the best available information. Provisions are recorded when the risk of loss is assessed as probable and they are fully or partially reversed when the obligations cease to exist or are reduced.

Given the uncertainties arising from the lawsuits, it is not practicable to determine the timing of any cash outflow.

### ***Deferred income tax and social contribution***

Deferred tax assets are recognized for all unused tax losses to the extent that sufficient taxable profit will likely be available to allow the use of such losses. Significant judgment from management is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax planning strategies.



## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and senior management

#### Board of Directors

We are managed by our Board of Directors and by our senior management, pursuant to our Articles of Association and the Cayman Companies Act.

Our Board of Directors is responsible for, among other things, establishing our overall strategy and general business policies, supervising management, appointing and removing our executive officers, and appointing our independent auditors.

Each director shall be appointed for a term ending at the next annual general meeting following such appointment, unless they resign or their office is vacated earlier pursuant to the Articles of Association, provided, however, that such term shall be extended in the event that no successor is appointed (in which case such term shall be extended to the date on which such successor has been appointed). Directors appointed by the Board of Directors hold office as interim directors until the next annual general meeting. Our directors do not have a retirement age requirement under our Articles of Association.

In 2023 and 2024, we made certain changes to the composition of our Board of Directors. See “Presentation of Financial and Other Information—Corporate Events—Board Changes” for more detailed information.

The following table presents the names of the current members of our Board of Directors:

Name	Age	Position
Mauricio Luis Luchetti <sup>(1)(2)(*)</sup>	65	Director and Chairman
Gilberto Caldart <sup>(4)(*)</sup>	65	Director and Vice-Chairman
Diego Fresco Gutierrez <sup>(2)(3)(*)</sup>	54	Director
José Alexandre Scheinkman <sup>(4)(*)</sup>	76	Director
Luciana Ibiapina Lira Aguiar <sup>(2)(4)(*)</sup>	50	Director
Silvio José Morais <sup>(1)(3)(*)</sup>	61	Director
Thiago dos Santos Piau <sup>(1)(3)</sup>	34	Director

<sup>(1)</sup> Member of our People and Compensation Committee.

<sup>(2)</sup> Member of our Audit Committee.

<sup>(3)</sup> Member of our Finance Committee.

<sup>(4)</sup> Member of our Risk Committee.

<sup>(\*)</sup> Independent member.

The following is a brief summary of the business experience of our directors. Unless otherwise indicated, the current business address for our directors is Harneys Fiduciary (Cayman) Limited, Fourth Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

**Mauricio Luis Luchetti** is a member of our Board of Directors, a position he has held since 2022 and is the Chairman of our Board since the April 2024. Mauricio is an independent member of the YDUQS board of directors, where he coordinates the People and Governance Committee, and a member of the Monitoring and Performance Committee. He is also an independent member of the board of directors of Agrogalaxy, where he coordinates the People Committee and participates in the Audit Committee. Mr. Luchetti is also an independent member of the board of directors of Construtora Tenda and coordinates the People Committee. He was an independent member of the boards of directors of other publicly held Companies of JBS S.A., Taesa S.A., Tempo Assist, Mangels and Nutriplant. From 1985 to 2003, he was part of the beverage company Ambev S.A., where he held positions as executive of People and Management and Regional executive of Operations. From 2003 to 2006, he worked at the Votorantim S.A., where he served as Corporate Director at Holding VPAR and as COO at Votorantim Cimentos S.A. He has also been a partner at Galicia Investimentos since 2007. Mr Luchetti holds a bachelor’s degree in Business Administration from PUC-RJ and is a post-graduate in Finance and Human Resources at Pontificia Universidade Católica do Rio de Janeiro (PUC-RJ).

**Gilberto Caldart** is a former Vice-Chairman, Senior Client Partnerships & Relationships and former President of International Markets at Mastercard, having worked more than 14 years at such company. In the latter position, he was responsible for the management of all markets and customer related activities outside of North America and Canada and was a member of the Mastercard's management committee. Prior to this appointment, Mr. Caldart was president of Mastercard Latin America and Caribbean region, where he led efforts to place the company at the forefront of the payments industry in the region. Before joining Mastercard, he spent 26 years at Citigroup in various leadership positions in Brazil and New York. Most notably, he led the Citi Consumer Business in Brazil (Retail Banking, Consumer Finance and Cards) for over six years. During his time at Citigroup, Mr. Caldart served on the boards of Credicard and Redecard, playing a critical role in the restructuring of the Credicard Group and on the Redecard IPO transformation. Mr. Caldart is a graduate of the Harvard Business School Advanced Management Program. He also has an MBA from Duke University, Fuqua School of Business and a Bachelor's degree in Business Administration and Accounting from the University of Rio Grande do Sul, Brazil. Gilberto is the Vice-Chairman of our Board since April 2024.

**Diego Fresco Gutierrez** is a member of our board, a position he held since July 2021. He is currently a board member of Itaú Colombia, Itaú Chile and Teya Holdings Ltd; in those entities he also serves in their respective Audit Committees as well as other Board committees. He also chairs the Audit Committee of Votorantim Cimentos S.A. Between 2014 and 2021, he was a member and financial specialist of the Audit Committee of Itaú Unibanco Holding. Previously, he was a partner at PricewaterhouseCoopers in São Paulo (2000-2013). Between 1998 and 2000, he held various positions at PricewaterhouseCoopers in Uruguay and in the United States. From 2013 to 2021 he was a member of the Commission on Governance of Financial Institutions of the IBGC. He graduated in Accounting in 1994 at Universidad de la República Oriental del Uruguay. Diego is a Certified Public Accountant registered in the state of Virginia and an Accountant registered with the Conselho Regional de Contabilidade – SP in Brazil.

**José Alexandre Scheinkman** is the Charles and Lynn Zhang Professor of Economics at Columbia, Theodore Wells '29 Professor of Economics (emeritus) at Princeton, and Research Associate at NBER. Previously, Scheinkman was Alvin H. Baum Distinguished Service Professor and Chair of the Department of Economics at the University of Chicago, Blaise Pascal Research Professor (France), Visiting Professor at Collège de France, and Vice-President in the Financial Strategies Group of Goldman, Sachs. Scheinkman is a Member of the National Academy of Sciences, Fellow of the American Academy of Arts and Sciences, Fellow of the American Finance Association, and recipient of a John Simon Guggenheim Memorial Fellowship and of a "doctorat honoris causa" from the Université Paris-Dauphine. In 2014, he was awarded the CME Group-MSRI Prize in Innovative Quantitative Applications. Scheinkman's most current research is on the economics of forest preservation in the Brazilian Amazon. He was born in Rio de Janeiro and participates actively on debates concerning economic and social policy in Brazil. He is a member of the board of directors of Cosan S.A., a Brazilian company engaged in the production and distribution of sugar, ethanol, energy and logistic services, and the board of directors of TAG, a provider of infrastructure for Brazilian financial markets.

**Luciana Ibiapina Lira Aguiar** is a member of our Board of Directors, a position she has held since 2020, Ms. Aguiar is also the founder partner of Alma Law (law firm) and since March 2023 she is an Independent Member of the Audit Committee of Volkswagen Financial Services. Previously, Ms. Aguiar was the Managing Partner of Vocater Advogados (law firm in Brazil) and a tax partner in this firm for seven years. Ms. Aguiar was previously a member of the Tax Department at PwC, from 1994 to 2012 and Tax Partner at PwC from 2009 to 2012, where she was responsible for tax audit and tax consulting, with relevant knowledge of auditing standards, tax and accounting legislation, and regulation of publicly held companies. Ms. Aguiar holds bachelor degrees in Law, Economic Sciences and Accounting Sciences and a Master in tax law degree from Fundação Getulio Vargas. Between 2015 and 2020, she was a Professor at Lato Sensu Graduate Program at FGV Direito SP.

**Silvio José Morais** is currently a member of our Board of Directors. He was also an Interim Chief Financial Officer between September 2022 and May 2023. Prior to joining StoneCo, he served as Controller at Ambev SA from 1998 to 2019, where he was responsible for the Financial Reporting, Internal Controls, Pension Plan and Direct tax. Between 1988 and 1998, he had also other job positions at Ambev S.A. Between May 2018 and April 2019 he served as an alternate member of ITAUSA's board of directors. Between 2008 and 2019 he also served as Officer at IAPP – Instituto Ambev de Previdência Privada, and since March 2019 as its board member. Mr. Morais is a board member (since 2017) and an Executive Director (Since 2018) of Fundação Antonio e Helena Zerrenner. Since May 2019 he is board member at Falconi Participações S.A. that controls Falconi Consultoria, a consultant firm specialized in management. Mr. Morais received a degree in business management at FACE-PR, a postgraduate degree in Finance at FAE Business School, and an MBA degree in Controllershship from Fipecafi – USP.

**Thiago dos Santos Piau** is a member of our Board of Directors, a position he has held since February 2023. Between 2017 and 2023, Mr. Piau was our Chief Executive Officer. Prior to 2017, he was our Chief Operations Officer and prior to 2016, he was our Chief Financial Officer. He is a partner at ACP Investment Ltd. – Arpex Capital, where he was responsible for the definition of the business strategy, investment structuring, merger and acquisition transactions of portfolio companies. In 2011, he founded Paggtaxi, a company that facilitated the payment of taxi rides through a mobile app and credit card machines, where he served as a partner until 2013. Mr. Piau conducted studies in mechanical engineering at Universidade Federal do Rio de Janeiro from 2007 to 2011 and participated in the Key Executive Program at Harvard Business School in 2013. He also participated in the Owner President Manager Program at Harvard Business School in 2018.

### Alternate Directors

Our Articles of Association provide, as allowed by the Cayman Companies Act, that any director may, subject to the conditions set thereto, appoint a person as an alternate to act in his/her place, to remove the alternate and appoint another in his/her place. Unless the appointing director limits the time or scope of the appointment of the alternate director, the appointment is effective for all purposes until the appointing director ceases to be a director or removes the alternate director.

### Executive Officers

Our executive officers are responsible for our management and representation. We have a strong centralized management team led by Pedro Zinner, our CEO, with broad experience in finance, treasury, capital allocation, information technology, strategy, operations, sales, communications and training. Many of the members of our management team have worked together as a team for many years. Our executive officers were appointed by our Board of Directors for an indefinite term. Certain of our new executive officers were also appointed as officers of some of our subsidiaries.

The following table lists our current executive officers:

Name	Age	Position
André Monteiro D'Almeida Monteiro	52	Chief Risk Officer
Diego Ventura Salgado	40	Chief Treasury Officer
Fabio Vieira Kapitanovas	46	Chief People & Operating Officer
João Lourenço Vivan Bernartt	44	Chief Product & Innovation Officer
Lia Machado de Matos	47	Chief Strategy Officer and Chief Marketing Officer
Marcus Felipe Montenegro Carvalho da Fontoura	51	Chief Technology Officer
Maria Carolina Sanchez da Costa	50	Chief Impact & Sustainability Officer
Mateus Costa Biselli	33	Chief Client Officer of Small and Medium Merchant Business
Mateus Scherer Schwening	28	Chief Financial Officer and Investor Relations Officer
Pedro Zinner	50	Chief Executive Officer
Sandro de Oliveira Bassili	53	Chief Operating Officer of Software
Tatiana Malamud	54	Chief Legal & Compliance Officer
Victor Vieira Lino	29	Chief Client Officer of Micro Merchants Business
Vinicius do Nascimento Carrasco	47	Chief Economist & Regulatory Affairs Officer

The following is a brief summary of the business experience of our executive officers. Unless otherwise indicated, the current business addresses for our executive officers are Av. Doutora Ruth Cardoso, No. 7221, 20th floor, São Paulo—SP, 05425-902, Brazil and in Rio de Janeiro, at Rua do Passeio, No. 38/40, Centro, Rio de Janeiro/RJ, Postal Code 20021-290, Brazil.

**André Monteiro D’Almeida Monteiro** is our Chief Risk Officer since November 2022. Prior to joining us he was XP Inc.’s CRO for financial risks between May 2021 and August 2022. From September 2013 to March 2021, he has served as CRO at B3, the Brazilian Exchange and OTC. He was a partner with Gávea Investments from 2004 to 2013, being CRO and quantitative portfolio manager. Previously, he was Chief Economist for the buy-side at Icatu Bank (1998-2002), artificial intelligence analyst at IBM Brazil’s Business Intelligence Unit (1997) and macroeconomic analyst at Galanto Consulting (1996). From 2018 to 2020, he served as an independent member of the Brazilian Development Bank (BNDES) board of directors Risk Committee. Mr. Monteiro has the following academic degrees: post-doc in Finance from The Bendheim Center for Finance at Princeton University (2003), Ph.D. in Decision Support Methods (2002) and M.Sc. in Finance and Investment Analysis (1997) from Catholic University of Rio de Janeiro and BA in Chemical Engineering from University of São Paulo (1995).

**Diego Ventura Salgado** is our Chief Treasury Officer and executive of companies in our group since May 2021. Mr. Salgado is a former Executive Director in the Latam Debt Capital Markets team at JP Morgan, where he worked for nine years, having worked before in correlated areas at Santander and Monsanto. During his career he has specialized in fixed income and capital structure matters, being responsible for the origination, structuring and selling of multiple transactions varying from plain vanilla investment grade to high yield debt offerings, syndicated loans, securitizations, acquisition financing, hybrid instruments, debt re-structuring and ratings processes for various companies in different sectors both in Brazil and globally. Diego holds both a bachelor’s and master’s degree in Economics from Ibmec and Insper, respectively.

**Fabio Vieira Kapitanovas** is our Chief People & Operating Officer. Before joining us in November 2023, Mr. Kapitanovas was the Global Vice President at KraftHeinz, where he led both Global Business Services and the Global Center of Excellence in Amsterdam from 2020 until 2023. Prior to KraftHeinz, Mr. Kapitanovas worked at AB-Inbev as the Global Vice President of Management Systems from 2018 until 2020, after 19 years in Ambev, where he joined as Global Management Trainee back in 2010 and held several different roles from logistics, operations to business services and served as People and Management Vice President from 2014 to 2018. Mr. Kapitanovas has a bachelor’s degree in Mechanical Engineering from Escola Politécnica - Universidade de São Paulo and a series of Executive Leadership programs in the universities of Insead, (2008), Wharton (2008), MIT (2012) and Michigan (2015).

**João Lourenço Vivan Bernartt** is our Chief Product and Innovation Officer since October 2023 and executive of companies in our group since March 2022. Mr. Bernartt is partner and investor of Yalo Inc., the first Meta’s BSP in the world, a pioneer company in conversational commerce for B2B industry. Also, Mr. Bernartt was the Country Launcher of the Yalo’s operation in Brazil during 2021. Mr. Bernartt is an investor and advisor to several technology-based startups, mainly focused on e-commerce, social-commerce, cross-border retail, security, logistics, AI, and others. He is a former board member and advisor of several retail and technology companies in Brazil and is the founder and former CEO of Chaordic Systems S.A. (“Chaordic”), a company focused on information retrieval solutions for e-commerce industry - as recommender systems and search engines - that was acquired by Linx in 2015. From 2016 to 2018, Mr. Bernartt was the Head of Omnichannel solutions at Linx. Mr. Bernartt holds a bachelor’s degree in Engineering of Control and Automation and a master’s degree in Artificial Intelligence, Data Mining and Machine Learning from Federal University of Santa Catarina.

**Lia Machado de Matos** is our Chief Strategy Officer and Chief Marketing Officer, positions she has held since 2016 and 2023, respectively. She is responsible for designing our strategy and leading the implementation of key strategic initiatives. Since 2021, she serves as a board member to Ambev S.A. Prior to joining StoneCo, she served as a Family Office Director for Varbra S.A. between 2012 and 2016. Between 2006 and 2012, she served in several positions at McKinsey & Company in Brazil, including as an Associate Partner, where she was responsible for strategy, M&A and organizational projects of several Brazilian and global companies. Mrs. Matos received a bachelor’s degree in physics from the Universidade Federal do Rio de Janeiro in 1998, a PhD in physics and electrical engineering from the Massachusetts Institute of Technology in 2005 and was a teaching assistant and research fellow at the Massachusetts Institute of Technology between 1999 and 2005.

**Marcus Felipe Montenegro Carvalho da Fontoura** is our Chief Technology Officer, a position he has held since June 2022. Prior to joining StoneCo, Dr. Fontoura was a Technical Fellow and Corporate Vice President at Microsoft, where he worked as the chief architect for Azure compute and lead the Azure efficiency team. In his previous roles at Microsoft, he worked on the production infrastructure for Bing. Prior to Microsoft, he was a Staff Research Scientist at Google (2011-2013) where he worked in the Search Infrastructure team. Before joining Google, Dr. Fontoura was a Principal Research Scientist at Yahoo! Research (2005-2010) working on several projects in the area of computational advertising. Dr. Fontoura worked as a Research Staff Member at the IBM Almaden Research Center (2000-2005) where he was awarded with an IBM Outstanding Technical Achievement Award, with the notation for development of a new generation of IBM search technology and its deployment on w3.ibm.com. Dr. Fontoura finished his Ph.D. studies in 1999, at the Pontifícia Universidade Católica do Rio de Janeiro (PUC-RJ), in a joint program with the Computer Systems Group, University of Waterloo, Canada. After finishing his Ph.D. Dr. Fontoura was a post-doctoral researcher in the Computer Science Department at Princeton University for one year (1999-2000).

**Maria Carolina Sanchez da Costa** is our Chief Impact & Sustainability Officer. Mrs. Da Costa joined us in October 2023 and has over 22 years of experience in impactful and problem solving projects across education, healthcare, and asset management. Dr. Da Costa was Chief of Innovation, Research, and Education at German Hospital Oswaldo Cruz, where she led a significant restructuring from 2022-23 after being an independent board member of the same institution. In the asset management sector, she was originator, fundraiser and advisor to the regenerative agriculture credit funds based on blended finance at Mauá Capital (now Jive Mauá). She was one of the only two selected climate-finance solutions in Brazil for the Climate Policy Initiative Lab 2021 and the recipient of ANEFAC's 2021 "Innovation in Sustainability" award. In education, she served as VP of all Undergraduate Programs at Insper and led the Entrepreneurship Center and the implementation of the new Engineering Program as well as Paulo Cunha Innovation Hub to support companies' innovation projects. Dr. Da Costa is also a board member of Grupo Boticário's ESG Committee and LATAM board member at Solidaridad Network (Dutch global organization which focuses on sustainable agribusiness), lecturer of critical thinking and ESG investing at Insper, and holds a Ph.D in Education & Cognition from Rutgers University, a B.A. in Public Administration (EAESP-FGV) and a Master's degree in Business and Operations (EAESP-FGV and University of Texas).

**Mateus Costa Biselli** is our Chief Client Officer of Small and Medium Merchant Business since October 2023. Mr. Biselli joined us in 2013 and has held leadership positions in the Sales, People, Operations and SMB Client segment. He was instrumental in developing Stone's distribution channels and operations model from inception, including the implementation and scaling of the Hub Strategy. He graduated in Naval Engineering from the Polytechnic School of the University of São Paulo (USP) and participated in the General Management Program 32 at Harvard Business School in 2022.

**Mateus Scherer Schwening** is our Chief Financial Officer and Investor Relations Officer, positions he has held since June 2023 and July 2023. Mr. Schwening has been a partner at StoneCo since 2015. At StoneCo, he has been responsible for Treasury, Capital Allocation and Strategic Projects in connection with new investments, mergers and acquisitions, capital raises, compensation, among others. Prior to joining the company, he served as an equity analyst for Nucleo Capital, from 2013 to 2015. Mr. Scherer completed a Bachelor of Science (BS) in Economics at Insper.

**Pedro Zinner** was appointed our Chief Executive Officer on March 31, 2023. Prior to that, from 2017 to 2022, Mr. Zinner was the Chief Executive Officer of Eneva S.A. ("Eneva"), one of the leading power-generation companies in Brazil and, from March 2022 to December 2022, Pedro was a Board member of StoneCo. Pedro holds more than 25 years of experience in strategy, risk management and finance and has lead Eneva through its transformation journey during five years to position the company as a leading integrated energy corporation in Brazil. Zinner joined Eneva in 2016 as Chief Financial Officer to be at the forefront of its financial restructuring and initial public offering. Prior to that Zinner has served as Chief Executive Officer of Parnaíba Gas Natural, Brazil's largest on-shore gas producer, and held executive positions at BG Group, in the United Kingdom, as group treasurer and head of tax. Pedro also headed the mining company Vale's Treasury and corporate finance functions and served as global head of corporate risk management in Switzerland. Earlier in his career, Zinner held senior roles in investment banking at Banco Icatu. Pedro holds a Master of Business Administration from Chicago Booth Graduate School of Business and a BA in Economics from Pontifícia Universidade Católica do Rio de Janeiro (PUC-RJ).

**Sandro de Oliveira Bassili** is our Chief Operating Officer of Software since October 2023 and executive of companies in our group since October 2021. Mr. Bassili is the former VP of People of Anheuser-Busch Inbev and member of the Board of Advisors for Grupo Boticário. He spent 27 years with Anheuser-Busch Inbev in different positions. After 19 years of experience in Sales and Marketing, Mr. Bassili had the opportunity to work as VP of People of Latin America North at ABInbev from 2011 to 2014, based in São Paulo. From 2015 to 2018, based in New York, he led the People organization for North America at ABInbev. In June 2020, Mr. Bassili joined Grupo Boticário, one of the biggest beauty companies in Brazil, leading the People, Corporate Affairs, Legal and Transformation Office departments until October 2021. Mr. Bassili holds a Business Administration and Economics degree from Pontifícia Universidade Católica de Goiás (PUC-GO).

**Tatiana Malamud** is our Chief Legal and Compliance Officer since August 2022. Ms. Malamud has 30 years of experience as in-house counsel and head of legal departments of financial institutions, as well as a practicing lawyer in the banking and capital market areas. She worked at Banco Bozano Simonsen, Banco Santander, Banco Safra and Banco Original, and she was a partner at Barbosa Müssnich Aragão Advogados, and founding partner at Malamud Altit Advogados, where she worked before joining the company. Ms. Malamud has a bachelor's degree in law from University of State of Rio de Janeiro – UERJ, and an LLM from Columbia Law School.

**Victor Vieira Lino** is our Chief Client Officer of Micro Merchants Business since October 2023. Mr. Lino joined us in 2017 when he joined our logistics team, overseeing planning and supply chain optimization (POS CAPEX). Subsequently, he played a pivotal role in the inception of Ton, focusing on research and development of products tailored to customer demands. While he initially took on the role of Risk Manager, he quickly transitioned to overseeing Ton's distribution model following its launch. In 2022, Lino was appointed as the Head of Sales for the micro-merchant segment. He graduated in Production Engineering from Federal University of Rio de Janeiro (UFRJ).

**Vinicius do Nascimento Carrasco** is our Chief Economist & Regulatory Affairs Officer, a position he has held since 2018. Prior to joining StoneCo, he was the Planning and Research Executive Officer at the BNDES, having conducted, along with the Central Bank and the Ministry of Finance, the credit reform that led to the creation of the Long Term Interest Rate (TLP). He also regularly acted as a consultant on matters of economics and econometrics, and has provided consulting services for the CVM in connection with the qualitative and econometric evaluation of the auditor rotation policy, for a credit guarantee fund in connection with the role of institutional investors as bank overseers in the reduction of systemic risk, among others. He has published several papers in his field of expertise and has also acted as a contributor for the American Economic Review, Econometrica, Review of Economic Studies, Journal of Economic Theory, Journal of Economic Behavior and Organizations, and Review of Brazilian Econometrics. Mr. Carrasco received a bachelor's degree in economics from the Universidade Federal do Rio Grande do Sul in 1997, a master's degree in economics from the Pontifícia Universidade Católica do Rio de Janeiro (PUC-RJ) in 2000 and a PhD in economics from Stanford University in 2005. He has been a fellow at the economics department of Stanford University, the economics department at Pontifícia Universidade Católica do Rio de Janeiro, the John M. Olin Program in Law and Economics at Stanford Law School and the Stanford Institute for Economic Policy Research. He was an elected affiliated member of the Brazilian Academy of Sciences between 2012 and 2017 and is an Economics Professor at PUC-Rio.

## B. Compensation

### Compensation of Directors and Officers

Under Cayman Islands law, we are not required to disclose compensation paid to our senior management on an individual basis and we have not otherwise publicly disclosed this information elsewhere. For the year ended December 31, 2023, the aggregate compensation expense for the members of the Board of Directors and StoneCo's executive officers for services in all capacities was R\$151.1 million, which includes both benefits paid in kind and variable compensation.

Our executive officers, directors and management receive fixed and variable compensation as well as benefits which are in line with market practice in Brazil. The fixed component is set on market terms and adjusted annually.

The variable component consists of share-based compensation (including both share- and cash-settled awards) as discussed below and certain annual cash performance-based compensation.

We have not entered into any service contracts with our directors to provide for benefits upon termination of employment.

## Employment agreements

None of our executive officers have entered into employment agreement with us.

## Long-Term Incentive Plans (LTIP)

Certain of our employees and other service providers receive share-based compensation under our long-term incentive plans described below. Prior to our initial public offering, we maintained long-term incentive plans that related to shares of our subsidiaries, which, as described throughout this section, were replaced with the StoneCo Long-Term Incentive Plan (LTIP) in connection with the consummation of our initial public offering. All shares underlying awards granted under such plans were exchanged for our Class A common shares. The LTIP is administered by the compensation committee of our Board of Directors or another committee as may be designated by the Board of Directors.

In 2018, certain of the key employees of our subsidiaries held phantom shares, or the Phantom Shares, that entitled participants to receive a cash payment in connection with a qualifying “settlement event” based on a change in control, which payment was determined based on the positive difference between the share price of StoneCo Brasil on the date of the settlement event and the share price of StoneCo Brasil on the grant date.

On September 1, 2018, we adopted the LTIP to enable us to grant equity-based awards to our employees and other service providers with respect to our Class A common shares. At the time of adoption, we reserved a maximum share capacity under the Plan of 7,442,316 Class A common shares (which represents a pool that was approved by our pre-IPO shareholders for equity incentives to our key employees). We also converted all outstanding Phantom Shares into RSU awards and granted RSUs and stock options to certain key employees under the LTIP to incentivize and reward such individuals in connection with the successful completion of our initial public offering. These awards were scheduled to vest over a four-, five-, seven- and ten-year period, subject to and conditioned upon continued service through the applicable vesting date and the achievement of certain performance conditions, which were already achieved.

In order to better align incentives between our employees and our shareholders and to retain our talent, the Board approved additional share pools, under the LTIP since the initial adoption of the LTIP. In February 2021, the Board approved an additional share pool under the LTIP of 2,426,906 shares, from which we granted RSUs to certain key employees to incentivize and reward such individuals. These awards were scheduled to vest over a one- to ten-year period.

In May 2021, the Board approved an additional share pool under the LTIP of 4,070,000. We granted Performance Share Unit (PSUs) to certain key employees under the LTIP to incentivize and reward such individuals, which vest based on the achievement of a specified Total Shareholder Return (TSR). These awards were scheduled to vest over a five-year period.

On May 31, 2022, the Board approved an amendment and restatement of the LTIP for the purpose of adopting a new equity-based incentive plan pool, comprised of 19.2 million shares to be granted in the form of RSUs and PSUs under the LTIP. A portion of the pool, 5.8 million shares, was approved for the grant of non-recurring long-term incentive plan awards, vesting of which is linked to the achievement of our annual goals and the performance of our stock price, of which 30% is to be vested in 3 years and 70% in 5 years if our goals are met. Each vesting period has a stock price trigger at multiples of our stock price, which aligns the incentive with significant shareholder returns. Another portion of the pool, 1.7 million shares, was approved for the grant of regular annual equity incentive compensation.

Until December 31, 2022, share-based compensation expenses related to our non-recurring long-term incentive plan were adjusted in our financial statements, similar to our IPO incentive plan, while share-based compensation expenses related to our regular annual equity compensation were not given its recurring nature. Since January 1, 2023, we no longer adjust any share-based compensation expenses in our adjusted net income.

As of December 31, 2023, there were RSUs and PSUs and stock options outstanding with respect to 20,779,764 Class A common shares, including 45,159 stock options with a weighted average exercise price of US\$24.69. The remaining portion of the pool, 7,451,468 shares, will be used in the future at our discretion either for recurring annual compensation or related to the non-recurring long-term incentive plan mentioned above.

Assuming achievement of these vesting conditions, awards will be settled in, or exercised for, our Class A common shares. If the applicable vesting conditions are not achieved, the awards will be forfeited for no consideration.

## C. Board practices

### Board Diversity Matrix

Board Diversity Matrix (as of April 23, 2024)

Country of Principal Executive Offices	Cayman Islands			
Foreign Private Issuer	Yes (the Cayman Islands)			
Disclosure Prohibited under Home Country Law	No			
Total Number of Directors	7			
	<b>Female</b>	<b>Male</b>	<b>Non-Binary</b>	<b>Did Not Disclose Gender</b>
<b>Part I: Gender Identity</b>				
Directors	1	6	0	0
<b>Part II: Demographic Background</b>				
Underrepresented Individual in Home Country Jurisdiction	0	0	0	0
LGBTQ+	0	0	0	0
Did not Disclose Demographic Background	0	0	0	0

### Committees of the Board of Directors

Our Board of Directors has four standing committees: the audit committee, the people and compensation committee, the finance committee and the risk committee. As per the below, the finance and risk committee was split into finance committee and risk committee in 2023.

#### *Audit Committee*

The audit committee, which consists of Diego Fresco Gutierrez, Luciana Ibiapina Lira Aguiar and Mauricio Luis Luchetti, assists our board of directors in overseeing our accounting and financial reporting processes and the audits of our financial statements. In addition, the audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. Diego Fresco Gutierrez is the chairman of the committee. The audit committee consists exclusively of members of our Board of Directors who are financially literate, and Diego Fresco Gutierrez, Luciana Ibiapina Lira Aguiar and Mauricio Luis Luchetti are considered “audit committee financial experts” as defined by the SEC. Our Board of Directors has determined that Diego Fresco Gutierrez, Luciana Ibiapina Lira Aguiar and Mauricio Luis Luchetti satisfy the “independence” requirements of Section 5605 of the Corporate Governance Rules of Nasdaq and Rule 10A-3 under the Exchange Act. SEC and Nasdaq rules with respect to the independence of our audit committee require that all members of our audit committee must meet the independence standard for audit committee membership within one year of the effectiveness of the registration statement for our initial public offering. The audit committee consists entirely of independent directors as of the date of this annual report. The audit committee is governed by a charter that complies with applicable Nasdaq rules, which charter is posted on our website.



### ***People and Compensation Committee***

As of December 31, 2023, our people and compensation committee was composed of André Street de Aguiar, Mauricio Luis Luchetti and Conrado Engel. Since our AGM held on April 23, 2024, our people and compensation committee is composed of Mauricio Luis Luchetti, Silvio José Morais and Thiago Dos Santos Piau. Mauricio Luis Luchetti is the chairman of the committee. The people and compensation committee assists the Board of Directors in reviewing and approving the compensation structure, including all forms of compensation and identification of corporate goals and objectives to evaluate our directors and executive officers. The committee reviews the total compensation package for our executive officers and directors, considering the relevant goals and objectives, and recommends to the Board of Directors for determination of the compensation of each of our directors and executive officers. The committee will also periodically review and approve any long-term incentive compensation or equity plans, programs, policies, plans or similar arrangements, annual bonuses, employee pension and benefits plans, as well as review our management succession planning periodically with the Chief Executive Officer and periodically review and assess risks arising from our employee compensation policies and practices. As permitted by the listing requirements of Nasdaq, we have opted out of Nasdaq Listing Rule 5605-5(d) which requires that a compensation committee consist entirely of independent directors. The people and compensation committee is governed by a charter that is posted on our website.

### ***Finance Committee***

The finance committee, which consist of Silvio José Morais, Diego Fresco Gutierrez and Thiago dos Santos Piau, assists the Board of Directors with decisions regarding matters within the areas of their experience and expertise, which may include but are not limited to management of our exposure to financial risk; our capital allocation and capital management strategy, including the cost of capital, capital structure, investments and returns; our indebtedness, debt management and capital markets operations and goals relating to our financial position. Silvio José Morais is the chairman of the committee.

### ***Risk Committee***

As of December 31, 2023, the risk committee was composed of Patricia Regina Verderesi Schindler, Conrado Engel and Luciana Ibiapina Lira Aguiar. Since our AGM held on April 23, 2024, our risk committee is composed of Luciana Ibiapina Lira Aguiar, José Alexandre Scheinkman and Gilberto Caldart. Luciana Ibiapina Lira Aguiar is the chairperson of the committee. The risk committee assists the Board of Directors in overseeing our capital management and risk management frameworks, including risk appetite and overseeing our compliance with legal and regulatory requirements associated with them.

### **Foreign Private Issuer Status**

We currently follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of Nasdaq in respect of the following:

- the requirement under Section 5605(d) of Nasdaq listing rules that a compensation committee comprised solely of independent directors governed by a compensation committee charter oversee executive compensation;
- the requirement under Section 5605(e) of Nasdaq listing rules that director nominees be selected or recommended for selection by either a majority of the independent directors or a nominations committee comprised solely of independent directors;
- the requirement under Section 5605(b)(2) of Nasdaq listing rules that the independent directors have regularly scheduled meetings with only the independent directors present; and
- Nasdaq Rule 5635, which requires that a listed issuer obtains shareholder approval prior to an issuance of securities in connection with: (i) the acquisition of the stock or assets of another company; (ii) equity-based compensation of officers, directors, employees or consultants; (iii) a change of control; and (iv) transactions other than public offerings. Pursuant to the laws of the Cayman Islands and our Articles of Association, we are not required to obtain any such approval.

Cayman Islands law does not impose a requirement that the board consists of a majority of independent directors or that such independent directors meet regularly without other members present. Cayman Islands law does not impose specific requirements on the establishment of a compensation committee or nominating committee or nominating process.

## D. Employees

As of December 31, 2023, 2022 and 2021 we had 17,091, 16,685 and 17,685 full-time employees, respectively. As of December 31, 2023, 4,106 of these employees were based in our offices in São Paulo, 2,963 of these employees were based in our offices in Rio de Janeiro, and 10,022 were based in other cities elsewhere in Brazil and in other countries, mainly in Latin America, due to our Napse operation. We also engage consultants as needed to support our operations.

The table below breaks down our full-time personnel by function as of December 31, 2023:

Function	Number of Employees	% of Total	Number of Employees	
	2023		2022	2021
Administrative	2,227	13.0 %	2,199	2,189
Operations	4,472	26.2 %	4,839	5,115
Technology and Product Development	4,800	28.1 %	4,608	4,194
Sales and Marketing	5,592	32.7 %	5,039	6,187
<b>Total</b>	<b>17,091</b>	<b>100%</b>	<b>16,685</b>	<b>17,685</b>

Our employees in Brazil are affiliated with the labor unions of independent sales agents and of consulting, information, research and accounting firms for the geographic area in which they render services. We believe we have a constructive relationship with these unions, as we have never experienced strikes, work stoppages or disputes leading to any form of downtime.

None of our executive officers have entered into employment agreements with us.

## E. Share ownership

The following table presents the beneficial ownership of our shares owned, on the base date of March 31, 2024, by our current directors and officers (as well as by the directors and officers that left their duties after December 31, 2023). Other than those persons listed below, none of our directors or officers beneficially own any of our shares.

	Shares Beneficially Owned				% of Total Voting Power <sup>(1)</sup>
	Class A		Class B		
	Shares	%	Shares	%	
André Street de Aguiar <sup>(2)(3)</sup>	4,452,650	1.53%	16,925,909	90.27%	36.36%
André Monteiro D'Almeida Monteiro	*	*	—	—	*
Conrado Engel <sup>(3)</sup>	—	—	—	—	—
Diego Fresco Gutierrez	—	—	—	—	—
Diego Ventura Salgado	—	—	—	—	—
Fabio Vieira Kapitanovas	—	—	—	—	—
João Lourenço Vivan Bernartt	—	—	—	—	—
Gilberto Caldart	*	*	—	—	*
José Alexandre Scheinkman	*	*	—	—	*
Lia Machado de Matos	*	*	—	—	*
Luciana Ibiapina Lira Aguiar	—	—	—	—	—
Marcus Felipe Montenegro Carvalho da Fontoura	*	*	—	—	*
Maria Carolina Sanchez da Costa	—	—	—	—	—
Mateus Costa Biselli	*	*	—	—	*
Mateus Scherer Schwening	*	*	—	—	*
Mauricio Luis Luchetti	*	*	—	—	*
Patricia Regina Verderesi Schindler <sup>(3)</sup>	—	—	—	—	—
Pedro Zinner	*	*	—	—	*
Sandro de Oliveira Bassili	*	*	—	—	*
Silvio José Morais	*	*	—	—	*
Tatiana Malamud	—	—	—	—	—
Thiago dos Santos Piau	*	*	—	—	*
Victor Vieira Lino	—	—	—	—	—
Vinicius do Nascimento Carrasco	*	*	—	—	*
All directors and senior management as a group (24 persons)	6,731,915	2.3%	16,965,987	90,2%	36.80%

\* Each of these directors and officers beneficially owns less than 1% of the total number of outstanding Class A common shares.

<sup>(1)</sup> Percentage of total voting power represents voting power with respect to all of our Class A common shares and Class B common shares, as a single class. Holders of our Class B common shares are entitled to 10 votes per share, whereas holders of our Class A common shares are entitled to one vote per share.

<sup>(2)</sup> Shares beneficially owned consists of (i) 1,286,022 Class B and 2,120,417 Class A Common Shares held of record by VCK Investment Fund Limited (SAC) A (“VCK A”), a segregated account of VCK Investment Fund Limited (SAC) (“VCK”), (ii) 683,926 Class B and 2,190,112 Class A common shares held of record by Cakubran Holdings Ltd., a company controlled by VCK A and (iii) 14,955,142 Class B Common Shares held of record by HR Holdings, LLC, a company controlled by ACP Investments Ltd. — Arpex Capital, in turn jointly controlled by VCK A. Mr Street may be deemed to have voting and dispositive power over the shares of HR Holdings, LLC and Cakubran Holdings Ltd.

<sup>(3)</sup> In the context of the Board Transition, André Street de Aguiar, Conrado Engel and Patricia Regina Verderesi Schindler did not seek re-election at the AGM, having completed their terms as directors of the company on April 23, 2024.

## F. Disclosure of a registrant’s action to recover erroneously awarded compensation

We have adopted a compensation recoupment policy on November 3, 2023. Please see Exhibit 97.1 to this annual report.

We have not been required to prepare an accounting restatement at any time during or after our last completed fiscal year and no recovery of awarded compensation is required pursuant to our compensation recoupment policy.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. Major shareholders

The following table and accompanying footnotes present information relating to the beneficial ownership of our Class A common shares and Class B common shares as of March 31, 2024. We are not aware of any other shareholder that beneficially owns more than 5% of our common shares nor of any arrangements the operation of which may at a subsequent date result in a change of our control.

The number of common shares beneficially owned by each entity, person, executive officer or director is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has sole or shared voting power or investment power as well as any shares that the individual has the right to acquire within 60 days through the exercise of any option, warrant or other right.

Except as otherwise indicated, and subject to applicable community property laws, we believe that each shareholder identified in the table below possesses sole voting and investment power over all the Class A common shares or Class B common shares shown as beneficially owned by the shareholder in the table. Percentages in the table below are based on 290,251,018 outstanding Class A common shares and 18,748,770 outstanding Class B common shares as of March 31, 2024.

	Shares Beneficially Owned				% of Total Voting Power <sup>(1)</sup>
	Class A		Class B		
	Shares	%	Shares	%	
<b>5% Shareholders</b>					
HR Holdings LLC <sup>(2)</sup>	—	— %	14,955,142	79.77 %	31.30 %
Madrone Partners L.P. <sup>(3)</sup>	25,339,276	8.73 %	—	—	5.30 %
BlackRock, Inc. <sup>(4)</sup>	21,429,208	7.38 %	—	—	4.49 %
The Pontes Family Trust <sup>(5)</sup>	141,693	0.05 %	1,823,680	9.73 %	3.85 %
VCK Investment Fund Limited SAC A <sup>(6)</sup>	2,120,417	0.73 %	1,286,022	6.86 %	3.14 %

<sup>(1)</sup> Percentage of total voting power represents voting power with respect to all of our Class A common shares and Class B common shares, as a single class. Holders of our Class B common shares are entitled to 10 votes per share, whereas holders of our Class A common shares are entitled to one vote per share.

<sup>(2)</sup> Mr. Street may be deemed to have voting and dispositive power over the shares of HR Holdings LLC and Cakubran Holdings Ltd that are distributed as follows (i) 683,926 Class B and 2,190,112 Class A Common shares held of record by Cakubran Holdings Ltd., a company controlled by VCK Investment Fund Limited (SAC A), and (ii) 14,955,142 Class B Common shares held of record by HR Holdings LLC, a company also controlled by VCK A. Please refer to footnote 6 for additional information around VCK A. The business address of HR Holdings LLC is 108 West 13th Street, Wilmington, Delaware 19801 - New Castle. The business address of Cakubran Holdings Ltd is Campbells Corporate Services Limited, 4th Floor, Willow House, Cricket Square, George Town, Grand Cayman KY1-9010, Cayman Islands.

<sup>(3)</sup> The information in the above table concerning Madrone Partners L.P. was obtained from a Schedule 13F filed with the Securities and Exchange Commission by Madrone Partners L.P. on February 13, 2024 reporting beneficial ownership as of December 31, 2023. Consists of common shares held of record by Madrone Partners, L.P. Madrone Capital Partners, LLC is the general partner of Madrone Partners, L.P. Thomas Patterson, Greg Penner and Jameson McJunkin are managing members of Madrone Capital Partners, LLC and may be deemed to have voting and dispositive power over the shares held by Madrone Partners, L.P. The address of each of these entities is 1149 Chestnut Street, Suite 200, Menlo Park, CA 94025.

<sup>(4)</sup> The information in the above table concerning BlackRock, Inc. was obtained from a Schedule 13G filed with the Securities and Exchange Commission by BlackRock, Inc. on February 6, 2024 reporting beneficial ownership as of December 31, 2023. BlackRock, Inc. beneficially owns 21,429,208 of our common shares; has sole voting power with respect to 20,303,445 shares, and sole dispositive power with respect to 21,429,208 shares. The address of BlackRock, Inc.'s principal business office is 50 Hudson Yards, New York, NY 10001.

<sup>(5)</sup> VITI Jersey Limited Partnership ("VITI") is the record holder of 8,452,383 Class A Common shares. VITI is a limited partnership, the sole limited partner of which is Vistra Trust Company (Jersey) Limited acting in its capacity as trustee of the Old Bridges Trust. The general partner of VITI is also wholly owned by the trustee of the Old Bridges Trust. The Old Bridges Trust was settled by Mr. Pontes, who retains a right of revocation over the Old Bridges Trust and is therefore the ultimate beneficial owner of the assets of the Old Bridges Trust. Vistra Trust Company (Jersey) Limited also acts in capacity as trustee of The Pontes Family Trust, which is the beneficial owner of 1,823,680 Class B common shares and 141,693 Class A common shares. The Pontes Family Trust was settled by Mr. Pontes, who retains a right of revocation over The Pontes Family Trust and is therefore the ultimate beneficial owner of the assets of the Pontes Family Trust, however share voting and investment power lies with the trustees of The Pontes Family Trust. Mr. Pontes also holds interests in 230,822 Class A Common shares through TCB Investments Limited Partnership ("TCB"), a Bahamian limited partnership. The business address of VITI is 4th Floor, St Paul's Gate, 22/24 New Street, St Helier, Jersey JE14TR. The business address of TCB is 2nd Floor, Goodman's Bay Corporate Centre West Bay Street, P.O. Box SP-61567 Nassau, Bahamas. The address of Old Bridges Trust and The Pontes Family Trust is 4th Floor, St Paul's Gate, 22/24 New Street, St Helier, Jersey JE14TR.

<sup>(6)</sup> Mr Street is the primary investor of VCK Investment Fund Limited (SAC) A ("VCK A"), a segregated account of VCK Investment Fund Limited (SAC) ("VCK") which is the owner of 1,286,022 Class B and 2,120,417 Class A Common Shares held of record by VCK Investment Fund Limited (SAC) A ("VCK A"), a segregated account of VCK Investment Fund Limited (SAC) ("VCK"). The business address of VCK A is 2nd floor Bahamas Financial Centre, Shirley & Charlotte Streets, Nassau, Bahamas.

## Shareholders Agreement

The Shareholders Agreement grants certain board nomination rights to our founder shareholders, which are also included in our Articles of Association, and certain consent rights such that for so long as founder shareholders own at least 15% of the voting power of our common shares then outstanding, we agree not to take, or permit our subsidiaries to take, certain actions, such as incurring indebtedness in excess of our net equity, entering into a transaction that would result in a Change of Control (as defined therein), entering into a merger, consolidation, reorganization or other business combination, taking any steps to liquidate or declare bankruptcy or insolvency, issue any capital shares other than pursuant to the Long Term Incentive Plan (LTIP), acquire or dispose of assets in excess of 20% of our fair market value, or approve any annual compensation of officers and directors, without the approval of our founder shareholders. Additionally, for as long as our founder shareholders and their affiliates hold at least 5% of the total voting power of our outstanding share capital, our founder shareholders and their designated representatives will have certain information and access rights to our management. See “Item 6. Directors, Senior Management and Employees—A. Directors and senior management—Board of Directors.”

On April 28, 2023, in connection with our corporate restructuring, our founder shareholders executed an irrevocable waiver to formally waive certain rights provided under our Articles of Association and the Shareholders Agreement (“Waiver”), including their rights to nominate/appoint/remove designees/directors to or from our Board of Directors and their consent rights in relation to a merger, consolidation, reorganization or other business combination other than with third-parties and any amendments to our Articles of Association, which they had already agreed and committed not to exercise since November 29, 2022.

In the context of the Waiver and of the Board Transition, the relevant parties entered into an amendment to the Shareholders Agreement (“Amendment to the Shareholders Agreement”) in order to: (i) reflect and formalize the commitments made under the Waiver; and (ii) grant certain additional rights (that are subject to certain circumstances set forth in the Shareholders Agreement) to the signatories of the Shareholders Agreements, such as: (a) the right to nominate/appoint at least 1 designee/director (or if the size of the Board is increased to more than 11 members, 10% of the total number of directors, rounded upward to the nearest whole number); and (b) the right to elect and appoint a director to act as the chairman of Board. For a copy of the Amendment to the Shareholders Agreement, please refer to exhibit 4.10 to this annual report.

For avoidance of doubt: (i) the rights mentioned in item “ii” of the paragraph above are subject to the relevant shareholders holding at least a certain percentage (as indicated in the Shareholders Agreement) of the total voting powers of the shares of the Company; and (ii) the right to nominate/appoint a director means the right to submit such nominated/designated director for the approval of the Annual General Meeting of the Company.

## B. Related party transactions

We have outstanding loans with some investees in the amount of R\$2.5 million as of December 31, 2023 and R\$3.9 million as of December 31, 2022. In March 2024, the loan between the companies STNE Par and Trinks was settled. No loans have been granted to any of our directors or executive officers.

As of December 31, 2023, there is no allowance for expected credit losses on related parties’ receivables. No guarantees were provided or received in relation to any accounts receivable or payable involving related parties.

## Services Agreement and Reimbursements

On January 2, 2014, DLP Capital LLC, our wholly owned subsidiary, entered into a services agreement with Genova Consultoria e Participações Ltda., or Genova, an entity controlled by Mr. André Street de Aguiar, former Chairman of our Board of Directors, and Mr. Eduardo Cunha Monnerat Solon de Pontes, former director of the Company, to engage Genova for certain consulting and management services. The services agreement had an initial term of 60 months with termination on January 2, 2019. The agreement was automatically renewed. We also incurred in travel expenses reimbursement costs with VCK Investment Fund Ltd, or VCK, and Zurich Consultoria e Participações Ltda., or Zurich, entities also controlled by Mr. André Street de Aguiar. Zurich is controlled by Mr. Eduardo Cunha Monnerat Solon de Pontes. Therefore, we recognized an expense in the line item “entity controlled management personnel R\$1.531 million to Genova, Zurich and VCK pursuant to the services agreement and reimbursement expenses for the years ended on December 31, 2021. In 2022 and 2023, we did not have an expense agreement with such companies. For further information, see note 13 to our consolidated financial statements.

### **Cost Services Agreements**

Our subsidiary Stone Instituição de Pagamento S.A. ("Stone Pagamento") entered into an agreement with our associates Alpha-Logo Serviços de Informática S.A., APP Sistemas S.A., DentalOffice and Trinks Serviços de Internet SA. Under this agreement, Stone Instituição de Pagamento operates in the electronic means of payment market, accrediting commercial establishments to accept cards with credit and debit functions (multiple or not) ("Cards") as a form of payment upon acquisition of goods and/or services in Brazil ("Transactions"), providing technological solutions, means of connection and/or other related services to capture, processing, transmit and settling Transactions ("Acquiring Activities").

The agreement refers to the contracting of accreditation services and accreditation expenses between Stone Pagamento and associates. The amounts that the associates are based on accreditation services only.

### **Registration Rights Agreement**

We have entered into a Registration Rights Agreement, or the Registration Rights Agreement, with our founder shareholders (Cakubran Holdings Ltd., HR Holdings, LLC and VCK Investment Fund Limited SAC), Madrone Partners L.P. and our directors and officers.

At any time that our founder shareholders and Madrone Partners L.P. are no longer subject to lock-up agreements entered into with the underwriters of our initial public offering, subject to several exceptions, including underwriter cutbacks and our right to defer a demand registration under certain circumstances, our founder shareholders and Madrone Partners L.P. may require that we register for public resale under the Securities Act all common shares constituting registrable securities that they request be registered so long as the securities requested to be registered in each registration statement have an aggregate estimated market value of at least \$25 million.

If we propose to register any of our securities under the Securities Act for our own account or the account of any other holder (excluding any registration related to employee benefit plan, a corporate reorganization, other Rule 145 transactions, in connection with a dividend reinvestment plan or for the sole purpose of offering securities to another entity or its security holders in connection with the acquisition of assets or securities of such entity), our founder shareholders and Madrone Partners L.P. and certain of our executive officers, are entitled to notice of such registration and to request that we include registrable securities for resale on such registration statement, and we are required, subject to certain exceptions, to include such registrable securities in such registration statement.

In connection with the transfer of their registrable securities, the parties to the Registration Rights Agreement may assign certain of their respective rights under the Registration Rights Agreement under certain circumstances. In connection with the registrations described above, we will indemnify any selling shareholders and we will bear all fees, costs and expenses (except underwriting discounts and spreads).

### **Related Person Transaction Policy**

Our related person transaction policy states that any related person transaction must be approved or ratified by our audit committee. In determining whether to approve or ratify a transaction with a related person, our audit committee will consider all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms, of the transaction the benefit and perceived benefit, or lack thereof, to us, opportunity costs of alternate transaction, the materiality and character of the related person's direct or indirect interest and the actual or apparent conflict of interest of the related person. Our audit committee will not approve or ratify a related person transaction unless it has determined that, upon consideration of all relevant information, such transaction is in, or not inconsistent with, our best interests and the best interests of our shareholders.

### **Indemnification Agreements**

We have entered into indemnification agreements with our directors and executive officers. The indemnification agreements and our Articles of Association require us to indemnify our directors and executive officers to the fullest extent permitted by law.

**C. Interests of experts and counsel**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION****A. Consolidated statements and other financial information**

See “Item 18. Financial statements.”

***Legal proceedings***

From time to time, we are involved in disputes that arise in the ordinary course of our business. Any claims against us, whether meritorious or not, can be time-consuming, result in costly litigation, require significant management time and result in the diversion of significant operational resources.

We are subject to a number of judicial and administrative proceedings in the Brazilian court systems, including civil, labor and tax law claims and other proceedings, which we believe are common and incidental to business operations in Brazil, in general. We recognize provisions for legal proceedings in our financial statements, in accordance with accounting rules, when we are advised by independent outside counsel that (i) it is probable that an outflow of resources will be required to settle the obligation and (ii) a reliable estimate can be made of the amount of the obligation. The assessment of the likelihood of loss includes analysis by outside counsel of available evidence, the hierarchy of laws, available case law, recent court rulings and their relevance in the legal system. Our provisions for probable losses arising from these matters are estimated and periodically adjusted by management. In making these adjustments our management relies on the opinions of our external legal advisors.

*March 2023* - The previous approach disclosed possible losses based solely on the total amount claimed in both civil and labor disputes. In March 2023, a more sophisticated methodology was used that considers actual losses incurred by in similar cases. Under the revised criteria possible losses are based on the actual historical costs in the respective judicial courts for similar cases. In general, upon final determination, actual losses are a fraction of the total amounts claimed, and as a result, total possible civil and labor contingencies disclosed were reduced.

*December 2023* - The previous criteria considered a loss to be probable on a case-by-case basis which generally occurred once an adverse decision had been handed down for that lawsuit. In December 2023, the criteria was modified for individually non-significant lawsuits of a similar nature. Under the revised methodology, individually non-significant lawsuits of a similar nature such as a portfolio, are measured, grouped and provided to cover the losses based on the most recent 12-month average loss for these types of lawsuits. For individually significant losses or those of a non-repetitive nature, we continue to assess the probability and the amount of the losses considered probable on a case-by-case basis.

As of December 31, 2023, we have provisions recorded in our financial statements in connection with legal proceedings for which we believe a loss is probable in accordance with accounting rules, in an aggregate amount of R\$208.9 million and have made judicial deposits in an aggregate amount of R\$22.5 million, as of December 31, 2023. However, legal proceedings are inherently unpredictable and subject to significant uncertainties. If one or more cases were to result in a judgment against us in any reporting period for amounts that exceeded our management’s expectations, the impact on our operating results or financial condition for that reporting period could be material. See “Risk Factors—Risks Relating to Legal and Regulatory Matters—The costs and effects of pending and future litigation, investigations or similar matters, or adverse facts and developments related thereto, could materially affect our business, financial position and results of operations..” For further information, see note 14 to our consolidated financial statements.

***Civil matters***

As of December 31, 2023, we were party to 8,014 judicial and administrative proceedings of a civil nature. We recorded a provision of R\$35.9 million for the portion of these lawsuits considered as a probable loss. We believe these lawsuits are unlikely to have a material adverse impact, individually or in aggregate, on our results of operations or financial condition. For further information, see note 14.3 to our consolidated financial statements.

***Labor matters***

As of December 31, 2023, we were party to 1,925 labor-related judicial and administrative proceedings to which chances of loss are estimated as probable, for which R\$39.7 million was recorded as a provision in our audited financial statements. In general, the labor claims to which we are a party were filed by former employees or third-party employees seeking our joint and/or secondary liability for the acts of our suppliers and service providers. The principal claims involved in these labor lawsuits relate to our secondary liability, overtime payment, salary differences (union framing), termination fees, profit and result sharing and other indemnities based on Brazilian labor laws. We believe these proceedings are unlikely to have a material adverse impact, individually or in aggregate, on our results of operations or financial condition. For further information, see note **14.3** to our consolidated financial statements.

***Tax and social security matters***

As of December 31, 2023, we recorded a provision of R\$133.3 million, regarding tax and social security matters in our audited financial statements. Under business combination rules, we recognized a provision for tax treatments adopted when calculating income tax and social contribution on net income.

During 2022 and 2023, we received tax assessments issued by a municipal tax authority related to the allegedly insufficient payment of tax on services rendered. As of December 31, 2023, the updated amount of such claims is R\$129.1 million, compared to R\$93.6 million as of December 31, 2022. The cases, classified as possible losses, are being challenged at the administrative level of the court.

***Material proceedings with adverse director, management or affiliate***

None.

***Class Action***

On November 19, 2021, Ronald F. Ray filed a putative securities class action against StoneCo Ltd., Thiago dos Santos Piau, Lia Machado de Matos, Rafael Martins Pereira and Marcelo Baldin. On December 7, 2021, Landon Depue filed a substantially similar complaint against the same parties. On January 18, 2022, six potential class members moved for consolidation of both actions and for appointment as lead plaintiff (Tulsi Chaulagain, Indiana Public Retirement System, Audrey Holdings Group Limited, Bandana Neupane Poudel, Tan Seh Yii, and Paul Foden). On May 2, 2022, the Court consolidated the related actions and appointed Indiana Public Retirement System as Lead Plaintiff.

Lead Plaintiff filed an Amended Complaint on August 7, 2022. The Amended Complaint added as Defendants Andre Street de Aguiar and Eduardo Cunha Monnerat Solon de Pontes. The Amended Complaint alleges, among other things, that Defendants made misrepresentations regarding the risks and profitability of its credit product and failed to disclose changes to our credit check process. Lead Plaintiff alleges that these purportedly material misstatements and omissions artificially inflated the value of our stock. We moved to dismiss the Amended Complaint on November 7, 2022. The motion has been fully briefed since February 13, 2023, and the parties are now awaiting a decision on the motion to dismiss. There were no updates regarding this class action until the date of the filing of this 20-F.

The total amount at issue is not currently determinable at this stage of the lawsuit. We believe the suit lacks merit and intend to defend ourselves against all claims, although we cannot predict the outcome.

***Dividends and dividend policy***

We currently intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be made at the discretion of our Board of Directors and will depend on various factors, including applicable laws, our results of operations, financial condition, future prospects and any other factors deemed relevant by our Board of Directors.

Under the Cayman Companies Act and our Articles of Association, a Cayman Islands company may pay a dividend out of either its profit or share premium account, but a dividend may not be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. According to our Articles of Association, dividends can be declared and paid out of funds lawfully available to us, which include the share premium account. Dividends, if any, would be paid in proportion to the number of common shares a shareholder holds. For further information, see “Item 10. Additional Information—E.Taxation—Cayman Islands Tax Considerations.”



Additionally, please refer to “Risk Factors—Risks Relating to Our Business and Industry—Our holding company structure makes us dependent on the operations of our subsidiaries.” Our ability to pay dividends is directly related to positive and distributable net results from our Brazilian subsidiaries. If, due to new laws or bilateral agreements between countries, our Brazilian subsidiaries are unable to pay dividends to Cayman Islands companies such as us, or if Cayman Islands companies such as us become incapable of receiving them, we may not be able to make dividend payments in the future.

## **B. Significant changes**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

## **ITEM 9. THE OFFER AND LISTING**

### **A. Offer and listing details**

Not applicable.

### **B. Plan of distribution**

Not applicable.

### **C. Markets**

In October 2018, we completed our initial public offering and listed our common shares on the Nasdaq Global Select Market. In April 2019, we completed a secondary follow on offering for 19.5 million Class A common shares. In August 2020, we completed a primary follow on offering for 31.5 million Class A common shares, including the exercise of the underwriter’s option. On June 11, 2021, we issued our inaugural dollar bond, raising US\$500 million in 7-year notes in minimum denominations of US\$200,000.00 and integral multiples of US\$1,000.00 in excess thereof. The bonds accrue interest at 3.95%, payable semiannually arrears on June 16 and December 16 of each year, commencing on December 16, 2021. The notes will mature on June 16, 2028. We used most of the proceeds from this inaugural bond to fund our investment in Banco Inter in 2021. The total bond issuance was equivalent to R\$2,510.4 million, of which R\$2,477.4 million is net of the offering transaction costs that will be amortized over the course of the bond. With the sale of our stake in Banco Inter, we can use the proceeds to fund our operation or for corporate purposes. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and capital resources—Issuance of Inaugural Bonds.” Our common shares have been listed on the Nasdaq Global Select Market under the symbol “STNE” since October 25, 2018. Following StoneCo’s business combination with Linx closed on July 1, 2021, we launched a sponsored Brazilian Depository Receipts (BDRs) program, in accordance with the regulation of the Brazilian securities and exchange commission (*Comissão de Valores Mobiliários - CVM*). This enabled holders of Linx’s shares traded in the Brazilian market to receive StoneCo BDRs Level 1 as part of the consideration paid by STNE Par to Linx shareholders in the context of the transaction.

### **D. Selling shareholders**

Not applicable.

### **E. Dilution**

Not applicable.

### **F. Expenses of the issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION****A. Share capital**

Not applicable.

**B. Memorandum and articles of association**

The following description of our share capital summarizes certain provisions of our Articles of Association. Such summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of our Articles of Association. Prospective investors are urged to read the exhibits incorporated by reference for a complete understanding of our Articles of Association.

**General**

We are a Cayman Islands exempted company with limited liability duly registered with the Cayman Islands Registrar of Companies. Our constitutional documents consist of our Articles of Association. Our corporate purposes are unrestricted and we have the authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Cayman Companies Act, or the Cayman Companies Act generally.

Our affairs are governed principally by: (1) our Articles of Association; (2) the Cayman Companies Act; and (3) the common law of the Cayman Islands. As provided in our Articles of Association, subject to Cayman Islands law, we have full capacity to carry on or undertake any business or activity, do any act or enter into any transaction, and, for such purposes, full rights, powers and privileges. Our registered office is at Harneys Fiduciary (Cayman) Limited, Fourth Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and our office is located at Block 12D Parcel 33 and 95, 18 Forum Lane, Camana Bay, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. Our principal executive office is located at Av. Doutora Ruth Cardoso, No. 7,221, 20th floor, São Paulo—SP, 05425-902, Brazil. Our operational hubs are located in (i) São Paulo, at Av. Doutora Ruth Cardoso, No. 7,221, Birmann 21, São Paulo/SP, Postal Code 05425-902, Brazil and at Av. Brigadeiro Faria Lima, No. 3,064, Jardim Paulista, São Paulo/SP, Postal Code 01451-001, Brazil, and (ii) Rio de Janeiro, at Rua do Passeio, No. 38/40, Centro, Rio de Janeiro/RJ, Postal Code 20021-290, Brazil. In addition, we also have operational hubs located in Argentina, Uruguay, Mexico, Peru and Chile.

The following is a summary of the material provisions of our shares and our Articles of Association. This discussion does not purport to be complete and is qualified in its entirety by reference to our Articles of Association. The form of our Articles of Association is incorporated by reference to this annual report.

**Share Capital**

Our Articles of Association authorize two classes of common shares: Class A common shares, and Class B common shares. Any holder of Class B common shares may convert his or her shares at any time into Class A common shares on a share-for-share basis. The rights of the two classes of common shares are otherwise identical, except as described below.

Our authorized share capital is US\$50,000 divided into 630,000,000 shares of a par value of US\$0.000079365 each.

The authorized but unissued shares are presently undesignated and may be issued by the Board of Directors as common shares of any class or as shares with preferred, deferred or other special rights or restrictions.

As of December 31, 2023, 295,498,750 Class A common shares and 18,748,770 Class B common shares were issued, fully paid and including 5,311,421 Class A common shares in treasury.

**Treasury Shares**

As of December 31, 2023, we hold 5,311,421 Class A common shares in treasury.

### **Class A and Class B Common Shares**

Holders of our Class A and Class B common shares who are nonresidents of the Cayman Islands may freely hold and vote their shares.

The following summarizes the rights of holders of our Class A and Class B common shares:

- each holder of Class A common shares is entitled to one vote per share on all matters to be voted on by shareholders generally, including the election of directors;
- each holder of Class B common shares is entitled to 10 votes per share on all matters to be voted on by shareholders generally, including the election of directors;
- the holders of our Class A common shares and Class B common shares are entitled to dividends and other distributions as may be recommended and declared from time to time by our Board of Directors out of funds legally available for that purpose, if any; and
- upon our liquidation, dissolution or winding-up, each holder of Class A common shares and Class B common shares will be entitled to share equally on a pro rata basis in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities.

The Articles of Association provide that at any time when there are Class A common shares in issue, Class B common shares may only be issued pursuant to: (a) a share split, subdivision or similar transaction or as contemplated in the Articles of Association; or (b) a business combination involving the issuance of Class B common shares as full or partial consideration. A business combination, as defined in the Articles of Association, would include, amongst other things, a statutory amalgamation, merger, consolidation, arrangement or other reorganization.

### **Share Repurchase**

The Cayman Companies Act and the Articles of Association permit us to purchase our own shares, subject to certain restrictions. The board of directors may only exercise this power on our behalf, subject to the Cayman Companies Act, the Articles of Association and to any applicable requirements imposed from time to time by the SEC or Nasdaq, the applicable stock exchange on which our securities are listed. For additional information regarding our share repurchase programs, see “Item 16E. Purchases of equity securities by the issuer and affiliated purchasers”.

### **Preemptive or Similar Rights**

The Class A common shares and Class B common shares are not entitled to preemptive rights upon transfer and are not subject to conversion (except as described below under “—Conversion”), redemption or sinking fund provisions.

### **Conversion**

At the option of the holder, a Class B common share may be converted at any time into one Class A common share. In addition, each Class B common share will convert automatically into one Class A common share upon any transfer, whether or not for value, except for certain transfers described in the Articles of Association, including transfers to affiliates, one or more trustees of a trust established for the benefit of the shareholder or their affiliates, and partnerships, corporations and other entities owned or controlled by the shareholder or their affiliates. Furthermore, each Class B common share will convert automatically into one Class A common share and no Class B common shares will be issued thereafter if, at any time, the voting power of outstanding Class B common shares represents less than 10% of the aggregate voting power of the Class A common shares and Class B common shares then outstanding.

No class of our common shares may be subdivided or combined unless the other class of common shares is concurrently subdivided or combined in the same proportion and in the same manner.

## **Transfer of Shares**

Subject to any applicable restrictions set forth in the Articles of Association, any shareholder of ours may transfer all or any of his or her common shares by an instrument of transfer in the usual or common form or in the form prescribed by Nasdaq or any other form approved by our Board of Directors.

The Class A common shares are traded on the Nasdaq stock exchange in book-entry form and may be transferred in accordance with the Articles of Association and rules and regulations of Nasdaq or of any recognized stock exchange on which our securities are listed.

However, our Board may, in its absolute discretion, decline to register any transfer of any common share which is either not fully paid up to a person of whom it does not approve or is issued under any share incentive scheme for employees which contains a transfer restriction that is still applicable to such common share. The Board of Directors may also decline to register any transfer of any ordinary share unless:

- a fee of such maximum sum as Nasdaq may determine to be payable or such lesser sum as the Board may from time to time require is paid to us in respect thereof;
- the instrument of transfer is lodged with us, accompanied by the certificate (if any) for the common shares to which it relates and such other evidence as our Board may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the common shares transferred are free of any lien in favor of us; and
- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If the directors refuse to register a transfer they are required, within two months after the date on which the instrument of transfer was lodged, to send to the transferee notice of such refusal.

## **Transmission of Shares**

Our Articles of Association provide provisions for the transmission of shares where a person becomes entitled to a share in consequence of the death or bankruptcy of a shareholder. These provisions include, amongst other things, provisions relating to Class B common shares and that no conversion is applicable upon transmission of such shares to a new holder who must be an affiliate (as defined in the Articles of Association) of the previous holder.

## **Limitations on the Rights to Own Securities**

As provided in our Articles of Association, our Class A common shares may be issued to individuals, corporations, trusts, estates of deceased individuals, partnerships and unincorporated associations of persons. Our Articles of Association contain no limitation on the rights to own our shares and no limitation on the rights of non-Cayman Islands residents or foreign shareholders to hold or exercise voting rights.

## **Directors**

We are managed by our Board of Directors. The Articles of Association provide that, unless otherwise determined by a special resolution of shareholders, the Board will be composed of 5 to 11 directors, with the number being determined by a majority of the directors then in office. There are no provisions relating to the retirement of directors upon reaching an age limit.

Each director shall be appointed and elected for such terms as the resolution appointing him or her may determine or until his or her death, resignation or removal, subject to any applicable provision set forth in the Articles of Association.

A director is not required to hold any shares in us by way of qualification nor is there any specified upper or lower age limit for directors either for accession to or retirement from the Board.

The Board of Directors may also delegate any of its powers to committees consisting of such director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

### **Appointment, Disqualification and Removal of Directors**

Subject to our Articles of Association, directors shall be elected by an ordinary resolution of the shareholders.

Each director holds office for a term ending at the next annual general meeting unless they resign or their office is vacated earlier, provided that such term shall be extended in the event that no successor is appointed in which case such term shall be extended to the date on which such successor has been appointed. Our directors do not have a retirement age requirement under our Articles of Association.

Except as otherwise provided for in the Shareholders Agreement, before the expiration of his or her term of office, a director may only be removed for cause by ordinary resolution in accordance with the provisions of our Articles of Association. Cause shall mean, in relation to a director, the occurrence of any of the following events: (a) the person's conviction by final judgment issued by a competent court or declaration of guilt before a competent court with respect to any offense considered an intentional crime or punishable by detention, or a torpid act, intentional fraud, improbity, theft or anti-ethical business conduct in the jurisdiction involved; (b) fraud, theft, financial dishonesty, misappropriation or embezzlement of funds by the person, whether before or after the date of his or her election, that adversely affects us; (c) breach or willful misconduct by the person in the performance of its obligations, including, among others, (i) uninterrupted or repeated omission or refusal to perform the obligations and duties established in our Articles of Association or in the applicable laws, (ii) incapacity, by the person, to comply with the obligations and duties as a result of an alcohol or drug addiction; or (d) willful misconduct that causes material damages to or that adversely affects the our financial situation or commercial reputation.

See "Item 7. Major Shareholders and Related Party Transaction—A. Major Shareholders—Shareholders Agreement" for additional information regarding appointment, disqualification and removal of Directors.

### **Executive Officers**

Our executive officers are primarily responsible for the day-to-day management of our business and for implementing the general policies and directives established by our Board of Directors. Our Board is responsible for establishing the roles of each executive officer.

The Articles of Association provide that the Board of Directors may appoint such officers as they consider necessary on such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Board may think fit. Unless otherwise specified in the terms of his or her appointment an officer may be removed by the Board of Directors.

### **Power to Allot and Issue Shares and Warrants**

Subject to the provisions of the Cayman Companies Act, the Articles of Association and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Board of Directors may determine. Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at our option or the option of the holder of the share, it is liable to be redeemed.

The Board of Directors may issue warrants to subscribe for any class of shares or other securities of ours on such terms as we may from time to time determine.

We will not issue shares or warrants to bearer.

Subject to the provisions of the Cayman Companies Act, the Articles of Association and, where applicable, the rules of Nasdaq or any recognized stock exchange on which our securities are listed and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all of our unissued shares shall be at the disposal of the Board of Directors, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount below par value.

Neither we nor the Board of Directors shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

#### **Power to Dispose of Our Assets of or Any of Our Subsidiaries**

While there are no specific provisions in the Articles of Association relating to the disposal of our assets or any of our subsidiaries, the Board of Directors may exercise all powers and do all acts and things which may be exercised or done or approved by us and which are not required by the Articles of Association or the Cayman Companies Act to be exercised or done by us in general meeting, but if such power or act is regulated by us in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

#### **Borrowing Powers**

The Board of Directors may exercise all of our powers to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of ours and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of ours, whether outright or as collateral security for any debt, liability or obligation of ours or of any third party.

#### **Compensation**

The directors shall be entitled to receive, as ordinary compensation for their services, such sums as shall from time to time be determined by the People and Compensation Committee, Board of Directors or us in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the compensation is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board of Directors meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such compensation shall be in addition to any other compensation to which a Director who holds any salaried employment or office with us may be entitled by reason of such employment or office.

Any director who, at our request, performs services which in the opinion of the Board of Directors go beyond the ordinary duties of a director may be paid such special or extra compensation as the Board may determine, in addition to or in substitution for any ordinary compensation as a Director. An executive director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such compensation and such other benefits and allowances as the Board of Directors may from time to time decide. Such compensation shall be in addition to his or her ordinary compensation as a director.

The People and Compensation Committee and/or the Board of Directors may establish, either on its own or jointly in concurrence or agreement with our subsidiaries or companies with which we are associated in business, or may make contributions out of our monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with us or any of our subsidiaries) and former employees of ours and their dependents or any class or classes of such persons.

We may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the People and Compensation Committee and/or the Board of Directors, be granted to an employee either before and in anticipation of, or upon or at any time after, his or her actual retirement.

***Loans and Provision of Security for Loans to Directors***

We shall not directly or indirectly make a loan to a director or a director of any holding company of ours or any of our respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of ours or any of our respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

***Disclosure of Interest in Contracts with Us or Any of Our Subsidiaries***

With the exception of our office of auditor, a director may hold any other office or place of profit with us in conjunction with his or her office of director for such period and upon such terms as the Board of Directors may determine, and may be paid such extra compensation for that other office or place of profit, in whatever form, in addition to any compensation provided for by or pursuant to the Articles of Association. A director may be or become a director, officer or member of any other company in which we may be interested, and shall not be liable to account to us or the members for any compensation or other benefits received by him or her as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by us to be exercised in such manner in all respects as we think fit, including the exercise in favor of any resolution appointing the directors or any of them to be directors or officers of such other company.

No director or intended director shall be disqualified by his or her office from contracting with us, nor shall any such contract or any other contract or arrangement in which any director is in any way interested be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to us for any profit realized by any such contract or arrangement by reason only of such director holding that office or the fiduciary relationship established by it. A director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with us shall declare the nature of his or her interest at the earliest meeting of the Board of Directors at which he or she may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to us.

A director shall not vote or be counted in the quorum on any resolution of the Board of Directors in respect of any contract or arrangement or proposal in which he or she or any of his or her close associate(s) has/have a material interest, and if such director shall do so, his or her vote shall not be counted nor shall such director be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- the giving of any security or indemnity to the director or his or her close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at our request of or for our benefit or any of our subsidiaries;
- the giving of any security or indemnity to a third party in respect of a debt or obligation of ours or any of our subsidiaries for which the director or his or her close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- any proposal concerning an offer of shares, debentures or other securities of or by us or any other company which we may promote or be interested in for subscription or purchase, where the director or his or her close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- any proposal or arrangement concerning the benefit of our employees or any of our subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his or her close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of ours or any of our subsidiaries and does not provide in respect of any Director or his or her close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- any contract or arrangement in which the Director or his or her close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of ours by virtue only of his or her/their interest in those shares, debentures or other securities.

### **Proceedings of the Board of Directors**

The Articles of Association provide that subject to the provisions of the Cayman Companies Act, the Articles of Association, the applicable stock exchange rules and any directions given by Ordinary or Special Resolution, our business and affairs will be managed by, or under the direction or supervision of, the Board of Directors. The Board of Directors shall have all the powers necessary for managing, and for directing and supervising, our business and affairs. A duly convened meeting of the Board of Directors at which a quorum is present may exercise all powers exercisable by the Board. Subject to the provisions of the Articles of Association, the Board may regulate their proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote.

### **Chairman and Vice-Chairman**

The Board of Directors will have a chairman elected and appointed by our founding shareholders for so long as our founding shareholders hold at least 25% of the voting power of all shareholders, and where our founding shareholders no longer hold at least 25% of the voting power of all shareholders, a majority of our Board of Directors shall elect and appoint a chairman. A Vice-Chairman may be elected, by the majority of the directors, to act in the absence of the Chairman at Board meetings.

The period for which the Chairman and/or the Vice-Chairman shall hold office shall be determined in accordance with the Articles of Association. The Chairman shall preside as Chairman at every meeting of the Board of Directors at which he is present. Where the Chairman is not present at a meeting of the Board of Directors, the Vice-Chairman, if any, shall act as Chairman, or in his absence, the attending directors of the Board may choose one director to be the chairman of the meeting.

### **Alterations to the Constitutional Documents and Our Name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles of Association, our Articles of Association may only be altered or amended, and our name may only be changed, with the sanction of a Special Resolution of ours together with the consent of the founder shareholders as set out in our Articles of Association.

### **Liquidation Rights**

If we are voluntarily wound up, the liquidator, after taking into account and giving effect to the rights of preferred and secured creditors and to any agreement between us and any creditors that the claims of such creditors shall be subordinated or otherwise deferred to the claims of any other creditors and to any contractual rights of set-off or netting of claims between us and any person or persons (including without limitation any bilateral or any multilateral set-off or netting arrangements between us and any person or persons) and subject to any agreement between us and any person or persons to waive or limit the same, shall apply our property in satisfaction of its liabilities *pari passu* and subject thereto shall distribute the property amongst the shareholders according to their rights and interests in us.

### **Changes to Capital**

Pursuant to the Articles of Association, we may from time to time by ordinary resolution:

- increase our authorized share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than its existing shares;
- convert all or any of our paid-up shares into common shares and reconvert those common shares into paid-up shares of any denomination;



- subdivide our existing shares or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

## **Mergers and Consolidations**

Our Articles of Association provide that subject to the Cayman Companies Act and the rules of any applicable stock exchange, we will, with the approval of a special resolution, have the power to merge or consolidate with one or more constituent companies, upon such terms as the directors may determine, provided that any such merger or consolidation that involves the transfer of shares and/or assets of the Company or any of its subsidiaries to any third party shall require the consent of the founder shareholders.

## **Meetings of Shareholders**

### *Special and Ordinary Resolutions*

Special resolutions must be passed in accordance with the Cayman Companies Act, which requires that resolutions must be passed by at least two-thirds of our shareholders who are entitled to vote in person or by proxy at a general meeting where notice specifying the intention to propose such resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of our members as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of ours duly convened and held, and where relevant as a special resolution so passed.

### *Voting Rights and Right to Demand a Poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his or her name in our register of members, (each Class B common share shall entitle the holder to 10 votes on all matters subject to a vote at our general meetings) provided that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his or her votes or cast all the votes he or she does use in the same way.

At any general meeting, a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the applicable stock exchange listing rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

- at least two members;
- any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- a member or members holding shares in us conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of ours, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of ours or at any meeting of any class of members of ours provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where we have knowledge that any member is, under the applicable stock exchange rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Subject to any special rights or restrictions as to voting then attached to any shares, at any general meeting every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative not being himself or herself a shareholder entitled to vote) shall have one vote per Class A common share and 10 votes per Class B common share.

#### ***Annual General Meetings***

As a Cayman Islands exempted company, we are not obligated by the Cayman Companies Act to call annual general meetings; however, our Articles of Association provide that we must hold an annual general meeting each year other than the year of adoption of our Articles of Association. Such meeting must be held at least once every calendar year and take place at such place as may be determined by the Board of Directors from time to time.

As a condition of admission to a shareholders meeting, a shareholder must be duly registered as our shareholder at the applicable record date for that meeting and all calls or installments then payable by such shareholder to us in respect of our Class A common shares must have been paid.

#### ***Members Requisition of Meetings***

No shareholder has the right to request the directors to convene a general meeting, however shareholders collectively holding more than two-thirds of the voting power of our shares may convene a general meeting if there are no directors.

#### ***Notices of Meetings and Business to Be Conducted***

An annual general meeting of ours shall be called by not less than 20 clear business days' notice in writing, and any other general meeting of ours shall be called by not less than 10 clear business days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles of Association shall be in writing, and may be served by us on any member personally, or by posting it by airmail or by air courier service to such member's registered address, or by electronic mail to any electronic mail address of such member, or (in the case of a notice) by advertisement in the newspapers, or by placing it on our website. We intend to give notice of each general meeting of shareholders by publication on our website and in any other manner that we may be required to follow in order to comply with Cayman Islands Law, the applicable stock exchange rules and SEC requirements.

Although a general meeting of ours may be called by shorter notice than as specified above, every general meeting may be deemed to have been duly called if it is so agreed by all of our members, in the case of an annual general meeting, or by members holding two-thirds of the voting power of our shares, in the case of an extraordinary general meeting, entitled to attend and vote thereat.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

### ***Quorum for Meetings and Separate Class Meetings***

The quorum for a general meeting shall be one or more shareholders holding not less than one-third in aggregate of the voting power of all shares in issue and entitled to vote, present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be persons holding or representing by proxy not less than two-thirds of the issued shares of the applicable class.

### ***Proceedings at General Meetings***

Our Articles of Association provide that no business shall be transacted at any meeting unless a quorum is present at the time when the meeting proceeds to business and continues to be present until the conclusion of the meeting. One or more shareholders holding not less than one-third in aggregate of the voting power of all shares in issue and entitled to vote, present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, shall represent a quorum.

### ***Proxies***

Any member of ours entitled to attend and vote at our meeting is entitled to appoint another person as his or her proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him or her and vote on his or her behalf at a general meeting of ours or at a class meeting. A proxy need not be a member of us and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he or her acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he or she acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his or her attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board of Directors may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his or her intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his or her discretion in respect of) each resolution dealing with any such business.

### **Accounts and Audit**

The Board of Directors shall cause proper books of account to be kept of the sums of money received and expended by us, and of our assets and liabilities and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by us) necessary to give a true and fair view of the state of our affairs and to show and explain our transactions.

Our books of accounts shall be kept at our head office or at such other place or places as the Board of Directors decides and shall always be open to inspection by any director. No member (other than a Director) shall have any right to inspect any account, book or document of ours except as conferred by the Cayman Companies Act, Nasdaq listing rules or ordered by a court of competent jurisdiction or authorized by the Board.

The Board of Directors shall from time to time cause to be prepared and laid before us at our annual general meeting the consolidated statements of financial position, profit or loss, comprehensive income (loss), cash flows and changes in shareholders' equity (including every document required by law to be annexed thereto), together with a copy of the directors' report and a copy of the auditors' report. Copies of these documents shall be sent to every person entitled to receive notices our general meetings under the provisions of the Articles of Association together with the notice of annual general meeting, not less than 10 days before the date of the meeting.

We shall appoint auditor(s) to hold office from time to time and with such duties as may be agreed with the Board of Directors. The appointment of and provisions relating to auditors shall be in accordance with any applicable law and Nasdaq listing rules.

The auditors shall audit our financial statements prepared in accordance with generally accepted accounting principles of IFRS or such other standards as may be permitted by Nasdaq.

## **Principal Differences between Cayman Islands and U.S. Corporate Law**

The Cayman Companies Act was modeled originally after similar laws in England and Wales but does not follow subsequent statutory enactments in England and Wales. In addition, the Cayman Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Cayman Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

### **Cayman Islands Company Law**

We were incorporated in the Cayman Islands as an exempted company on March 11, 2014, subject to the Cayman Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### ***Protection of Non-controlling Shareholders***

The Grand Court may, on the application of shareholders holding not less than one-fifth of our shares in issue, appoint an inspector to examine our affairs and report thereon in a manner as the Grand Court shall direct.

Subject to the provisions of the Cayman Companies Act, any shareholder may petition the Grand Court which may make a winding-up order, if the court is of the opinion that this winding up is just and equitable.

Notwithstanding the U.S. securities laws and regulations that are applicable to us, general corporate claims against us by our shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our Articles of Association.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents, which permit a minority shareholder to commence a representative action against us, or derivative actions in our name, to challenge (1) an act which is ultra vires or illegal, (2) an act which constitutes a fraud against the minority and the wrongdoers themselves control us, and (3) an irregularity in the passing of a resolution that requires a qualified (or special) majority.

#### ***Exempted Company***

We are an exempted company with limited liability under the Cayman Companies Act. The Cayman Companies Act distinguishes between ordinary resident companies and exempted companies. Where the proposed activities of a company are to be carried out mainly outside of the Cayman Islands, the registrant can apply for registration as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of shareholders is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company;
- an exempted company may register as a segregated portfolio company; and
- an exempted company may register as a special economic zone company.

We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers.

### ***Company Operations***

An exempted company such as us must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

### ***Share Capital***

Under Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- paying distributions or dividends to members;
- paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- any manner provided in section 37 of the Cayman Companies Act;
- writing off the preliminary expenses of the company; and
- writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

### ***Financial Assistance to Purchase Shares of a Company or its Holding Company***

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

### ***Purchase of Shares and Warrants by a Company and its Subsidiaries***

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

#### ***Dividends and Distributions***

Subject to a cash-flow solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

#### ***Protection of Minorities and Shareholders' Suits***

The Grand Court of the Cayman Islands may, on the application of shareholders holding not less than one-fifth of the shares of StoneCo in issue, appoint an inspector to examine the our affairs and report thereon in a manner as the Grand Court shall direct.

Subject to the provisions of the Companies Act, any shareholder may petition the Grand Court of the Cayman Islands which may make a winding-up order, if the court is of the opinion that this winding up is just and equitable.

Notwithstanding the U.S. securities laws and regulations that are applicable to StoneCo, general corporate claims against StoneCo by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by StoneCo's Articles of Association.

The Cayman Islands courts ordinarily would be expected to follow English case law precedents, which permit a minority shareholder to commence a representative action against StoneCo, or derivative actions in StoneCo's name, to challenge (1) an act which is *ultra vires* or illegal, (2) an act which constitutes a fraud against the minority and the wrongdoers themselves control StoneCo, and (3) an irregularity in the passing of a resolution that requires a qualified (or special) majority

#### ***Disposal of Assets***

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

#### ***Accounting and Auditing Requirements***

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (Revised) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

#### ***Exchange Control***

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### ***Stamp Duty on Transfers***

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

### ***Inspection of Corporate Records***

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### ***Register of Members***

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (As Revised) of the Cayman Islands.

### ***Register of Directors and Officers***

Pursuant to the Cayman Companies Act, a company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

### ***Winding-Up***

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order a winding-up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding-up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding-up, the company is obliged to cease to carry on its business from the commencement of its winding-up except so far as it may be beneficial for its winding-up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding-up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding-up, showing how the winding-up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding-up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding-up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his or her appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

### ***Reconstructions***

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his or her view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

### **The Cayman Islands Economic Substance Law**

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (As Revised), or “The Economic Substance Act,” together with related Guidance Notes and Regulations. We are required to comply with the economic substance requirements and file annual reports in the Cayman Islands as to whether or not they are carrying out such relevant activities and if they are, they must satisfy an economic substance test.

### **Takeovers**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

### **Mergers and Similar Arrangements**

The Cayman Companies Act permits mergers or consolidations between two Cayman Islands companies or between a Cayman Islands company and a company incorporated in another jurisdiction (provided that is facilitated by the laws of that other jurisdiction).



Where the merger or consolidation is between two Cayman Islands companies, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution (usually a majority of 66 2/3% in value) of the shareholders of each company; and (b) such other authorization, if any, as may be specified in such constituent company's Articles of Association. No shareholder resolution is required for a merger between a parent company (i.e., a company that owns at least 90% of the issued shares of each class in a subsidiary company) and its subsidiary company. The consent of each holder of a fixed or floating security interest of a constituent company must be obtained, unless the court waives such requirement. If the Cayman Islands Registrar of Companies is satisfied that the requirements of the Companies Act (which includes certain other formalities) have been complied with, the Registrar of Companies will register the plan of merger or consolidation. Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the director of the Cayman Islands company is required to make a declaration to the effect that, having made due inquiry, he is of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the company in any foreign jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or property or any part thereof; and (iv) that no scheme, order, compromise or similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Moreover, Cayman Islands law also has separate statutory provisions that facilitate the reconstruction or amalgamation of companies, in certain circumstances, schemes of arrangement will generally be more suited for complex mergers or other transactions involving widely held companies, commonly referred to in the Cayman Islands as a "scheme of arrangement" which may be tantamount to a merger. In the event that a merger was sought pursuant to a scheme of arrangement (the procedure of which are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States), the arrangement in question (if a shareholder scheme) must be approved by shareholders representing three-fourths in value of each class of shareholders with whom the arrangement is to be made or (if a creditor scheme) a majority in number of each class of creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each class of creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings summoned for that purpose. The convening of the meetings and subsequently the terms of the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the arrangement if it satisfies itself that:

- we are not proposing to act illegally or beyond the scope of its corporate authority and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such as a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Cayman Companies Act or that would amount to a "fraud on the minority."

### **Squeeze-out Provisions**

When a takeover offer is made and accepted by holders of 90.0% of the shares to whom the offer is made within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection may be made to the Grand Court but is unlikely to succeed unless there is evidence of fraud, bad faith, collusion or inequitable treatment of the shareholders.

Further, transactions similar to a merger, reconstruction and/or an amalgamation may in some circumstances be achieved through other means to these statutory provisions, such as a share capital exchange, asset acquisition or control, through contractual arrangements, of an operating business.

## Shareholders' Suits

Maples and Calder (Cayman) LLP, our Cayman Islands counsel is not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability for such actions. In most cases, we will be the proper plaintiff in any claim based on a breach of duty owed to us, and a claim against (for example) our officers or directors usually may not be brought by a shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting or proposing to act illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

A shareholder may have a direct right of action against us where the individual rights of that shareholder have been infringed or are about to be infringed.

## Corporate Governance

Cayman Islands law restricts transactions between a company and its directors unless there are provisions in the articles of association which provide a mechanism to alleviate possible conflicts of interest. Additionally, Cayman Islands law imposes on directors' duties of care and skill and fiduciary duties to the companies which they serve. Under our Articles of Association a director must disclose the nature and extent of his or her interest in any contract or arrangement, and following such disclosure and subject to any separate requirement under applicable law or the applicable stock exchange rules, and unless disqualified by the chairman of the relevant meeting, the interested director may vote in respect of any transaction or arrangement in which he or she is interested. The interested director shall be counted in the quorum at such meeting and the resolution may be passed by a majority of the directors present at the meeting.

## Indemnification of Directors and Executive Officers and Limitation of Liability

The Cayman Companies Act does not limit the extent to which a company's articles of association may provide for indemnification of directors and officers, except to the extent that it may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Articles of Association provide that we shall indemnify and hold harmless our directors and officers against all actions, proceedings, costs, charges, expenses, losses, damages, liabilities, judgments, fines, settlements and other amounts incurred or sustained by such directors or officers, other than by reason of such person's dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his or her duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil, criminal or other proceedings concerning us or our affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law (the “DGCL”) for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and executive officers that will provide such persons with additional indemnification beyond that provided in our Articles of Association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

## Directors' Fiduciary Duties

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company. Accordingly, directors and officers owe the following fiduciary duties: (1) duty to act in good faith in what the director or officer believes to be in the best interests of the company as a whole; (2) duty to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose; (3) directors should not improperly fetter the exercise of future discretion; (4) duty to exercise powers fairly as between different sections of shareholders; (5) duty to exercise independent judgment; and (6) duty not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests. However, this obligation may be varied by the company's Articles of Association, which may permit a director to vote on a matter in which he or she has a personal interest provided that he or she has disclosed that nature of his or her interest to the Board of Directors. With respect to the duty of directors to avoid conflicts of interest, StoneCo's Articles of Association vary from the applicable provisions of Cayman Islands law mentioned above by providing that a director must disclose the nature and extent of his or her interest in any contract or arrangement, and following such disclosure and subject to any separate requirement under applicable law or the listing rules of the Nasdaq, and unless disqualified by the chairman of the relevant meeting, such director may vote in respect of any transaction or arrangement in which he or she is interested and may be counted in the quorum at the meeting. In addition to the above, under Cayman Islands law, directors also owe a duty of care which is not fiduciary in nature. This duty has been defined as a requirement to act as a reasonably diligent person having both the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and the general knowledge skill and experience which that director has. As set out above, directors have a duty not to put themselves in a position of conflict and this includes a duty not to engage in self-dealing, or to otherwise benefit as a result of their position. However, in some instances what would otherwise be a breach of this duty can be forgiven and/or authorized in advance by the shareholders provided that there is full disclosure by the directors. This can be done by way of permission granted in the memorandum and articles of association or alternatively by shareholder approval at general meetings.

A director of a Cayman Islands company also owes to the company duties to exercise independent judgment in carrying out his or her functions and to exercise reasonable skill, care and diligence, which has both objective and subjective elements. Recent Cayman Islands case law confirmed that directors must exercise the care, skill and diligence that would be exercised by a reasonably diligent person having the general knowledge, skill and experience reasonably to be expected of a person acting as a director. Additionally, a director must exercise the knowledge, skill and experience which he or she actually possesses.

A general notice may be given to the Board of Directors to the effect that (1) the director is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or (2) he or she is to be regarded as interested in any contract or arrangement which may after the date of the notice to the Board be made with a specified person who is connected with him or her, will be deemed sufficient declaration of interest. This notice shall specify the nature of the interest in question. Following the disclosure being made pursuant to our Articles of Association and subject to any separate requirement under applicable law or the applicable stock exchange listing rules, and unless disqualified by the chairman of the relevant meeting, a director may vote in respect of any transaction or arrangement in which he or she is interested and may be counted in the quorum at the meeting.

In comparison, under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself or herself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

## **Shareholder Proposals**

Under the DGCL, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The DGCL does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the Board of Directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Cayman Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association.

## **Cumulative Voting**

Under the DGCL, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a Board of Directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our Articles of Association do not provide for cumulative voting. As a result, our shareholders are not afforded any fewer protections or rights on this issue than shareholders of a Delaware corporation.

## **Removal of Directors**

As described in further details above, the office of a director shall be vacated automatically if, among other things, he or she (1) becomes prohibited by law from being a director, (2) becomes bankrupt or makes any arrangement or composition with his or her creditors, (3) dies or is in the opinion of all his or her co-directors, incapable by reason of mental disorder of discharging his or her duties as director (4) resigns his or her office by notice to us or (5) has for more than six months been absent without permission of the directors from meetings of the Board of Directors held during that period, and the remaining directors resolve that his or her office be vacated.

## **Transactions with Interested Shareholders**

The DGCL provides that, unless the corporation has specifically elected not to be governed by this statute, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that this person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting shares or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting shares within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which the shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail itself of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that the board of directors owes duties to ensure that these transactions are entered into bona fide in the best interests of the company and for a proper corporate purpose and, as noted above, a transaction may be subject to challenge if it has the effect of constituting a fraud on the minority shareholders.

**Dissolution; Winding-Up**

Under the DGCL, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. If the dissolution is initiated by the board of directors it may be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company resolves by ordinary resolution that it be wound up because it is unable to pay its debts as they fall due. The court has authority to order winding-up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Cayman Companies Act, we may be dissolved, liquidated or wound up by a special resolution of shareholders (requiring a two-thirds majority vote).

**Variation of Rights of Shares**

Under the DGCL, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of that class, unless the certificate of incorporation provides otherwise. Under our Articles of Association, if the share capital is divided into more than one class of shares, the rights attached to any class may only be varied with the written consent of the holders of two-thirds of the shares of that class or the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Also, except with respect to share capital (as described above), alterations to our Articles of Association may only be made by special resolution of shareholders (requiring a two-thirds majority vote).

**Rights of Non-Resident or Foreign Shareholders**

There are no limitations imposed by our Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in the Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed.

**Handling of Mail**

Mail addressed to us and received at our registered office will be forwarded unopened to the forwarding address, which will be supplied by us. None of us, our directors, officers, advisors or service providers (including the organization which provides registered office services in the Cayman Islands) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address.

**C. Material contracts**

For information concerning our material contracts, see "Item 4. Information on the Company," "Item 5. Operating and Financial Review and Prospects," "Item 7. Major Shareholders and Related Party Transactions—A. Major shareholders—Shareholders Agreement" and "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions."

Except as otherwise disclosed in this Annual Report on Form 20-F (including the Exhibits), we are not currently, and have not been in the last two years, party to any material contract, other than contracts entered into in the ordinary course of business.

**D. Exchange controls**

The Cayman Islands currently has no exchange control restrictions.

In Brazil, the right to convert dividend payments and proceeds from the sale of shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation, which generally requires, among other things, that the relevant investments have been registered with the Central Bank.

Under current Brazilian legislation, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. For further information on Brazilian exchange controls, see "Presentation of Financial and Other Information—Selected financial data" and "Item 3. Key Information—D. Risk Factors."

## **E. Taxation**

The following summary contains a description of certain Cayman Islands and U.S. federal income tax consequences of the acquisition, ownership and disposition of our Class A common shares. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to hold the Class A common shares, is not applicable to all categories of investors, some of which may be subject to special rules, and does not address all of the Cayman Islands and U.S. federal income tax considerations applicable to any particular holder. The summary is based upon the tax laws of the Cayman Islands and regulations thereunder and on the tax laws of the United States and regulations thereunder and the other authorities described below as of the date hereof, which are subject to change.

Holders of our Class A common shares should consult their own tax advisors about the particular Cayman Islands and U.S. federal, state, local and other tax consequences to them of the acquisition, ownership and disposition of our Class A common shares.

### **Cayman Islands Tax Considerations**

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet that:

- (a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to us or our operations; and
- (b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by us:
  - (i) on or in respect to our shares, debentures or other obligations; or
  - (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

Our undertaking is for a period of 20 years from April 26, 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

Payments of dividends and capital in respect of our Class A common shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our Class A common shares, nor will gains derived from the disposal of our Class A common shares be subject to Cayman Islands income or corporation tax.

There is no income tax treaty or convention currently in effect between the United States and the Cayman Islands.

### **Material U.S. Federal Income Tax Considerations for U.S. Holders**

The following section is a description of the material U.S. federal income tax consequences of the ownership and disposition of our Class A common shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to hold our shares.

This summary applies only to U.S. Holders (as defined below) that hold our Class A common shares as capital assets for tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax consequences, the potential application of the provisions of the Internal Revenue Code of 1986, as amended, or the "Code," known as the Medicare contribution tax, and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- real estate investment trusts or regulated investment companies;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding Class A common shares as part of a hedging transaction, straddle, wash sale, conversion transaction or other integrated transaction or persons entering into a constructive sale with respect to the Class A common shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- tax-exempt entities, including an "individual retirement account" or "Roth IRA";
- persons that own or are deemed to own ten percent or more of our Class A common shares, by vote or value;
- persons holding our Class A common shares in connection with a trade or business conducted outside of the United States; or
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds our Class A common shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding our Class A common shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of the Class A common shares.

This discussion is based on the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change or differing interpretations, possibly with retroactive effect.

A "U.S. Holder" is a holder who, for U.S. federal income tax purposes, is a beneficial owner of our Class A common shares and is:

- an individual that is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of our Class A common shares in their particular circumstances.

This discussion assumes that we were not a PFIC for our 2023 taxable year, as described below.

### ***Taxation of Distributions***

As discussed above under "Item 8. Financial Information—A. Consolidated statements and other financial information—Dividends and dividend policy," we do not currently intend to pay dividends. In the event that we do pay dividends, and subject to the discussion below under "—Passive Foreign Investment Company Rules," distributions paid on our Class A common shares, other than certain pro rata distributions of Class A common shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, we expect that distributions generally will be reported to U.S. Holders as dividends. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be eligible for taxation as "qualified dividend income" and therefore may be taxable at rates applicable to long-term capital gains so long as our Class A common shares are listed and trade on Nasdaq or are readily tradable on another established securities market in the United States. U.S. Holders should consult their tax advisers regarding the availability of the reduced tax rate on dividends in their particular circumstances.

The amount of a dividend will generally be treated as non-U.S.-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends will be included in a U.S. Holder's income on the date of the U.S. Holder's receipt of the dividend.

### *Sale or Other Disposition of Common Shares*

Subject to the discussion below under “—Passive Foreign Investment Company Rules,” for U.S. federal income tax purposes, gain or loss realized on the sale or other disposition of our Class A common shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the Class A common shares for more than one year. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the Class A common shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to various limitations.

### *Passive Foreign Investment Company Rules*

A non-U.S. corporation will be a PFIC for any taxable year in which either (i) 75% or more of its gross income consists of “passive income,” or (ii) 50% or more of the average quarterly value of its assets consist of assets that produce, or are held for the production of, “passive income.” For this purpose, subject to certain exceptions, passive income includes interest, dividends, rents, and certain gains from transactions. Cash is a passive asset for these purposes. A non-U.S. corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, more than 25% (by value) of the stock.

The determination of whether we are, or will be, a PFIC for a taxable year depends on the application of complex U.S. federal income tax rules, which are subject to various interpretations. Based on the composition of our income and assets, including goodwill, we do not believe that we were a PFIC for our 2023 taxable year. Our PFIC status is a factual determination that is made on an annual basis. Because our PFIC status for any taxable year will depend on the manner in which we operate our business, the composition of our income and assets, including the relative growth of our income resulting from our credit activities and the payment processing services we provide, and the value of our assets from time to time, there can be no assurance that we will not be a PFIC for any taxable year. Moreover, there can be no assurance that the Internal Revenue Service, or the “IRS” will agree with our conclusion.

If we were a PFIC for any year during which a U.S. Holder holds our Class A common shares, we generally would continue to be treated as a PFIC with respect to that U.S. Holder for all succeeding years during which the U.S. Holder holds Class A common shares, even if we ceased to meet the threshold requirements for PFIC status.

If we were a PFIC for any taxable year and any of our subsidiaries, consolidated affiliated entities or other companies in which we own or are treated as owning equity interests were also a PFIC (any such entity, a “Lower-tier PFIC”), U.S. Holders would be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and would be subject to U.S. federal income tax according to the rules described in the subsequent paragraph on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of shares of Lower-tier PFICs, in each case as if the U.S. Holders held such shares directly, even though the U.S. Holders had not received the proceeds of those distributions or dispositions.

If we were a PFIC for any taxable year during which a U.S. Holder held our Class A common shares, the U.S. Holder may be subject to adverse tax consequences. Generally, gain recognized upon a disposition (including, under certain circumstances, a pledge) of our Class A common shares by the U.S. Holder would be allocated ratably over the U.S. Holder's holding period for such shares. The amounts allocated to the taxable year of disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year and an interest charge would be imposed on the tax on such amount. Further, to the extent that any distribution received by a U.S. Holder on its Class A common shares exceeds 125% of the average of the annual distributions on the Class A common shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above.

In addition, if we were a PFIC or, with respect to a particular U.S. Holder, were treated as a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the preferential dividend rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.



Alternatively, if we were a PFIC and if our Class A common shares were “regularly traded” on a “qualified exchange,” a U.S. Holder could make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. Our Class A common shares would be treated as “regularly traded” in any calendar year in which more than a de minimis quantity of our Class A common shares were traded on a qualified exchange on at least 15 days during each calendar quarter. The Nasdaq is a qualified exchange for this purpose.

If a U.S. Holder makes a mark-to-market election, the holder generally will recognize as ordinary income any excess of the fair market value of its Class A common shares at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the Class A common shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the holder’s tax basis in the Class A common shares will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of Class A common shares in a year when we are a PFIC with respect to our U.S. shareholders will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). Because the mark-to-market election only applies to marketable stock, however, it would not apply to a U.S. Holder’s indirect interest in any of our subsidiaries that were also determined to be PFIC.

If a U.S. Holder owns Class A common shares during any year in which we are a PFIC, the holder generally must file an annual report containing such information as the U.S. Treasury may require on IRS Form 8621 (or any successor form) with respect to us, generally with the holder’s federal income tax return for that year.

U.S. Holders should consult their tax advisers concerning our potential PFIC status and the potential application of the PFIC rules.

#### ***Information Reporting and Backup Withholding***

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such holder’s U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS. U.S. Holders should consult their tax advisers regarding the application of the U.S. information reporting and backup withholding rules.

#### ***Information with Respect to Foreign Financial Assets***

Certain U.S. Holders who are individuals (and certain entities) may be required to report information on their U.S. federal income tax returns relating to an interest in our Class A common shares, subject to certain exceptions (including an exception for Class A common shares held in accounts maintained by certain U.S. financial institutions). U.S. Holders should consult their tax advisers regarding the effect, if any, of this requirement on their ownership and disposition of the Class A common shares.

THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP AND DISPOSITION BY U.S. HOLDERS OF OUR CLASS A COMMON SHARES. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATION.

#### **F. Dividends and paying agents**

Not applicable.

#### **G. Statement by experts**

Not applicable.

## **H. Documents on display**

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov).

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

## **I. Subsidiary information**

See note 4.1 to our audited consolidated financial statements for a description of our subsidiaries.

## **J. Annual Report to Security Holders**

If we are required to provide an annual report to security holders in response to the requirements of Form 6-K, we will submit the annual report to security holders in electronic format in accordance with the EDGAR Filer Manual.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### *General*

Our overall market risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

### **Foreign Currency Risk**

We have both assets and liabilities in foreign currencies. We have operations, cash and short-term investments in multiple countries in Latin America, in addition to TPV processed in foreign exchange. However, significant capital expenditures (Pin Pads & POS, and data center equipment) and regular expenses (cloud and software fees) are incurred in US Dollars and Euros. The global treasury strategy is to hedge the foreign currency-denominated cash, debt and certain capital expenditures on any currency other than Brazilian *reais*. The total foreign currency results on the year ended December 31, 2023 was loss of R\$13.6 million a relatively small financial result, mainly from the interest rate differential on the US Dollar/Brazilian Real, despite high relative currency volatility observed in the same period, showing a well-balanced risk management.

The bonds we issued, as well as other debt in foreign currencies, are hedged on a cash flow hedge arrangement, in which all critical terms of the bonds (US Dollars denomination, coupon payment schedule, and interest rate) are matched with the hedging instrument.

Our exposure to foreign currency changes for all other currencies is not material.

As of December 31, 2023, 2022 and 2021 we had cash and cash equivalents and short-term investments denominated in U.S.dollars and euros in the amount of R\$504.4 million, R\$2,602.8 million and R\$1,734.9 million, respectively.

### *Interest Rate Risk*

Short-term investments, borrowings and financing, and obligations to FIDC quota holders accrues interest at the CDI Rate, the Brazilian benchmark floating rate, therefore they incur in future cash flow risk, but do not incur in fair value risk.

The interest rate risk arises from certain assets (mostly cash and equivalents, short-term investments and accounts receivables and the loans operations portfolio) and liabilities (loans, financing, obligations to FIDC) with different benchmarks (fixed or floating) and maturity dates. We may mitigate its exposure by executing derivative transactions in which it will collect floating rates (CDI) and pay fixed rates.

### ***Liquidity Risk***

Cash flow forecasting is performed for the operating entities and aggregated by our finance team. Our finance team monitors rolling forecasts of liquidity requirements as we seek to have sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities so we do not breach borrowing limits on any of our borrowing facilities. Such forecasting takes into consideration the our debt financing plans, compliance with internal statement of financial position ratio targets and, if applicable, external regulatory or legal requirements.

Surplus cash held by the operating entities is invested in interest-earning bank accounts, time deposits, money market deposits and market able securities, choosing instruments with appropriate maturities or sufficient liquidity to provide adequate margin as determined by the above-mentioned forecasts. As of December 31, 2023, we held short-term investments of R\$ 3,481 million (compared with R\$3,453 million as of December 31, 2022) that are expected to readily generate cash inflows for managing liquidity.

### ***Credit Risk***

Credit risk is defined as the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises from our exposures to third-parties, including in positions classified in cash and cash equivalents, derivative financial instruments and deposits with banks and other financial institutions, as well as from its operating activities, primarily related to accounts receivable from financial institutions licensed by card companies, including outstanding receivables and commitments as well from its loans portfolio to customers.

The carrying amount of financial assets reflects the expected credit exposure.

#### *Financial instruments and cash deposits*

Credit risk from balances with banks and financial institutions is managed in accordance with our internal policies. Investments of surplus funds and the use of derivative instruments are only conducted with carefully selected financial institutions.

#### *Accounts receivable from card issuers*

Card issuers once accepted by the networks issue cards that when transact are processed by acquirers like us. Card issuer have different risk profiles.

With frequency associated with the availability of new information or new financial indicators of card issuers, carries out assessments of these companies, aiming to identify potential risks. Payment scheme networks have credit risk mitigation mechanisms that vary by network that are available to acquirers like the Group. To date, the Group has not incurred any significant loss from card issuer receivables.

#### *Loans designated at FVPL*

Our credit risk policy is based on the following internal criteria: classification of customers, usage of the acquiring solution, historical payments performance and trends, default rates, risk adjusted return on allocated economic capital and external factors such as: interest rates, benchmark default levels, consumption seasonality, among others.

We strictly control the credit exposure of customers and counterparties, acting to manage expected default levels on a timely basis. Losses are based on the customer's payment history and expected payment patterns per risk and transactions profile.

#### *Loans operations portfolio*

Working capital and credit cards are available solely to individuals and businesses that are existing customers through acquiring. Working capital loans rely on the main repayment source and collateral future receivables of customers while credit card line limits may be unsecured. Such line is generally a portion of the total credit line available to a particular customer based on credit appetite and risk rating.

**Equity price risk**

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. We were exposed to equity price risk as we held approximately R\$45,702 thousand as of December 31, 2023, (compared with R\$214,765 thousand as of December 31, 2022) in listed and unlisted equity securities.

**Risk Assessment: Value-at-Risk and Scenario Analysis**

Market risk is managed and monitored, by risk factor, using the value-at-risk (“VaR”) methodology. To integrate all the risk factors, we adopt a more conservative approach.

We conduct a study on how market variables would impact our financial statements based on parametric Value-at-Risk models.

<b>Risk Factor</b>	<b>Asset/ Liability</b>	<b>VaR 1 day (thousands)</b>	<b>VaR 10 days (thousands)</b>	<b>VaR 60 days (thousands)</b>
Interest Rates	Accounts receivables from credit card issuers, Accounts payables to clients and interest rate swaps	297	941	2,304
Foreign Currency Exchange	USD denominated asset/liabilities/derivatives	6	19	46

The VaR figures are reliable only on normal market conditions, and thereby may underestimate the effects of turmoil events on financial markets.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES****A. Debt securities**

Not applicable.

**B. Warrants and rights**

Not applicable.

**C. Other securities**

Not applicable.

**D. American Depositary Shares**

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

#### A. Defaults

No matters to report.

#### B. Arrearages and delinquencies

No matters to report.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

#### A. Material modifications to instruments

Not applicable.

#### B. Material modifications to rights

Not applicable.

#### C. Withdrawal or substitution of assets

Not applicable.

#### D. Change in trustees or paying agents

Not applicable.

#### E. Use of proceeds

On August 14, 2020, our registration statement on Form F-1 (File No. 333-244404), as amended, was declared effective by the SEC for our follow-on offering of our Class A common shares, in a primary issuance of a total of 31,481,250 of our Class A common shares, including 4,106,250 of exercise of the underwriters' option to purchase additional shares, at a par value of US\$0.000079365 per share, at a public offering price of US\$47.50 per share. J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and XP Investments US, LLC acted as global coordinators for the offering.

The total offer reached an aggregate price of approximately US\$1,495.4 million before underwriting fees and expenses. Underwriting discounts and commissions were approximately US\$30.7 million and other expenses were approximately US\$7.3 million, leading to net total proceeds of US\$1,457.4 million.

None of the underwriting discounts and commissions or other expenses were paid directly or indirectly to any director, officer or general partner of ours or to their associates, persons owning ten percent or more of any class of our equity securities, or to any of our affiliates.

In June 2021, we issued our inaugural dollar bond, raising US\$500 million in 7-year notes with a final yield of 3.95%. We used the proceeds from this inaugural bond mostly to fund our investment in Banco Inter in 2021. The total bond issuance was equivalent to R\$2,510.4 million, of which R\$2,477.4 million is net of the offering transaction costs that will be amortized over the course of the bond. With the sale of our stake in Banco Inter, we can use the proceeds to fund our operations or for other corporate purposes. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and capital resources—Issuance of Inaugural Bonds.” In addition, we entered into hedge operations in connection with our inaugural dollar bonds, subject to foreign exchange exposure using swap contracts. The transactions have been elected for hedge accounting and classified as cash flow hedge in accordance with IFRS 9. The details of the operations and the position of asset, liability and equity as of December 31, 2023, are presented as follows:

Notional in US\$	Notional in R\$	Pay rate in local currency	Trade date	Due date	Fair value as of 2023 – Asset (Liability)	Loss recognized in income in 2023 <sup>(a)</sup>	Loss recognized in OCI (net of tax), in 2023 <sup>(b)</sup>	Fair value as of 2022 – Asset (Liability)
50,000	248,500	CDI + 2.94%	June 23, 2021	June 16, 2028	(27.0)	(86.7)	6.8	(15.3)
50,000	247,000	CDI + 2.90%	June 24, 2021	June 16, 2028	(26.4)	(72.2)	7.0	(14.8)
50,000	248,500	CDI + 2.90%	June 24, 2021	June 16, 2028	(27.6)	(74.6)	7.2	(16.0)
75,000	375,263	CDI + 2.99%	June 30, 2021	June 16, 2028	(43.9)	(50.1)	10.0	(26.2)
50,000	250,700	CDI + 2.99%	June 30, 2021	June 16, 2028	(29.7)	(42.8)	9.0	(17.8)
50,000	250,110	CDI + 2.98%	June 30, 2021	June 16, 2028	(29.2)	(50.7)	16.9	(17.4)
25,000	127,353	CDI + 2.99%	July 15, 2021	June 16, 2028	(16.5)	(21.3)	(7.3)	(10.4)
25,000	127,353	CDI + 2.99%	July 15, 2021	June 16, 2028	(16.6)	(16.9)	3.1	(10.5)
50,000	259,890	CDI + 2.96%	July 16, 2021	June 16, 2028	(37.5)	(21.7)	14.5	(24.8)
25,000	131,025	CDI + 3.00%	August 6, 2021	June 16, 2028	(18.5)	(20.3)	(8.3)	(12.1)
25,000	130,033	CDI + 2.85%	August 10, 2021	June 16, 2028	(19.4)	(17.2)	2.8	(12.9)
25,000	130,878	CDI + 2.81%	August 11, 2021	June 16, 2028	(19.2)	(16.2)	2.6	(12.8)
50,000	248,500	CDI + 1.80%	May 22, 2021	November 22, 2023	(13.3)	(13.3)	—	—
				<b>Net amount</b>	<b>(324.8)</b>	<b>(504.0)</b>	<b>64.1</b>	<b>(190.9)</b>

<sup>(a)</sup> Recognized in the statement of profit or loss, in “Financial expenses, net.” The amount recognized in 2022 was a loss of R\$ 459,289 thousand.

<sup>(b)</sup> Recognized in equity, in “Other comprehensive income.” The balance in the cash flow hedge reserve as of December 31, 2023 is a loss of R\$ 197,188 thousand (compared with a loss of R\$ 261,366 thousand as of December 31, 2022).

## ITEM 15. CONTROLS AND PROCEDURES

### A. Disclosure controls and procedures

We have evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of December 31, 2023. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that the information we are required to disclose in the reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms and (2) accumulated and communicated to our management to allow timely decisions regarding required disclosures.

## B. Management’s annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with IFRS. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation in accordance with IFRS. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission’s (2013 framework).

Management reviewed the results of its assessment with our Audit Committee. The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by Ernst & Young Auditores Independentes S/S Ltda., an independent registered public accounting firm, as stated in its report.

## C. Attestation report of the registered public accounting firm

Ernst & Young Auditores Independentes S/S Ltda., the independent registered public accounting firm that has audited our consolidated financial statements, has issued an audit report on the effectiveness of our internal controls over financial reporting as of December 31, 2023. Their attestation report on internal controls over financial reporting is included herein.

## D. Changes in internal control over financial reporting

There were no significant changes in our internal control over financial reporting that occurred during the year ended December 31, 2023 that materially affected or are reasonably likely to materially affect our internal control over financial reports.

## ITEM 16. RESERVED

### ITEM 16A. Audit committee financial expert

Our board of directors has determined that Diego Fresco Gutierrez, Luciana Ibiapina Lira Aguiar and Maurício Luis Luchetti are audit committee financial experts, as that term is defined by the SEC, and are all independent for the purposes of SEC and Nasdaq rules.

### ITEM 16B. Code of ethics

We have adopted a code of ethics that applies to all of our employees, officers and directors and posted the full text of our code of ethics on the investor relations section of our website, [www.stone.co](http://www.stone.co). We intend to disclose future amendments to our code of ethics, or any waivers of such code, on our website or in public filings. The information on our website is not incorporated by reference into this Annual Report on Form 20-F, and you should not consider information contained on our website to be a part of this Annual Report on Form 20-F.

### ITEM 16C. Principal accountant fees and services

The following table sets forth the fees billed to us by our independent registered and public accounting firm during the years ended December 31, 2023 and 2022. Our independent accounting firm was Ernst & Young Auditores Independentes S/S Ltda. for the years ended December 31, 2023 and 2022.

	2023	2022
	(in thousands of reais)	
Audit Fees	6,733.6	6,482.1
<b>Total</b>	<b>6,733.6</b>	<b>6,482.1</b>

***Audit fees***

Audit fees are fees billed for professional services rendered by the principal accountant for the audit of the registrant's annual combined financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years. It includes the audit of our financial statements, interim reviews and other services that generally only the independent accountant reasonably can provide, such as comfort letters, statutory audits, consents and assistance with and review of documents filed with the SEC.

***Other fees***

On December 31, 2023 and 2022, we have acquired access to a electronic technical library (Atlas) in the amount of R\$ 0.001 million.

**Audit Committee Pre-Approval Policies and Procedures**

In accordance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 and rules issued by the Securities and Exchange Commission, in connection with the establishment of our audit committee (which was undertaken as a result of our initial public offering in October 2018), we introduced a procedure for the review and pre-approval of any services performed by Ernst & Young Auditores Independentes S/S Ltda., including audit services, audit-related services, tax services and other services. The procedure requires that all proposed engagements of Ernst & Young Auditores Independentes S/S Ltda. for audit and permitted non-audit services are submitted to the audit committee for approval prior to the beginning of any such services. We are authorized to engage audit-related services up to the amount of US\$100,000 without prior approval.

**ITEM 16D. Exemptions from the listing standards for audit committee**

See "Item 6. Directors, Senior Management and Employees—C. Board Practices—Foreign Private Issuer Status."

**ITEM 16E. Purchases of equity securities by the issuer and affiliated purchasers**

On May 21, 2021, we announced the adoption of our new share repurchase program in an aggregate amount of up to US\$200 million in outstanding Class A common shares (the "2021 Repurchase Program"), which replaced our previous share repurchase program announced by us on May 13, 2019. Under the former program, we have repurchased a total of 3,595,713 shares on an average price of US\$55.40 per share, with a total amount of US\$199.2 million. Our 2021 Repurchase Program will go into effect when we begin the share repurchases and does not have a fixed expiration date. The 2021 Repurchase Program may be executed in compliance with Rule 10b-18 under the Exchange Act.

As of the date of this annual report, we have not repurchased any shares pursuant to the 2021 Repurchase Program in 2021.

Prior to our initial public offering, we granted Co-Investment Shares to certain key employees that entitled participants to receive a cash bonus which they could use to purchase a specified number of preferred shares in StoneCo Brasil Participações S.A. (formerly DLP Pagamentos Brasil S.A.) ("StoneCo Brasil"), which were then exchanged for common shares in DLPPar Participações S.A. ("DLPPar"), subject to a lock-up period. In connection with our initial public offering, all shares in DLPPar were exchanged for our Class A common shares (subject to a lock-up period) through the execution of a contribution agreement entered into between us and each holder of awards under such plans. In the event of termination of our services, we may, in our sole discretion, repurchase the shares at a discount of the purchase price.

On September 21, 2023, the Board of Directors approved a new program under which we may repurchase up to R\$300,000 in outstanding Class A common shares ("New Repurchase Program"). The New Repurchase Program went into effect after the date of the resolution. Following the New Repurchase Program conclusion in early November 2023, the amount of R\$292.7 million was used to repurchase shares as of November 9, 2023.

On November 13, 2023, we announced that our Board of Directors approved a share repurchase program. Under the repurchase program, we may repurchase up to the amount in dollars equivalent to R\$1.0 billion of our outstanding Class A common shares open market transactions, block trades, privately negotiated transactions, or otherwise, subject to market conditions. Our Board of Directors will review the repurchase program periodically and may authorize adjustments to its terms and size or suspend or discontinue the repurchase program. The program approved does not have a fixed expiration date.



Our Board of Directors authorized management to appoint a broker for the repurchase program of our Class A common shares on our behalf in the open market. Such purchases may benefit from the safe harbors provided by Rule 10b-18 and/or Rule 10b5-1 under the Exchange Act. The actual timing, number, and value of shares repurchased under the repurchase program depend on several factors, including constraints specified in Rule 10b-18, price, general business, and market conditions, and alternative investment opportunities. The repurchase program does not obligate us to acquire any specific number of shares in any period and may be expanded, extended, modified, or discontinued at any time.

From November 13, 2023, to December 31, 2023, we didn't repurchase any Class A common shares.

#### **ITEM 16F. Change in registrant's certifying accountant**

Not applicable.

#### **ITEM 16G. Corporate governance**

We are subject to the Nasdaq corporate governance listing standards. As a foreign private issuer, however, the standards applicable to us are considerably different from the standards that apply to U.S. listed companies. Under the Nasdaq rules, as a foreign private issuer, we may follow the "home country" practice of the Cayman Islands, except that we are required (1) to have an audit committee or audit board that meets certain requirements, pursuant to an exemption available to foreign private issuers (subject to the phase-in rules described above under "Item 6. Directors, Senior Management and Employees—Audit Committee" (2) to provide prompt certification by our Chief Executive Officer of any material noncompliance with any corporate governance rules; and (3) to provide a brief description of the significant differences between our corporate governance practices and the Nasdaq corporate governance practice required to be followed by U.S. listed companies.

A summary of the significant differences between our corporate governance practices and those required of U.S. listed companies is included below and under "Item 6. Directors, Senior Management and Employees—C. Board Practices—Foreign Private Issuer Status".

##### ***Majority of Independent Directors***

The Nasdaq rules applicable to U.S. companies require a majority of the Board of Directors to be comprised of Independent Directors. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company. This is not required by the laws of the Cayman Islands. Our directors meet the qualification requirements of Cayman corporate law, and, although there are no rules to which we are subject to which oblige us to have a majority of independent directors, we believe that a majority of our directors would be considered independent under the Nasdaq test for director independence. Currently, six of our directors, Diego Fresco Gutierrez, Gilberto Caldart, José Alexandre Scheinkman, Luciana Ibiapina Lira Aguiar, Mauricio Luis Luchetti and Silvio José Morais are independent.

##### ***People and Compensation Committee***

The Nasdaq rules applicable to U.S. companies require us to have, and to certify that it has and will continue to have, a compensation committee governed by a written charter addressing the committee's required purpose and detailing its required responsibilities. This is not required by the laws of the Cayman Islands. Our Board of Directors is responsible for determining the individual compensation of each executive officer, as well as the compensation of our Board and committee members. In making such determinations, the Board will review the performance of our executive officers, including the performance of our principal executive officer, who will be required to excuse him or herself from discussions regarding his or her performance and compensation.

##### ***Clawback***

We have adopted a compensation recoupment policy in December 2023 that is applicable to officers and certain key employees and sets forth the terms and conditions regarding the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under U.S. federal securities laws applicable to us. For a copy of our compensation recoupment policy, please refer to Exhibit 97.1 to this annual report. We have not been required to prepare an accounting restatement at any time during or after our last completed fiscal year and no recovery of awarded compensation is required pursuant to our compensation recoupment policy.

**ITEM 16H. Mine safety disclosure**

Not applicable.

**ITEM 16I. Disclosure regarding foreign jurisdictions that prevent inspections**

Not applicable.

**ITEM 16J. Insider trading policies**

We have adopted an insider trading policy that applies to all of our employees, officers and directors and which is reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to us. Information contained on, or that can be accessed through, our website is not part of, or incorporated by reference into, this 20-F, and inclusions of our website address in this 20-F are inactive textual references provided only for your informational reference. We intend to disclose future amendments to our insider trading policy on our website or in public filings. The information on our website is not incorporated by reference into this annual report on Form 20-F, and you should not consider information contained on our website to be a part of this annual report on Form 20-F.

For a copy of our insider trading policy, please refer to exhibit 11.1 to this annual report.

**ITEM 16K. Cybersecurity**

At StoneCo, cybersecurity risk management is an integral part of our overall enterprise risk management program. Our cybersecurity risk management program is based on industry best practices and on regulatory requirements. It provides a framework for handling cybersecurity threats and incidents and facilitating coordination across different departments of our company. This framework includes steps for assessing the severity of a cybersecurity threat, identifying the source of a cybersecurity threat including whether the cybersecurity threat is associated with a third-party service provider, implementing cybersecurity countermeasures and mitigation strategies, and informing management and our Board of Directors of material cybersecurity threats and incidents.

Our Board of Directors has overall oversight responsibility for our risk management, including cybersecurity risk management. It delegates cybersecurity risk management oversight to the audit and risk committees of the Board of Directors. The audit and risk committees are responsible for overseeing that management has processes in place designed to identify and evaluate cybersecurity risks to which the company is exposed and implement processes and programs to manage cybersecurity risks and mitigate cybersecurity incidents. The audit and risk committees also report material cybersecurity risks to our full Board of Directors.

Management is responsible for identifying, considering and assessing material cybersecurity risks on an ongoing basis, establishing processes to ensure that such potential cybersecurity risk exposures are monitored, putting in place appropriate mitigation measures and maintaining cybersecurity programs. Our cybersecurity team, led by our Chief Information and Security Officer (“CISO”), who reports to our Chief Risk Officer, is responsible for our overall cybersecurity strategy and management. Our CISO and his senior personnel are certified and experienced information systems security professionals and information security managers with many years of experience. Our CISO and his team are independent from our technology team, that is led by our Chief Technology Officer. Our operational risk team is responsible for challenging the cybersecurity team’s strategy and management. In addition, our cybersecurity team provides training to all employees annually. Our risk management team regularly updates the audit and risks committees on the company’s cybersecurity programs, material cybersecurity risks and mitigation strategies. We do not use third parties on an ongoing basis to manage nor operate our cybersecurity processes; but we engaged consultants on an *ad-hoc* basis for specific engagements.

In 2023, we did not identify any cybersecurity threats that have materially affected our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced an undetected cybersecurity incident.

For more information about our risk governance and these risks, please see “Item 4. Information on the Company — B. Business Overview—Risk Governance” and “Item 3. Key Information—D. Risk Factors” respectively in this annual report on Form 20-F.

### PART III

#### ITEM 17. Financial statements

We have responded to Item 18 in lieu of this item.

#### ITEM 18. Financial statements

See our audited consolidated financial statements beginning at page F-1.

#### ITEM 19. Exhibits

1.1*	Second Amended and Restated Articles of Association of StoneCo Ltd.
2.1*	Description of Securities registered under Section 12 of the Exchange Act.
4.1	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form F-1 (File No. 333-227634) filed with the SEC on October 1, 2018).
4.2	Visa Payment Arrangements Participation and Trademark License Agreement, dated as of February 19, 2016 between Visa do Brasil Empreendimentos Ltda. and Stone Instituição de Pagamento (incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form F-1 (File No. 333-227634) filed with the SEC on October 1, 2018).
4.3†	License Agreement, dated as of December 21, 2015 between Mastercard International Incorporated and Stone Instituição de Pagamento, including the Acceptance Letter, dated as of December 21, 2015, from Mastercard International Incorporated to Stone Instituição de Pagamento; the Summary of Licenses Granted, dated as of December 21, 2015; and Supplement to Mastercard License Agreement, effective as of April 19, 2016, between Mastercard International Incorporated and Stone Instituição de Pagamento (incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form F-1 (File No. 333-227634) filed with the SEC on October 1, 2018).
4.4	English translation of the Agreement for Accreditor Participation in ELO Payment Arrangements, dated as of November 3, 2017, between Elo Serviços S.A. and Stone Instituição de Pagamento (incorporated herein by reference to Exhibit 4.13 to the Company's Annual Report on Form 20-F (File No. 001-38714) filed with the SEC on April 29, 2020).
4.5	Loan Agreement dated as of May 1, 2018 between Equals S.A. and Stone Instituição de Pagamento (incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement on Form F-1 (File No. 333-227634) filed with the SEC on October 1, 2018).
4.6	Loan Agreement dated as of May 1, 2018 between Equals S.A. and DLP Pagamentos Brasil S.A. (incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form F-1 (File No. 333-227634) filed with the SEC on October 1, 2018).
4.7	English translation of FIDC AR1 Bylaws, as amended and restated, dated as of June 25, 2018 (incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form F-1 (File No. 333-227634) filed with the SEC on October 1, 2018).
4.8	English translation of FIDC AR2 Bylaws, as amended and restated, dated as of June 28, 2018 (incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form F-1 (File No. 333-227634) filed with the SEC on October 1, 2018).
4.9†	English translation of the Supply Agreement (Contrato de Fornecimento), dated as of October 15, 2018, by and among PAX BR Comércio e Serviços de Equipamentos de Informática Ltda., Transire Fabricação de Componentes Eletrônicos Ltda. and Stone Instituição de Pagamento (incorporated herein by reference to Exhibit 10.9 to the Company's Registration Statement on Form F-1 (File No. 333-227634) filed with the SEC on October 1, 2018).



4.10*	First Amendment to the Shareholders Agreement among StoneCo Ltd., Cakubran Holdings Ltd., HR Holdings LLC and VCK Investment Fund Limited SAC A.
4.11	Registration Rights Agreement between StoneCo Ltd., Cakubran Holdings Ltd., HR Holdings LLC and VCK Investment Fund Limited, Madrone Partners L.P. and the persons listed on Schedule 1 thereto (incorporated herein by reference to Exhibit 10.11 to the Company's Registration Statement on Form F-1 (File No. 333-230642) filed with the SEC on April 1, 2019).
4.12	DLP Payments Holdings Ltd. Long-Term Incentive Plan (incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-230629) filed with the SEC on March 29, 2019).
4.13	StoneCo Ltd Contribution Agreement Plan (incorporated herein by reference to Exhibit 99.2 to the Company's Registration Statement on Form S-8 (File No. 333-230629) filed with the SEC on March 29, 2019).
4.14	English translation of the Amendment to the Indemnity for Non-Competition Agreement and Other Covenants, dated as of September 1, 2020, by and among Nércio José Monteiro Fernandes, StoneCo Ltd. And STNE Participações S.A. (incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form F-4 (File No. 333-248562) filed with the SEC on September 2, 2020).
4.15	English translation of the Amendment to the Indemnity for Non-Competition Agreement and Other Covenants, dated as of September 1, 2020, by and among Alberto Menache, StoneCo Ltd. And STNE Participações S.A. (incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form F-4 (File No. 333-248562) filed with the SEC on September 2, 2020).
4.16	English translation of the Amendment to the Indemnity for Non-Competition Agreement and Other Covenants, dated as of September 1, 2020, by and among Alon Dayan, StoneCo Ltd. And STNE Participações S.A. (incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement on Form F-4 (File No. 333-248562) filed with the SEC on September 2, 2020).
4.17	English translations of the Amendment to the Executive Engagement Proposal, dated as of September 1, 2020, by and among STNE Participações and Alberto Menache (incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form F-4 (File No. 333-248562) filed with the SEC on September 2, 2020).
4.18	StoneCo Ltd. Long-Term Incentive Plan (incorporated herein by reference to Exhibit 99 to the Company's Registration Statement on Form S-8 (File No. 333-265382) filed with the SEC on June 2, 2022).
4.19	Visa Sponsorship Agreement, dated as of June 7, 2022 between Stone Cartões Instituição de Pagamento S.A. and Stone Instituição de Pagamento S.A. (incorporated herein by reference to Exhibit 4.24 to the Company's Annual Report on Form 20-F (File No. 001-38714) filed with the SEC on May 1, 2023).
4.20	Visa Payment Agreement Participation and Trademark License Agreement, dated as of June 7, 2022 between Visa do Brasil Empreendimentos Ltda. and Stone Cartões Instituição de Pagamento S.A. (incorporated herein by reference to Exhibit 4.25 to the Company's Annual Report on Form 20-F (File No. 001-38714) filed with the SEC on May 1, 2023).
8.1*	List of Subsidiaries.
11.1*	Insider Trading Policy
12.1*	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
12.2*	

Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

13.1\*

Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

13.2\*

Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

15.1*	Consent of Ernst & Young Auditores Independentes S/S Ltda.
97.1	Clawback Policy
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the inline XBRL document)

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\* Filed with this Annual Report on Form 20-F.

\*\* In accordance with Rule 402 of Regulation S-T, the information in this exhibit shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

† Confidential treatment of certain provisions of these exhibits has been requested with the SEC. Omitted material for which confidential treatment has been requested has been filed separately with the SEC.

## GLOSSARY OF TERMS

The following is a glossary of certain industry and other defined terms used in this annual report:

“ABECS” means the Brazilian Association of Credit Card and Services Companies (*Associação Brasileira de Empresas de Cartões de Crédito e Serviços*).

“active client” includes MSMBs (micro, small and medium businesses) as well as key accounts. Considers a merchant that has completed at least one electronic payment transaction with us within the preceding 90 days, except for TON, where we consider merchants that have transacted at least once with us in the preceding 12 months.

“acquirer” means a payment institution that, without managing payment accounts, provides the following services: (1) accreditation of receivers for the acceptance of payment instruments issued by a payment institution or financial institution participating in the same payment scheme; and (2) participation in the settlement process of payment transactions as a creditor with respect to the card issuer, in accordance with the rules of the payment scheme. The acquirer receives the transaction details from the merchant’s terminal, passes them to the card issuer for authorization via the payment scheme and completes the processing of the transaction. The acquirer arranges settlement of the transaction and credits the merchant’s bank account with the funds in accordance with its service agreement with the merchant. The acquirer also processes any chargebacks that may be received via the card issuer regarding consumer transactions with merchants.

“ANPD” means the National Data Protection Authority (*Autoridade Nacional de Proteção de Dados*).

“APIs” means application programming interfaces, a set of clearly defined methods of communication between different software components, which, together with our SDKs and other tools, enables developers and resellers to create applications that can easily connect and integrate with our payment processing technology platform.

“APMs” means alternative payment methods, and includes any payment method used by customers that is not a credit or debit transaction involving a major payment scheme. APMs include, but are not limited to, local meal voucher schemes and payment slips (*boletos*).

“Articles of Association” means StoneCo’s amended and restated memorandum and articles of association adopted by special resolution passed on October 11, 2018, as amended on a Special Resolution passed on August 29, 2023.

“BDRs” means Brazilian Depositary Receipts (BDR).

“Board” or “Board of Directors” means the board of directors of StoneCo.

“Banking” refers to our digital bank solution and includes insurance products.

“*boleto*” means a printable document issued by merchants that is used to make payments in Brazil. Payment slips (*boletos*) can be used to pay bills for products or services, utilities or taxes. Each *boleto* refers to a specific merchant and customer transaction, and includes the merchant’s name, customer information, expiration date and total amount due, plus a serial number that identifies the account to be credited and a barcode so the entire document can be read and processed by a Brazilian ATM. A payment slip (*boleto*) can be paid in cash at a bank teller, at an ATM or by bank transfer. Our payment platform and merchant account can be used to pay payment slips (*boletos*).

“BNDES” means the Brazilian Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*).

“cardholder” means an applicant (either an individual or an entity) for a credit, prepaid or debit card that has been approved by a card issuer. The cardholder may use their card at any affiliated merchant.

“card brand” means the name of the payment scheme settlor that is printed on the issued branded credit, debit and/or prepaid cards.

“card issuer” means a payment institution or a financial institution that acts as issuer of cards and administrator of prepaid/postpaid payment accounts or deposit accounts operated by such institutions in a certain payment scheme and that meets the brand qualification requirements to issue branded credit, debit and/or prepaid cards. Card issuers are also responsible for collecting amounts spent with branded credit, debit and/or prepaid cards from cardholders.



“CDI” means the Brazilian interbank deposit (*certificado de depósito interbancário*).

“CDI Rate” means the rate of the CDI, which is an average of interbank overnight rates in Brazil.

“Central Bank” means the Brazilian Central Bank (*Banco Central do Brasil*).

“chargeback” means a claim where the consumer makes a purchase using a payment card and subsequently requests a reversal of the transaction amount from the card issuer on the basis of a commercial claim (for example, if the goods are not delivered, or are delivered damaged). Chargebacks occur more frequently in online transactions than in in-person transactions, and more frequently for goods than for services.

“clients” means integrated partners and merchants.

“CMN” means the Brazilian National Monetary Council (*Conselho Monetário Nacional*).

“COFINS” means the Brazilian government’s social security program (*Contribuição para o Financiamento da Seguridade Social*).

“Collact” means Collact Serviços Digitais S.A., a company merged into Stone Instituição de Pagamento.

“CVM” means the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*).

“Digital” solutions concentrate our OMS, e-commerce platform, ads and impulse solutions such as search, recommendation, reengagement and retargeting tools.

“ERP” means enterprise resource planning.

“eWallet” means a digital wallet that offers clients the ability to make payments online using a variety of payment methods, including credit or debit cards, without having to type in the card details each time.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“FIDC” means a Receivables Investment Fund (*Fundo de Investimento em Direitos Creditórios*), an investment fund legal structure established under Brazilian law designed specifically for investing in credit rights receivables. FIDCs (and quotas representing interests therein) are regulated by the rules and regulations of the CMN and the CVM; in particular Resolution No. 2,907/01 of the CMN, and CVM Instruction No. 356/01, as amended from time to time, including by CVM Instruction No. 489/11 and CVM Instruction No. 531/13.

“Financial Services” refers to the combination of our financial services solutions to clients, serving both MSMBs and key accounts and includes payments, digital banking and credit.

“gateway” means an online application that connects an e-commerce point of sale to the payment processor enabling online payment transactions.

“heavy user” is an active client that uses three or more financial services solutions.

“Hubcount” means Hubcount Tecnologia S.A., a subsidiary of Questor.

“ICMS” means the tax on distribution of goods and services (*Imposto sobre Circulação de Mercadorias e Serviços*).

“integrated partners” means PSPs, ISVs and marketplaces.

“interchange fee” means a fee paid by the acquirer to the card issuer (via the payment scheme settlors) for a transaction established in the scope of a payment scheme.

“IPCA” National Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), which is published by the IBGE.

“IPO” means our initial public offering.

“ISS” means the Municipal Tax on Services (*Imposto Sobre Serviços*).

“ISV” means integrated software vendor.

“key accounts” refers to operations in which Pagar.me acts as a fintech infrastructure provider for different types of clients, especially larger ones, such as mature e-commerce and digital platforms, commonly delivering financial services via APIs. We breakdown key accounts into sub-acquirer clients and platform service clients.

“Linx” means Linx S.A. and its subsidiaries.

“marketplace” means digital platforms that enable sellers and buyers in specific market segments to connect more effectively.

“merchant” means any person, entity or organization that accepts electronic payment transactions for the payment of goods or services.

“merchant discount rate” or “MDR” means the fee or commission paid by merchants for the service of capturing, processing, transmitting and settling transactions. The merchant discount rate is applied to the value of each cardholder’s transaction and includes the interchange fee.

“membership fees” refer to the upfront fee paid by merchants for all Ton offerings and specific ones for Stone when they join our client base.

“MSMB” refers to micro, small and medium-sized businesses.

“Nasdaq” means the Nasdaq Global Select Market.

“net merchant discount rate” (“net MDR”) means the total MDR charged to our merchants, net of interchange fees retained by card issuers, assessment fees charged by payment scheme settlors and sales taxes.

“Non-allocated” comprises other smaller businesses which are not allocated in our Financial Services or Software segments.

“NPS” means Net Promoter Score and is a widely known survey methodology that measures the willingness of customers to recommend a company’s products and services. It is used to gauge customers’ overall satisfaction with a company’s products and services and their loyalty to the brand, and it is typically based on customer surveys. NPS measures satisfaction using a scale of zero to 10 based on a customer’s response to the following question: “How likely is it that you would recommend StoneCo to a friend or colleague?” Responses of nine or 10 are considered “Promoters.” Responses of seven or eight are considered neutral. Responses of six or less are considered “Detractors.” The NPS, a percentage expressed as a numerical value, is calculated by subtracting the percentage of respondents who are Detractors from the percentage who are Promoters and dividing that number by the total number of respondents. The NPS calculation gives no weight to customers who decline to answer the survey question.

“OMS” by using our OMS (Order Management System) technology, retailers can meet orders originating from any channel, regardless of where the product is located. Our OMS offers multichannel purchasing processes that integrate stores, franchises and distribution centers, thereby providing a single channel for our customers that decreases inventory shortage and generates more consumer traffic and increased sales.

“partner program” is a sales channel that encompasses a range of client segments that distribute our solutions by integrating our payments and banking platform to their own offerings, such as software providers (ISVs), marketplaces, and e-commerce platforms, having a dedicated team for that.

“payment institution” means a legal entity that participates in one or more payment schemes and is dedicated to executing, as its principal or ancillary activity, those payment services described in article 6, item III, of Law 12,865/13 to cardholders or merchants, including those activities related to the provision of payment services. Specifically, based on current regulations, the Central Bank has opted to narrow the definition of payment institutions as set out in Law 12,865/13 to include only those entities that can be classified into one of the following three categories: (1) issuer of electronic money (prepaid payment instruments), (2) issuer of postpaid payment instruments (e.g., credit cards), and (3) acquirers.

“payment scheme” means the collection of rules and procedures that govern payment services provided to the public, with direct access by its end users (i.e., payers and receivers). Such payment services must be accepted by more than one receiver in order to qualify as a payment scheme. A payment scheme is established by and operated by a payment scheme settlor.

“payment scheme settlor” means the entity responsible for the functioning of a payment scheme, for the associated card brand and for the authorization of card issuers and acquirers to participate in the payment scheme. Visa and Mastercard are major payment scheme settlors.

“PIS” means the Brazilian government’s Social Integration Program (*Programa de Integração Social*).

“Pix” is the instant payments ecosystem in Brazil developed and operated by the Central Bank and launched in November 2020, through which individuals and merchants can settle transactions and make purchases instantaneously on a 24/7 basis.

“Pix QR Code” is a peer to merchant (P2M) solution. Considers transactions from dynamic POS QR Code and static QR Code from Stone and Ton merchants. Both types of PIX can be monetized.

“platform services” is included in key accounts and encompasses a wide range of business models, including marketplaces, e-commerce platforms, software companies and omnichannel retailers.

“POS” means a point of sale where a transaction is completed. “POS devices” allow merchants to accept payments where a sale is made, whether inside an establishment or in outdoor or mobile environments.

“PSP” means payment services providers, which are firms that contract with a merchant to provide them with payment acceptance solutions.

“Questor” means our subsidiary, Questor Sistemas S.A.

“reconciliation provider” means a service provider that integrates with, among other agents, acquirers and gateways in order to provide to merchants with a reconciliation of receivables resulting from their transactions, chargebacks and refunds. Equals is a reconciliation provider that offers reconciliation solutions.

“recurring revenue” comprises revenues from monthly subscription fees that we charge our software customers (1) for using our software and (2) the fees we charge for ongoing technical support, help desk services, software hosting services, support teams and connectivity services. The fees (1) and (2) are charged together in a single contract, with an average duration of twelve months, subjected to automatic renewal.

“SCD” means Direct Credit Society (*Sociedade de Crédito Direto*), which is a financial institution that carries out loan transactions, financing and acquisition of credit rights exclusively through an electronic platform, using its proprietary capital as a financial source for such transactions.

“SDK” means software development kit, which is typically a set of software development tools that allows for the creation of applications for software packages or frameworks, hardware platforms, computer or operating systems or similar development platforms.

“Software” is comprised of three main fronts: (i) Strategic Verticals, comprised of POS/ERP solutions for retail, gas stations, food and drugstores, as well as value added solutions such as fiscal solutions, TEF and CRM; (ii) Enterprise, comprised of POS/ERP solutions for large enterprise clients, as well as digital solutions such as OMS, ads solutions and marketplace hub; (iii) Other Verticals, comprised of POS/ERP solutions in verticals not prioritized for combination with financial services as well as other software solutions.

“SPB” or “Brazilian Payments System” (*Sistema de Pagamentos Brasileiro*) means all the entities, systems and procedures related to the clearing and settlement of funds transfer, foreign currency operations, financial assets and securities transactions in Brazil. The SPB includes systems in charge of check clearing; the clearing and settlement of electronic debit and credit orders, funds transfer and other financial assets; the clearing and settlement of securities transactions; the clearing and settlement of commodities and futures transactions; and, since the introduction of Brazilian Federal Law No. 12,865/13, dated as of May 17, 2013, payment schemes and payment institutions.

“STNE Invest” means STNE Investimentos S.A.

“STNE Par” means STNE Participações S.A.

“TON” is our solution that is more targeted towards micro merchants and smaller businesses.

“TPV” means total payment volume, which is the value of payments successfully processed through our integrated platform, net of cancellations and chargebacks.

“transaction” means, unless the context otherwise requires, any and all electronic payment transactions for the acquisition of goods and services.

“transaction volume” means the volume of transactions captured, processed, transmitted, and settled by acquirers or any other entity responsible for the settlement of transactions.

“Vitta” means, collectively: (i) Vitta Tecnologia em Saúde S.A.; (ii) VittaPar LLC; (iii) Vitta Corretora de Seguros Ltda. (formerly AX Saúde Corretora de Seguros Ltda.); and (iv) Vitta Serviços em Saúde Ltda.

## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

StoneCo Ltd.

Date: April 24, 2024

By: /s/ Pedro Zinner

Name: Pedro Zinner

Title: Chief Executive Officer

By: /s/ Mateus Scherer Schwening

Name: Mateus Scherer Schwening

Title: Chief Financial and Investor Relations Officer

# **Consolidated Financial Statements**

## **StoneCo Ltd.**

December 31, 2023 and 2022 and the three years ended December 31, 2023  
with report of Independent Registered Public Accounting Firm

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<b>Auditor Data Elements</b>	<b>Year ended December 31, 2023, December 31, 2022; and December 31, 2021.</b>
<b>Auditor Name</b>	Ernst & Young Auditores Independentes S/S Ltda.
<b>Auditor Location</b>	São Paulo, Brazil
<b>Auditor Firm ID</b>	1448

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of  
**StoneCo Ltd.**

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated statement of financial position of StoneCo Ltd. (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of profit or loss, other comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 15, 2024 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

#### **Impairment of Goodwill - Software cash generating unit Description of the Matter**

The Company performs goodwill impairment testing at the cash generating unit level annually or more frequently if it observes an indication that a potential impairment exists. As discussed in note 11.4 to the consolidated financial statements, as of December 31, 2023 the Company's goodwill related to the Software cash generating unit amounted to R\$ 5,147,296 thousand.

Auditing the Company's Software cash generating unit impairment test was complex and subjective due to the estimation required in determining the value in use of the Software cash generating unit utilizing a discounted cash flows model. As discussed in note 11.4 to the consolidated financial statements, the discounted cash flow model uses certain key assumptions in determining the value in use of a cash generating unit, including the pre-tax discount rate, the average free cash flow to equity, the average annual growth rate and the perpetuity growth rate. The pre-tax discount rate was particularly sensitive to the impairment test calculation.



### **How We Addressed the matter in Our Audit**

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment testing process for the Software cash generating unit, including controls over management's review of the key assumptions used in the discounted cash flow model, including the review of the pre-tax discount rate considering its sensitivity on the model, as well as the controls over the completeness and accuracy of the data used in the value in use determination.

To test management's estimated value in use of the Software cash generating unit, we performed audit procedures that included, among others, involving our valuation specialists to assess the valuation methodology used by the Company, as well as to support the evaluation and testing of the key assumptions. For example, we along with the valuation specialists compared each of the key assumptions mentioned above with economic, market and industry (peer) data, as well as performed independent sensitivity analyses over each of the key assumptions. We also tested, with the support of the valuation specialists, the completeness and accuracy of the underlying data used by the Company in its goodwill impairment testing.

We also assessed the adequacy of the Company's related disclosures in note 11.4 to the consolidated financial statements with respect to the Software cash generating unit impairment test of goodwill.

/s/ Ernst & Young Auditores Independentes S/S Ltda.

We have served as the Company's auditor since 2016.

São Paulo, Brazil

March 15, 2024

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of

StoneCo Ltd.

### **Opinion on the Internal Controls over Financial Reporting**

We have audited StoneCo Ltd.'s (the "Company") internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, StoneCo Ltd. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the PCAOB), the Company's consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of profit or loss, other comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated March 15, 2024 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG Auditores Independentes S/S Ltda.

São Paulo, Brazil

March 15, 2024

**StoneCo Ltd.**  
**Consolidated Statement of Financial Position**  
As of December 31, 2023 and 2022  
(In thousands of Brazilian Reais)

	Notes	2023	2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.2	2,176,416	1,512,604
Short-term investments	6.3	3,481,496	3,453,772
Financial assets from banking solutions	6.7	6,397,898	3,960,871
Accounts receivable from card issuers	6.4.1	23,895,512	20,694,523
Trade accounts receivable	6.5.1	459,947	484,722
Loans operations portfolio	6.6	209,957	—
Recoverable taxes	8	146,339	150,956
Derivative financial instruments	6.9	4,182	36,400
Other assets	7	380,854	365,355
		<b>37,152,601</b>	<b>30,659,203</b>
<b>Non-current assets</b>			
Long-term investments	6.3	45,702	214,765
Accounts receivable from card issuers	6.4.1	81,597	54,334
Trade accounts receivable	6.5.1	28,533	37,324
Loans operations portfolio	6.6	40,790	—
Receivables from related parties	13.1	2,512	10,053
Deferred tax assets	9.4	664,492	679,971
Other assets	7	137,508	206,526
Investment in associates		83,010	109,754
Property and equipment	10.3	1,661,897	1,641,178
Intangible assets	11.3	8,794,919	8,632,332
		<b>11,540,960</b>	<b>11,586,237</b>
<b>Total assets</b>		<b>48,693,561</b>	<b>42,245,440</b>

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

**StoneCo Ltd.**  
**Consolidated Statement of Financial Position**  
As of December 31, 2023 and 2022  
(In thousands of Brazilian Reais)

	Notes	2023	2022
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Deposits from banking customers	6.7	6,119,455	4,023,679
Accounts payable to clients	6.1.2.2	19,163,672	16,578,738
Trade accounts payable		513,877	596,044
Borrowings and financing	6.8.1	1,374,766	1,847,407
Obligations to FIDC quota holders	6.8.1	505,231	975,248
Labor and social security liabilities	20.5	515,749	468,599
Taxes payable	12	514,299	329,105
Derivative financial instruments	6.9	316,171	209,714
Other liabilities		119,526	145,605
		<b>29,142,746</b>	<b>25,174,139</b>
<b>Non-current liabilities</b>			
Accounts payable to clients	6.1.2.2	35,455	35,775
Borrowings and financing	6.8.1	3,639,215	2,728,470
Deferred tax liabilities	9.4	546,514	500,247
Provision for contingencies	14.3	208,866	210,376
Labor and social security liabilities	20.5	34,301	35,842
Other liabilities		410,504	610,567
		<b>4,874,855</b>	<b>4,121,277</b>
<b>Total liabilities</b>		<b>34,017,601</b>	<b>29,295,416</b>
<b>Equity</b>			
Issued capital	15.1	76	76
Capital reserve	15.2	14,056,484	13,818,819
Treasury shares	15.3	(282,709)	(69,085)
Other comprehensive income	15.5	(320,449)	(432,701)
Retained earnings (accumulated losses)		1,168,862	(423,203)
<b>Equity attributable to controlling shareholders</b>		<b>14,622,264</b>	<b>12,893,906</b>
Non-controlling interests		53,696	56,118
<b>Total equity</b>		<b>14,675,960</b>	<b>12,950,024</b>
<b>Total liabilities and equity</b>		<b>48,693,561</b>	<b>42,245,440</b>

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

**StoneCo Ltd.****Consolidated Statement of Profit or Loss**

Years ended December 31, 2023, 2022 and 2021

(In thousands of Brazilian Reais, unless otherwise stated)

	Notes	2023	2022	2021
Net revenue from transaction activities and other services	17.3	3,309,765	2,617,407	1,626,853
Net revenue from subscription services and equipment rental	17.3	1,824,956	1,760,915	1,071,932
Financial income	17.3	6,229,303	4,638,022	1,877,683
Other financial income	17.3	690,979	572,601	247,293
<b>Total revenue and income</b>		<b>12,055,003</b>	<b>9,588,945</b>	<b>4,823,761</b>
Cost of services	18	(2,982,758)	(2,669,752)	(1,713,828)
Administrative expenses	18	(1,188,869)	(1,121,357)	(813,341)
Selling expenses	18	(1,698,275)	(1,511,241)	(1,012,544)
Financial expenses, net	19	(3,999,465)	(3,514,739)	(1,269,058)
Mark-to-market on equity securities designated at FVPL	18	30,574	(853,056)	(1,264,213)
Other income (expenses), net	18	(241,213)	(302,501)	(185,894)
<b>Total expenses</b>		<b>(10,080,006)</b>	<b>(9,972,646)</b>	<b>(6,258,878)</b>
Loss on investment in associates		(4,179)	(3,589)	(10,437)
<b>Profit (loss) before income taxes</b>		<b>1,970,818</b>	<b>(387,290)</b>	<b>(1,445,554)</b>
Current income tax and social contribution	9.3	(345,813)	(292,172)	(171,621)
Deferred income tax and social contribution	9.3	(24,585)	153,066	239,827
<b>Net income (loss) for the year</b>		<b>1,600,420</b>	<b>(526,396)</b>	<b>(1,377,348)</b>
<b>Net income (loss) attributable to:</b>				
Controlling shareholders		1,592,065	(519,417)	(1,358,813)
Non-controlling interests		8,355	(6,979)	(18,535)
		<b>1,600,420</b>	<b>(526,396)</b>	<b>(1,377,348)</b>
<b>Earnings (loss) per share</b>				
Basic earnings (loss) per share for the year attributable to controlling shareholders (in Brazilian Reais)	16	5.09	(1.67)	(4.40)
Diluted earnings (loss) per share for the year attributable to controlling shareholders (in Brazilian Reais)	16	4.74	(1.67)	(4.40)

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

**StoneCo Ltd.**

**Consolidated Statement of Other Comprehensive Income (loss)**

Years ended December 31, 2023, 2022 and 2021

(In thousands of Brazilian Reais)

	Notes	2023	2022	2021
<b>Net income (loss) for the year</b>		<b>1,600,420</b>	<b>(526,396)</b>	<b>(1,377,348)</b>
<b>Other comprehensive income</b>				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Changes in the fair value of accounts receivable from card issuers		98,283	(253,181)	(303,157)
Tax on changes in the fair value of accounts receivable from card issuers		(33,414)	86,081	103,073
Exchange differences on translation of foreign operations		(24,073)	(30,544)	4,651
Changes in the fair value of cash flow hedge	6.9.1	64,146	(207,222)	(54,144)
Unrealized loss on cash flow hedge - highly probable future imports		—	—	1,512
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>				
Net monetary position in hyperinflationary economies		4,316	5,384	2,481
Changes in the fair value of equity instruments designated at fair value	6.3 (b)	1,912	(6,971)	216,466
<i>Other comprehensive income (loss) that were reclassified to profit or loss in subsequent periods:</i>				
Reclassification to profit or loss of accumulated exchange differences on disposal of foreign operation		257	5,383	—
<b>Other comprehensive income (loss) for the year, net of tax</b>		<b>111,427</b>	<b>(401,070)</b>	<b>(29,118)</b>
<b>Total comprehensive income (loss) for the year, net of tax</b>		<b>1,711,847</b>	<b>(927,466)</b>	<b>(1,406,466)</b>
<b>Total comprehensive income (loss) attributable to:</b>				
Controlling shareholders		1,704,317	(916,326)	(1,389,603)
Non-controlling interests		7,530	(11,140)	(16,863)
<b>Total comprehensive income (loss) for the year, net of tax</b>		<b>1,711,847</b>	<b>(927,466)</b>	<b>(1,406,466)</b>

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

**StoneCo Ltd.**
**Consolidated Statement of Changes in Equity**

Years ended December 31, 2023, 2022 and 2021

(In thousands of Brazilian Reais)

Note	Attributable to controlling shareholders											
	Issued capital	Capital reserve					Treasury shares	Other comprehensive income	Retained earnings	Total	Non-controlling interest	Total
		Additional paid-in capital	Transactions among shareholders	Special reserve	Other reserves	Total						
<b>Balance as of December 31, 2020</b>	75	13,307,585	(86,483)	61,127	197,493	13,479,722	(76,360)	(5,002)	1,455,027	14,853,462	138,563	14,992,025
Loss for the year	—	—	—	—	—	—	—	—	(1,358,813)	(1,358,813)	(18,535)	(1,377,348)
Other comprehensive income (loss) for the year	—	—	—	—	—	—	—	(30,790)	—	(30,790)	1,672	(29,118)
<b>Total comprehensive income</b>	—	—	—	—	—	—	—	(30,790)	(1,358,813)	(1,389,603)	(16,863)	(1,406,466)
Repurchase of shares	—	—	—	—	—	—	(988,824)	—	—	(988,824)	—	(988,824)
Issuance of shares for purchased non-controlling interests	1	517,740	(209,330)	—	—	308,410	—	—	—	308,411	(77,911)	230,500
Issuance of shares for business combination	—	—	619,362	—	24,365	643,727	—	—	—	643,727	—	643,727
Non-controlling interests arising on a business combination	—	—	—	—	—	—	—	—	—	—	50,252	50,252
Share-based payments	—	—	—	—	133,121	133,121	—	—	—	133,121	33	133,154
Transaction costs from subsidiaries	—	—	(23,848)	—	—	(23,848)	—	—	—	(23,848)	—	(23,848)
Sale of subsidiary	—	—	—	—	—	—	—	—	—	—	(1,219)	(1,219)
Dividends paid	—	—	—	—	—	—	—	—	—	—	(2,967)	(2,967)
Cash proceeds from non-controlling interest	—	—	—	—	—	—	—	—	—	—	893	893
Others	—	—	—	—	—	—	—	—	—	—	(7)	(7)
<b>Balance as of December 31, 2021</b>	76	13,825,325	299,701	61,127	354,979	14,541,132	(1,065,184)	(35,792)	96,214	13,536,446	90,774	13,627,220
Loss for the year	—	—	—	—	—	—	—	—	(519,417)	(519,417)	(6,979)	(526,396)
Other comprehensive income (loss) for the year	—	—	—	—	—	—	—	(396,909)	—	(396,909)	(4,161)	(401,070)
<b>Total comprehensive income</b>	—	—	—	—	—	—	—	(396,909)	(519,417)	(916,326)	(11,140)	(927,466)
Transaction costs from subsidiaries	—	—	—	—	—	—	—	—	—	—	(60)	(60)
Equity transaction related to put options over non-controlling interest	—	—	—	—	(78,289)	(78,289)	—	—	—	(78,289)	3,849	(74,440)
Share-based payments	—	—	—	—	189,003	189,003	—	—	—	189,003	47	189,050
Shares delivered under share-based payment arrangements	—	—	(34,315)	—	(88,264)	(122,579)	122,579	—	—	—	—	—
Treasury shares - Delivered on business combination and sold	—	—	(703,656)	—	—	(703,656)	873,520	—	—	169,864	—	169,864
Equity transaction with non-controlling interests	—	—	(6,792)	—	—	(6,792)	—	—	—	(6,792)	(23,757)	(30,549)
Dividends paid	—	—	—	—	—	—	—	—	—	—	(3,601)	(3,601)
Others	—	—	—	—	—	—	—	—	—	—	6	6
<b>Balance as of December 31, 2022</b>	76	13,825,325	(445,062)	61,127	377,429	13,818,819	(69,085)	(432,701)	(423,203)	12,893,906	56,118	12,950,024
Net income for the year	—	—	—	—	—	—	—	—	1,592,065	1,592,065	8,355	1,600,420
Other comprehensive income (loss) for the year	—	—	—	—	—	—	—	112,252	—	112,252	(825)	111,427
<b>Total comprehensive income</b>	—	—	—	—	—	—	—	112,252	1,592,065	1,704,317	7,530	1,711,847
Repurchase of shares	15.3	—	—	—	—	—	(292,745)	—	—	(292,745)	—	(292,745)
Equity transaction related to put options over non-controlling interest	—	—	—	—	89,475	89,475	—	—	—	89,475	(3,904)	85,571
Share-based payments	—	—	(25,851)	—	226,713	200,862	25,851	—	—	226,713	(114)	226,599
Shares delivered under share-based payment arrangements	—	—	(47,591)	—	(4,873)	(52,464)	53,270	—	—	806	—	806
Equity transaction with non-controlling interests	—	—	—	—	—	—	—	—	—	—	49	49
Dividends paid	—	—	—	—	—	—	—	—	—	—	(5,983)	(5,983)
Others	—	—	—	—	(208)	(208)	—	—	—	(208)	—	(208)
<b>Balance as of December 31, 2023</b>	76	13,825,325	(518,504)	61,127	688,536	14,056,484	(282,709)	(320,449)	1,168,862	14,622,264	53,696	14,675,960

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

**StoneCo Ltd.**
**Consolidated Statement of Cash Flows**

Years ended December 31, 2023, 2022 and 2021

(In thousands of Brazilian Reais)

	Notes	2023	2022	2021
<b>Operating activities</b>				
Net income (loss) for the year		1,600,420	(526,396)	(1,377,348)
<b>Adjustments to reconcile net income (loss) for the year to net cash flows:</b>				
Depreciation and amortization	10.4	878,181	800,326	507,369
Deferred income tax and social contribution	9.3	24,585	(153,066)	(239,827)
Loss on investment in associates		4,179	3,589	10,437
Accrued interest, monetary and exchange variations, net		(195,419)	(382,707)	(735,125)
Provision for contingencies	14.3	5,825	18,849	4,263
Share-based payments expense		251,239	213,076	113,169
Allowance for expected credit losses	6.4.2/ 6.5.2/6.6	160,195	88,572	71,972
Loss on disposal of property, equipment and intangible assets	22.5	66,200	25,347	136,104
Effect of applying hyperinflation accounting		3,652	3,852	2,040
Loss on sale of subsidiary		10,926	20,308	12,746
Fair value adjustment in financial instruments at FVPL	22.1	96,563	1,179,547	2,570,418
Fair value adjustment in derivatives		20,320	90,821	104,979
Remeasurement of previously held interest in subsidiary acquired		—	—	(15,848)
Others		1,168	—	—
<b>Working capital adjustments:</b>				
Accounts receivable from card issuers		32,304	740,190	(2,993,411)
Receivables from related parties		20,343	12,912	1,050
Recoverable taxes		138,987	261,867	(238,127)
Prepaid expenses		41,310	152,966	(260,090)
Trade accounts receivable, banking solutions and other assets		205,105	707,521	244,181
Loans operations portfolio		(312,808)	—	—
Accounts payable to clients		(3,382,075)	(3,633,937)	4,276,349
Taxes payable		169,827	137,825	247,399
Labor and social security liabilities		19,284	171,293	(17,388)
Payment of contingencies	14.3	(34,012)	(9,799)	(10,180)
Trade accounts payable and other liabilities		(80,024)	323,619	40,768
Interest paid		(749,366)	(430,398)	(299,666)
Interest income received, net of costs	22.4	2,766,933	2,058,650	1,578,870
Income tax paid		(116,134)	(191,142)	(128,202)
<b>Net cash provided by in operating activities</b>		<b>1,647,708</b>	<b>1,683,685</b>	<b>3,606,902</b>
<b>Investing activities</b>				
Purchases of property and equipment	22.5	(736,244)	(417,733)	(1,082,990)
Purchases and development of intangible assets	22.5	(474,053)	(305,512)	(215,681)
Acquisition of subsidiary, net of cash acquired		—	(69,837)	(4,737,410)
Sale of subsidiary, net of cash disposed of		—	(4,325)	(36)
Proceeds from (acquisition of) short-term investments, net		181,611	(1,222,364)	5,370,958
Acquisition of equity securities		—	(15,000)	(2,480,003)
Proceeds from disposal of long-term investments – equity securities		220,520	183,518	209,324
Proceeds from the disposal of non-current assets	22.5	536	27,008	100
Payment for interest in associates and subsidiaries acquired in prior periods		(37,806)	(46,897)	(41,459)
<b>Net cash used in investing activities</b>		<b>(845,436)</b>	<b>(1,871,142)</b>	<b>(2,977,197)</b>
<b>Financing activities</b>				
Proceeds from borrowings	6.8.2	5,181,619	3,499,986	11,700,297
Payment of borrowings	6.8.2	(4,489,681)	(5,009,769)	(7,252,226)
Payment to FIDC quota holders	6.8.2	(1,032,503)	(1,250,000)	(2,767,552)
Proceeds from FIDC quota holders		564,752	—	584,191
Payment of principal portion of lease liabilities	6.8.2	(72,815)	(99,829)	(83,610)
Repurchase of own shares		(292,745)	—	(988,824)
Sale of own shares		—	53,406	—
Acquisition of non-controlling interests		(1,440)	(325)	(1,265)
Transaction with non-controlling interests		—	—	230,500
Dividends paid to non-controlling interests		(5,983)	(3,601)	(2,967)
Cash proceeds from non-controlling interest		—	—	893
<b>Net cash (used in) provided by financing activities</b>		<b>(148,796)</b>	<b>(2,810,132)</b>	<b>1,419,437</b>
Effect of foreign exchange on cash and cash equivalents		10,336	14,548	(487)
<b>Change in cash and cash equivalents</b>		<b>663,812</b>	<b>(2,983,041)</b>	<b>2,048,655</b>
Cash and cash equivalents at beginning of year	5.2	1,512,604	4,495,645	2,446,990
Cash and cash equivalents at end of year	5.2	2,176,416	1,512,604	4,495,645
<b>Change in cash and cash equivalents</b>		<b>663,812</b>	<b>(2,983,041)</b>	<b>2,048,655</b>

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



## **1. Operations**

StoneCo Ltd. (the “Company”), is a Cayman Islands exempted company with limited liability, incorporated on March 11, 2014. The registered office of the Company is located at 4th Floor, Harbour Place 103 South Church Street, P.O. box 10240 Grand Cayman E9 KY1-1002.

On November 29, 2022, the Brazilian Central Bank (“BACEN”) approved the Company’s change of control through a corporate restructuring involving the conversion Mr. Eduardo Pontes interests in Company’s Class B super-voting shares from HR Holdings, LLC (which were held indirectly through holding companies) into Class A shares directly owned by his family controlled entities (“Corporate Restructuring”).

As a result of the Corporate Restructuring, HR Holdings LLC became the owner of, approximately, 31% of the Company’s voting shares. HR Holdings LLC’s ultimate parent is the VCK Investment Fund Limited SAC A, an investment fund, owned by the co-founder of the Company, Mr. Andre Street.

The Company’s shares are publicly traded on Nasdaq under the ticker symbol STNE and its Brazilian Depositary Receipts (“BDRs”) representing the underlying Company’s shares are traded on the Brazilian stock exchange (B3) under the ticker symbol STOC31.

The Company and its subsidiaries (collectively, the “Group”) provide financial services and software solutions to clients across in-store, mobile and online device platforms helping them to better manage their businesses by increasing the productivity of their sales initiatives.

The consolidated financial statements of the Group were approved for issue by the Audit Committee on March 15, 2024.

## **2. General accounting policies**

The accounting policies are presented in the corresponding notes throughout the financial statements. The general accounting policies, unrelated to specific notes, are as follows.

### **2.1. Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared on a historical cost basis, other than some Short and Long-term investments, Accounts receivable from card issuers, certain loans presented under Trade accounts receivable, Derivative financial instruments, Other liabilities related to contingent consideration and, upon initial recognition, Provision for contingencies of entities acquired on business combinations. The consolidated financial statements are presented in Brazilian Real/Reais (“R\$”), and all values are rounded to the nearest thousand (R\$ 000), except when otherwise indicated.

### **2.2. Foreign currency translation**

#### **2.2.1. Financial statements in foreign currencies**

The Group’s consolidated financial statements are presented in Brazilian Reais, which is the Company’s functional currency.

The Group determines the functional currency for each member entity The Company’s subsidiaries’ functional currency is the Brazilian Real, except for the Napse Group for which its members use the U.S. Dollar, Argentinian Peso, Chilean Peso, Mexican Peso, Nuevo Sol and Uruguayan Peso.

For those entities that use a functional currency other than the Brazilian Real, their financial statements are translated into Brazilian Reais using (i) the exchange rates at the reporting date for assets and liabilities, (ii) average monthly exchange rates for profit or loss, and (iii) the exchange rate at the transaction date for equity transactions. For these entities, exchange gains and losses arising from the translation process are recorded in Other comprehensive income (loss) (“OCI”) in “Exchange differences on translation of foreign operations.”

## 2.2.2. Transactions in foreign currencies

Transactions in foreign currencies are initially recorded by the Group's entities in their functional currency at the spot exchange rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated into each functional currency using the exchange rates prevailing at the reporting date. Exchange gains and losses arising from the settlement of transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognized in the statement of profit or loss. These mostly arise from transactions carried out by clients with credit and debit cards issued by foreign card issuers, from the translation of the Group's financial instruments denominated in foreign currencies and, to a lesser extent, from purchase of products and services denominated in foreign currencies.

## 2.3. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. In the event that fulfillment of the arrangement is dependent on the use of specific assets or the arrangement transfers a right to use the asset, such arrangements are defined as leases.

### 2.3.1. The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets for which the Group opts for recognition exemption. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### 2.3.1.1. Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The estimated useful lives for the right-of-use assets are as follows:

	<b>Estimated useful lives (years)</b>
Offices	1-10
Vehicles	1-3
Equipment	1-10
Software	1-3

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

#### 2.3.1.2. Lease liabilities

At the commencement date of the lease, the Group recognizes under "Borrowings and financing" lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease; if the lease term reflects the Group exercising the option to terminate. The variable lease payments are recognized as an expense in the same period the event or condition that triggered the payment occurred.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liability balance is increased to reflect the accretion of interest and reduced when lease payments are made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### **2.3.1.3. Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of offices, software, vehicles and other equipment (being contracts with a lease term of 12 months or less from the commencement date which do not contain a purchase option). It also applies the low-value assets recognition exemption to leases of office equipment that are considered of low value (below US\$ 5,000). Lease payments of short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

#### **2.3.2. The Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Group has cancellable month-to-month lease contracts of Pin Pads & Point of Sale (“POS”) to third parties (clients). The leased assets are included in “Property and equipment” in the consolidated statement of financial position and are depreciated over their expected useful lives on a straight-line basis. Income from operating leases (net of any incentives given to the lessee) is recognized on a straight-line basis over the lease term in “Net revenue from subscription services and equipment rental” in the consolidated statement of profit or loss.

#### **2.4. Current and non-current classification**

The Group presents assets and liabilities in the statement of financial position based on a current / non-current classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## **2.5. IAS 29 Financial Reporting in Hyperinflationary Economies**

As the accumulated inflation rate in Argentina had exceeded 100% over the past three years the Company adopted IAS 29 Financial Reporting in Hyperinflationary Economies for the Argentine subsidiary Napse S.R.L.

Pursuant to IAS 29, non-monetary assets and liabilities, shareholders' equity and amounts in the statement of profit or loss of entities that operate in hyperinflationary economies are adjusted by the change in the general purchasing power of the currency, based on a general price index.

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether based on the historical or current cost approach, should be expressed in terms of the current measurement unit at the statement of financial position date.

## **2.6. Climate Related Matters**

The Group acknowledges the presence and importance of climate risk and seeks to integrate it as part of the other managed risks. By the nature of its activities, the Company is mainly affected by physical and transition risks indirectly, as a result of the effects of those risks on its customers. Within this context, the Group has the objective of developing its capabilities for identifying, assessing, measuring, monitoring, reporting, and mitigating the potential effects resulting from social, environmental, and climate risks associated with its prioritized products, services, activities, and processes, based on the principles of relevance and proportionality.

The Group's current view is that its business model and its main products are not likely to have a significant impact from the transition to a low-carbon economy. Climate-related matters however may increase the uncertainty in selected estimates and assumptions underpinning some items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation.

Financial assets may be indirectly impacted by climate-related matters, principally the loan and credit card portfolio. Cash flows from customers whose businesses are affected by transition risks and extreme weather events and other physical climate risks may be impacted. However, this risk is mitigated by the diverse and broad base of customers operating in across numerous industries and in different geographical regions in Brazil, and the relative short-term duration of the loans. Extreme weather events might more significantly affect specific cities or geographical areas.

## **2.7. New standards and amendments to standards and interpretations adopted**

The following amendments and interpretations were applied for the first time in 2023:

- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction: The amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- Narrow scope amendments to IAS 1, practice statement 2 and IAS 8: The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- IFRS 17 – insurance contracts: This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

These amendments had no significant impact on the consolidated financial statements of the Group.

## **2.8. New standards and amendments to standards and interpretations not yet adopted**

The new and amended standards and interpretations that are issued, but not yet effective as of December 31, 2023 are presented below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### **2.8.1. International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12**

The amendment provides an exception not to recognize and disclose information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities disclose separately their current tax expense/ income related to Pillar Two income taxes, and the qualitative and quantitative information about exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect, in annual reporting periods beginning on or after 1 January 2023.

Currently, considering the legislation currently in force in the jurisdiction in which the Group has operations, it is not expected to significantly affect the Group’s financial statements.

### **2.8.2. Amendments to IAS 1: Classification of liabilities as current or non-current**

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group reviewed the amendment and currently does not expect it to have any impact on the Group’s consolidated financial statements.

### **2.8.3. Amendments to IAS 21: Lack of exchangeability**

On August 15, 2023, the IASB issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates (the Amendments). The amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The amendments require the entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. The Group is assessing if the amendments will affect the Group’s consolidated financial statements.

### **2.8.4. IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments**

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The amendments aim to enhance the understanding of the characteristics of supplier financing transactions and include disclosures in financial statements that help users understand the effects on the entity’s liabilities, cash flows and liquidity risk exposure.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Group reviewed the amendment and currently does not expect it to have any impact on the Group’s consolidated financial statements on the initial application of the amendment since as of the date of these financial statement it has not entered into supplier finance arrangements.

### **2.8.5. The Enhancement and Standardization of Climate-Related Disclosures for Investors**

On March 06, 2024, the Securities and Exchange Commission (SEC) issued the final rule on The Enhancement and Standardization of Climate-Related Disclosures for Investors. This rule mandates the disclosure of information regarding a registrant’s climate-related risks that have materially impacted, or are reasonably likely to have a material impact on, its business strategy, results of operations, or financial condition. The Group is currently assessing the impact of this rule for disclosure to investors.

### **3. Significant judgments, estimates and assumptions**

The preparation of the financial statements of the Company and its subsidiaries requires management to make judgments and estimates and to adopt assumptions that affect the amounts presented referring to revenues, expenses, assets and liabilities at the financial statement date. Actual results may differ from these estimates.

The judgements, estimates and assumptions are frequently revised, and any effects are recognized in the revision period and in any future affected periods. The objective of these revisions is to mitigate the risk of material differences between estimated and actual results in the future.

Significant assumptions about sources of uncertainty in future estimates and other significant sources at the reporting date are presented in each of the notes along the financial statements.

### **4. Group information**

#### **4.1. Subsidiaries**

##### **4.1.1. Accounting policy**

###### **4.1.1.1. Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction, in "Transactions among shareholders." in equity.

#### 4.1.1.2. Consolidation of structured entities

Usually, the control of an investee is determined by voting or similar rights of the investor. In some cases, voting or similar rights is not the decisive factor to characterize control. An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity is denominated as a structured entity. Frequently, the relevant activities of structured entities are directed by means of contractual arrangements. In such cases, an investor's consideration of the purpose and design of the investee shall also include consideration of the risks to which the investee was designed to be exposed, the risks it was designed to pass on to the parties involved with the investee and whether the investor is exposed to some or all of those risks.

Based on the contractual terms, the Group identified that certain investments meet the definition of a structured entity under IFRS 12 – Disclosure of Interests in Other Entities.

The Group considers the entities listed below to be structured entities that are controlled by the Group. The participation of the Group in each of them is stated as follows:

	<b>Outstanding quotas as of December 31, 2023</b>
Tapso Fundo de Investimento em Direitos Creditórios ("FIDC TAPSO")	100% of subordinated quotas representing approximately 99% of total (subordinated and senior and/or mezzanine) quotas
Tapso II Fundo de Investimento em Direitos Creditórios ("FIDC TAPSO II")	100% of subordinated quotas representing total quotas
SOMA I Fundo de Investimentos em Direitos Creditórios Não Padronizados ("FIDC SOMA")	100% of subordinated quotas representing total quotas
SOMA III Fundo de Investimentos em Direitos Creditórios Não Padronizados ("FIDC SOMA III")	100% of subordinated quotas representing total quotas
StoneCo exclusivo Fundo de Investimento em Cotas de Fundo de Investimento Multimercado Crédito Privado ("FIC FIM STONECO")	100% of all outstanding quotas of a single class
ACR I Fundo de Investimento em Direitos Creditórios ("FIDC ACR I")	100% of subordinated quotas representing approximately 97% of total (subordinated and senior and/or mezzanine) quotas
ACR III Fundo de Investimento em Direitos Creditórios ("FIDC ACR III")	100% of subordinated quotas representing total quotas
ACR V Fundo de Investimento em Direitos Creditórios ("FIDC ACR V")	100% of subordinated quotas representing total quotas
ACR VI Fundo de Investimento em Direitos Creditórios ("FIDC ACR VI")	100% of subordinated quotas representing total quotas
ACR FAST Fundo de Investimento em Direitos Creditórios ("FIDC ACR FAST")	100% of subordinated quotas representing approximately 97% of total (subordinated and senior and/or mezzanine) quotas

The bylaws of these structured entities were established at their inception to grant significant decision-making authority over these entities. As sole holders of the subordinated quotas, the Group is entitled to the full residual value of the entities, if any, and thus the Group has the rights to their variable returns. During 2023, the structured entities FIDC AR III and Retail Renda Fixa Crédito Privado Fundo de Investimento were closed.

In accordance with IFRS 10, the Group concluded it controls all structured entities listed above, therefore, they are consolidated in the Group's financial statements. FIDCs senior and mezzanine quotas held by third parties, when applicable, are accounted for as a financial liability under "Obligations to FIDC quota holders" and the remuneration paid to senior and mezzanine quota holders is recorded as an interest expense (Note 6.8).

#### 4.1.2. Subsidiaries of the Group

The consolidated financial statements of the Group include the following subsidiaries and structured entities:

Entity name	Principal activities	% of Group's equity interest	
		2023	2022
Stone Instituição de Pagamento S.A. ("Stone Pagamentos")	Merchant acquiring	100.00	100.00
MNLT S.A. ("MNLT")	Merchant acquiring	100.00	100.00
Pagar.me Instituição de Pagamento S.A. ("Pagar.me")	Merchant acquiring	100.00	100.00
Stone Cartões Instituição de Pagamento S.A. ("Stone Cartões")	Merchant acquiring	100.00	100.00

**StoneCo Ltd.**
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December 31, 2023, 2022 and 2021

(In thousands of Brazilian Reais, unless otherwise stated)

Entity name	Principal activities	% of Group's equity interest	
		2023	2022
Linx Pay Meios de Pagamento Ltda. ("Linx Pay")	Merchant acquiring	100.00	100.00
Stone Sociedade de Crédito Direto S.A. ("Stone SCD")	Financial services	100.00	100.00
TAG Tecnologia para o Sistema Financeiro S.A. ("TAG")	Financial assets register	100.00	100.00
MLabs Software S.A. ("MLabs")	Technology services	51.50	51.50
Equals S.A. ("Equals") <sup>(a)</sup>	Technology services	—	100.00
Questor Sistemas S.A. ("Questor")	Technology services	50.00	50.00
Sponte Informática S.A. ("Sponte") <sup>(b)</sup>	Technology services	—	100.00
SimplesVet Tecnologia S.A. ("SimplesVet")	Technology services	50.00	50.00
VHSYS Sistema de Gestão S.A. ("VHSYS")	Technology services	50.00	50.00
Trampolin Pagamentos S.A. ("Trampolin") <sup>(c)</sup>	Technology services	—	100.00
Linx S.A. ("Linx")	Technology services	100.00	100.00
Linx Sistemas e Consultoria Ltda. ("Linx Sistemas")	Technology services	100.00	100.00
Linx Telecomunicações Ltda. ("Linx Telecom")	Technology services	100.00	100.00
Napse S.R.L. ("Napse Group")	Technology services	100.00	100.00
Napse Uruguay SAS ("Napse Group")	Technology services	100.00	100.00
Sociedad Ingeniería de Sistemas Napse I.T. de Chile Limitada ("Napse Group")	Technology services	100.00	100.00
Napse IT Peru S.R.L. ("Napse Group")	Technology services	100.00	100.00
Synthesis Holding LLC ("Napse Group")	Technology services	100.00	100.00
Synthesis US LLC ("Napse Group")	Technology services	100.00	100.00
Retail Americas Sociedad de Responsabilidad Limitada de Capital Variable ("Napse Group")	Technology services	100.00	100.00
Synthesis IT de México Sociedad de Responsabilidad Limitada de Capital Variable ("Napse Group")	Technology services	100.00	100.00
Hiper Software S.A. ("Hiper")	Technology services	100.00	100.00
Reclame Aqui LLC ("Reclame Aqui Group")	Technology services	50.00	50.00
Obvio Brasil Software e Serviços S.A. ("Reclame Aqui Group")	Technology services	50.00	50.00
O Mediador Tecnologia da Informação S/S Ltda ("Reclame Aqui Group")	Technology services	50.00	50.00
Reclame Aqui Marcas e Serviços Ltda ("Reclame Aqui Group")	Technology services	50.00	50.00
STEF S.A. ("Stef") <sup>(d)</sup>	Technology services	100.00	—
Hubcount Tecnologia S.A. ("Hubcount") <sup>(e)</sup>	Technology services	75.60	75.60
Buy4 Processamento de Pagamentos S.A. ("Buy4")	Processing card transactions	100.00	100.00
Buy4 Sub LLC ("Buy4 LLC")	Cloud store card transactions	100.00	100.00
Vitta Corretora de Seguros Ltda. ("Vitta Group")	Insurance services	100.00	100.00
Vitta Tecnologia em Saúde S.A. ("Vitta Group")	Health services	100.00	100.00
Vitta Serviços em Saúde Ltda. ("Vitta Group")	Health services	100.00	100.00
Vitta Saúde Administradora de Benefícios Ltda. ("Vitta Group")	Health services	100.00	100.00
StoneCo Pagamentos UK Ltd. ("StoneCo UK")	Service provider	100.00	100.00
Stone Logística Ltda. ("Stone Log")	Logistic services	100.00	100.00
Stone Franchising Ltda. ("Franchising")	Franchising management	100.00	100.00
Cappta S.A. ("Cappta") <sup>(d)</sup>	Electronic fund transfer	—	59.60
Ametista Serviços Digitais Ltda. ("PinPag") <sup>(f)</sup>	Electronic fund transfer	100.00	100.00
Esmeralda Serviços Digitais Ltda. ("PinPag") <sup>(f)</sup>	Electronic fund transfer	100.00	100.00
Diamante Serviços Digitais Ltda. ("PinPag") <sup>(f)</sup>	Electronic fund transfer	100.00	100.00
Safira Serviços Digitais Ltda. ("PinPag") <sup>(f)</sup>	Electronic fund transfer	100.00	100.00
FIDC AR III <sup>(g)</sup>	Investment fund	—	100.00
FIDC TAPSO	Investment fund	100.00	100.00
FIDC TAPSO II	Investment fund	100.00	100.00
FIDC SOMA	Investment fund	100.00	100.00
FIDC SOMA III	Investment fund	100.00	100.00
FIC FIM STONECO	Investment fund	100.00	100.00
Retail Renda Fixa Crédito Privado Fundo de Investimento ("Retail Renda Fixa") <sup>(h)</sup>	Investment fund	—	100.00
FIDC ACR I <sup>(i)</sup>	Investment fund	100.00	—



Entity name	Principal activities	% of Group's equity interest	
		2023	2022
FIDC ACR III <sup>(a)</sup>	Investment fund	100.00	—
FIDC ACR V <sup>(a)</sup>	Investment fund	100.00	—
FIDC ACR VI <sup>(b)</sup>	Investment fund	100.00	—
FIDC ACR FAST <sup>(a)</sup>	Investment fund	100.00	—
MPB Capital LLC ("MPB")	Investment company	100.00	100.00
DLP Capital LLC ("DLP Cap")	Holding company	100.00	100.00
DLPPar Participações S.A. ("DLPPar")	Holding company	100.00	100.00
Reclame Aqui Holding Ltd ("Reclame Aqui")	Holding company	50.00	50.00
STNE Participações S.A. ("STNE Par")	Holding company	100.00	100.00
STNE Participações em Tecnologia S.A. ("STNE ParTec")	Holding company	100.00	100.00
VittaPar LLC ("Vitta Group")	Holding company	100.00	100.00
Stone Holding Instituições S.A. ("Stone Holding")	Holding company	100.00	100.00
STNE Investimentos S.A. ("STNE Invest.") <sup>(i)</sup>	Holding company	100.00	—
Equals Software S.A. ("Equals Software") <sup>(k)</sup>	Holding company	100.00	—
Stone Seguros S.A. ("Stone Seguros")	Holding company	100.00	100.00

<sup>(a)</sup> Equals was merged into STNE Par on October 02, 2023.

<sup>(b)</sup> Sponte was merged into Linx Sistemas on August 01, 2023.

<sup>(c)</sup> Trampolin was merged into Pagar.me on April 01, 2023.

<sup>(d)</sup> In June 2023, a reorganization of the businesses was carried by a former subsidiary Cappta. As a result of the reorganization, the Company no longer has an interest in providing technology solutions for payments in installments; the equity interest was raised to increased to 100% for the technology solutions for electronic transfers. Both activities were, up to June 30, 2023, carried out by Cappta, when the Company owned 59.6%. As a result of the transaction, the Company no longer has an investment in Cappta and has a 100% interest in Stef. The transaction did not have any material impact on the Group financial statements.

<sup>(e)</sup> STNE Par has a 50% equity in Questor and, on August 31, 2022, Questor acquired a 75.60% equity interest in Hubcount.

<sup>(f)</sup> On February 7, 2024, the equity interest of Pinpag was sold, thus, the Group ceased to hold equity interest in Pinpag.

<sup>(g)</sup> FIDC AR III was closed on September, 20 2023.

<sup>(h)</sup> Retail Renda Fixa was closed on March 30, 2023.

<sup>(i)</sup> The Group owns 100% of the subordinated quotas in connection with the incorporation of the funds.

<sup>(j)</sup> On January 2, 2023, the Group constituted STNE Invest. to hold equity stakes in other companies.

<sup>(k)</sup> On January 2, 2023, the Group constituted Equals Software to hold equity stake in Vitta Group.

The Group is seeking to focus on its core operation to simplify and strengthen the business, which led to some divestment in 2023.

The Group holds call options to acquire additional interests in some of its subsidiaries (Notes 6.1.5 and 6.9) and issued put options to non-controlling investors (Note 6.13.1. (g)).

## 4.2. Associates

### 4.2.1. Accounting policy

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have control, or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investments in associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and associates are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within share of profit of an associate in the statement of profit or loss.

In the event of a loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

None of the investments in associates presented significant restrictions on transferring resources in the form of cash dividends or repayment of obligations, during the periods reported.

#### 4.2.2. Associates held by the Group

Entity name	Principal activities	% Group's equity interest	
		2023	2022
Alpha-Logo Serviços de Informática S.A. ("Tablet Cloud")	Technology services	25.00	25.00
Agilize Tecnologia S.A. ("Agilize") <sup>(a)</sup>	Technology services	33.33	—
Trinks Serviços de Internet S.A. ("Trinks")	Technology services	19.90	19.90
Neostore Desenvolvimento De Programas De Computador S.A. ("Neomode")	Technology services	40.02	40.02
Dental Office S.A. ("RH Software")	Technology services	20.00	20.00
APP Sistemas S.A. ("APP") <sup>(b)</sup>	Technology services	19.90	20.00
Delivery Much Tecnologia S.A. ("Delivery Much")	Food delivery marketplace	29.49	29.49
EveryData Jamaica Limited ("Creditinfo Caribbean") <sup>(c)</sup>	Credit bureau services	—	47.75
EveryData (Guyana) Inc. ("Creditinfo Caribbean") <sup>(c)</sup>	Credit bureau services	—	47.75
EveryData (Barbados) Limited ("Creditinfo Caribbean") <sup>(c)</sup>	Credit bureau services	—	47.75
EveryData ECCU Ltd ("Creditinfo Caribbean") <sup>(c)</sup>	Credit bureau services	—	47.75
EveryData Group Ltd. SEZC ("StoneCo CI") <sup>(c)</sup>	Holding company	—	47.75

<sup>(a)</sup> On August 1, 2023, the Group acquired a 33.33% equity interest in Agilize, a private company based in the State of Bahia, Brazil, for R\$8,523.00 through the conversion of a credit arising from a convertible loan agreement. Agilize develops technology that provides online accounting services.

<sup>(b)</sup> In April 2023, the ownership in APP was diluted by the issuance of new shares under a long-term incentive program, admitting a new shareholder.

<sup>(c)</sup> On December 29, 2023 the Company sold all its interest in Everydata Group Ltd. (formerly, StoneCo CI) and its subsidiaries (namely, the Creditinfo Caribbean companies).

The Group holds call options to acquire additional interests in some of its associates (Notes 6.1.5 and 6.9).

## 5. Cash and cash equivalents

### 5.1. Accounting policy

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less from the date of acquisition, which are subject to an insignificant risk of changes in value, and readily convertible into cash.

## 5.2. Currency denomination

	2023	2022
Denominated in R\$	2,128,425	1,388,616
Denominated in US\$	47,991	123,959
Denominated in other foreign currencies	—	29
	<b>2,176,416</b>	<b>1,512,604</b>

## 6. Financial instruments

### 6.1. Accounting policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 6.1.1. Financial assets

##### 6.1.1.1. Description of the different financial assets

The Company holds financial assets for all its businesses due to the nature of its activities. In order to facilitate the understanding of the financial statements and the underlying businesses, the financial asset line items presented in the statement of financial position are shown by business activity that generated the assets, how these are measured, and where in the statement of profit or loss the results generated by such assets are classified.

Line item presented in the statement of financial position	Description of the related business activity	Basis of measurement	Line item of the profit or loss statement where results generated are presented
Cash and cash equivalents and Short-term investments	Managing of liquidity of the business	FVPL	Interest income - Other financial income
			Fair value gain or losses - Other financial income
			Foreign exchange gain or losses - Financial expenses, net
Financial assets from banking solutions	Corresponds to regulatorily required amounts to be maintained in certain specified assets as reserve requirements for deposits of banking customers	Deposits at BACEN – Amortized cost Government securities – FVPL	Interest income - Financial income
			Fair value gain or losses - Financial income
Accounts receivable from card issuers	Corresponds to amounts receivable from card issuers for transactions that acquiring business processes. The balances do not bear interest. Receivables are regularly sold before their maturity as part of the funding strategy	FVOCI	Cost of funding on sale of receivables - Financial expenses, net Foreign exchange gain or losses on balances of transactions in foreign currency - Financial expenses, net
Trade accounts receivable	Loans designated at FVPL - Corresponds to loans granted to customers of the acquiring business up to June 30, 2021	FVPL as voluntarily designated loans to be measured at FVPL	Interest income - Financial income Fair value gain or losses - Financial income
Trade accounts receivable	All other items - Corresponds to amounts due by customers of the acquiring business for transaction services and equipment rental and of the software business for services provided.	Amortized cost	Allowance for expected credit losses - Cost of services Interest and penalties for late payment - Other financial income
Loans operations portfolio	Corresponds to credit (working capital loans and balances due by credit card) granted to customers as from March 1, 2023	Amortized cost	Interest income - Financial income Allowance for expected credit losses - Cost of services Foreign exchange gains or losses on balance of credit card in foreign currency – Financial expenses, net

Derivative financial instruments assets	Corresponds to derivatives entered into to manage the financial risks (mainly interest rate and foreign exchange) inherent to acquiring businesses and related to the funding structure	FVPL	Fair value gain or losses - Financial expenses, net For those designated in a cash flow hedge relationship: Ineffective portion of change in fair value - Financial expenses, net Effective portion of change in fair value once reclassified from OCI - Financial expenses, net FVOCI - Other comprehensive income
Long-term investments	Corresponds to investments in equity interests with no significant influence.	FVPL or FVOCI	FVPL - Other financial income / Mark-to-market on equity securities designated at FVPL

### 6.1.1.2. Initial recognition and measurement

Financial assets are classified at initial recognition as subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit or loss (“FVPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transactions costs, in the case of a financial asset not at FVPL. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 – Revenue from Contracts with Customers.

For a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both, holding to collect contractual cash flows and selling.

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Purchases or sales of financial assets that require delivery of assets within a time frame set by regulation or market practice (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### 6.1.1.3. Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories, as described as follows:

#### 6.1.1.3.1. Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade accounts receivable, other assets, loans operation portfolio originated from March 1, 2023 and receivables from related parties, since they are held to collect payments of principal and interest and meet the SPPI test.

#### **6.1.1.3.2. Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)**

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss similarly to financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. This category is the most relevant to the Group and it corresponds solely to accounts receivable from card issuers.

#### **6.1.1.3.3. Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)**

Upon initial recognition, the Group can irrevocably elect to classify its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 – Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other financial income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to irrevocably classify some of the equity investments under this category, included in long-term investments.

#### **6.1.1.3.4. Financial assets at FVPL**

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes (i) bonds and investment funds under short-term investment and some equity investments under long-term investments, which the Group had not irrevocably elected to classify at FVOCI, and (ii) derivative financial instruments.

#### **6.1.1.4. Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized of the consolidated statement of financial position when:

- The contractual rights to receive cash flows from the asset have expired; or
- The Group has transferred its contractual rights to receive cash flows from the asset or has assumed a contractual obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its contractual rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

The derecognition of a financial asset by the Group occurs mainly in the definitive assignment of Accounts receivable from card issuers to third parties without substantial retention of risks and benefits of the assigned financial asset and without continuing involvement. The difference between the consideration received by the Group for the financial asset and its carrying amount is recognized under Financial expenses, net.

#### 6.1.1.5. Impairment of financial assets

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments measured at amortized cost or FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For the loans operations portfolio, the Group applies general approach in calculating ECLs, considering delinquency information, internal risk classification and risk parameters (“PD” – probability of default, “LGD” – loss given default and “EAD” – exposure at default), resulting in three-stage levels.

For all other financial assets subject to ECL, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs, provision matrix and days past due at each reporting date.

See details about ECL estimation procedures in Note 6.2.1.

#### 6.1.2. Financial liabilities

##### 6.1.2.1. Description of the funding strategy including different financial liabilities of the Financial Services segment

The Group’s different businesses require funding, in particular the Financial Services acquiring business, to be able to provide liquidity to customers mainly through the prepayment of the transactions processed by the Group or other acquirers and by providing them with loans. Different forms of funding are sought, some of which comprise indebtedness presented as financial liabilities in the statement of financial position. The Group also fund its activities by selling accounts receivables on a fully non-recourse basis and passing to the counterparts all the risks and benefits of such assets (Note 6.1.1.1 - Accounts receivable from card issuers). In order to facilitate an understanding of the financial statements and how they relate to the underlying business the financial liabilities line items presented in the statement of financial position are summarized by the business activity that generates such liabilities, showing how they are measured and where in their results are classified in the statement of profit or loss.

Line item presented in the statement of financial position	Description of the related business activity	Basis of measurement	Line item of the profit or loss statement where results generated are presented
Deposits from banking customers	Amounts held by banking customers on their payment accounts.	Amortized cost	The financial liability generally does not result in the recognition of gain or losses
Accounts payable to clients	Amounts payable to merchants for transactions for acquiring business processes. The balances do not carry interest. Amounts are early redeemed of the contractual due date at a discount	Amortized cost	Gain for the prepayment of payables at a discount - Financial income
Borrowings and financing	Financing obtained from third parties as part of the funding strategy	Amortized cost	Interest expense - Financial expenses, net Foreign exchange gain or losses - Financial expenses, net
Obligations to FIDC quota holders	Financing obtained through consolidated structured entities - FIDCs	Amortized cost	Financial expenses, net

Line item presented in the statement of financial position	Description of the related business activity	Basis of measurement	Line item of the profit or loss statement where results generated are presented
Derivative financial instruments liabilities	Corresponds to derivative entered into to manage the financial risks (mainly interest rate and foreign exchange) inherent to the acquiring business and related to the funding structure	FVPL	Fair value gain or losses - Financial expenses, net  For those designated in a cash flow hedge relationship:  Ineffective portion of change in fair value - Financial expenses, net  Effective portion of change in fair value once reclassified from OCI - Financial expenses, net
Other liabilities - contingent consideration	Corresponds to contingent payments from business combinations	FVPL	Interest expenses - Financial expenses, net  Fair value gain or losses - Other income (expenses), net

#### 6.1.2.2. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of amortized cost, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable to clients, trade and other liabilities, borrowings and financing, and derivative financial instruments.

Accounts payable to clients represent amounts due to accredited clients related to credit and debit card transactions, net of interchange fees retained by card issuers and assessment fees disbursed to payment scheme networks as well as the Group's net merchant discount rate fees which are collected by the Group as an agent.

#### 6.1.2.3. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described as follows.

##### 6.1.2.3.1. Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9 – Financial Instruments. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. This category includes derivative financial instruments and contingent consideration included in other liabilities.

#### **6.1.2.3.2. Financial liabilities at amortized cost**

After initial recognition, financial liabilities classified in this category are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is classified as Financial expenses, net in the statement of profit or loss.

This category includes all financial liabilities, except derivative financial instruments and contingent consideration included in other liabilities. This category is the most significant to the Group.

#### **6.1.2.4. Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

#### **6.1.3. Fair value of financial instruments**

The Group measures financial instruments such as derivatives, at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

The Group uses the following hierarchy to determine and disclose the fair value of financial instruments through measurement technique:

- Level I: quoted prices in active markets for identical assets or liabilities;
- Level II: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level III: techniques using inputs that have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



#### **6.1.4. Offsetting of financial instruments**

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position, only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

As of December 31, 2023, and 2022, the Group has no financial instruments that meet the conditions for recognition on a net basis.

#### **6.1.5. Derivative financial instruments**

From time to time, the Group uses derivative financial instruments to manage currency and interest rate risks. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Some of the Group's derivative financial instruments are used as cash flow hedge accounting instruments. The effective portion of gains or losses arising from changes in the fair value of these derivatives are usually recognized in equity, in "Other comprehensive income." The ineffective portion is recognized in the statement of profit or loss, in "Financial expenses, net." For the hedged item classified as a financial instrument measured at amortized cost using the EIR method, the amount accumulated in the cash flow hedge reserve is reclassified to profit or loss when the hedged cash flows impact the statement of profit or loss. The method applied by the Group to reclassify the amounts is as follows: (i) the accrual interest portion of the derivative is also measured by the EIR method and recognized in the statement of profit or loss, in "Financial expenses, net", following the hedged item accrual; and (ii) the remaining amounts related to fair value of hedging instrument is a temporal effect recognized in OCI at each reporting date, ultimately being recognized in profit or loss upon the liquidation of the hedging instrument (Note 6.9.1).

The Group also uses derivative financial instruments as an economic hedge. These instruments are measured at FVPL and recorded as an asset or liability under Derivative financial instruments (Note 6.9.2).

Certain agreements entered into by the Company for the acquisition of subsidiaries and associates include call options to acquire additional interests in the investees, which are classified as embedded derivatives. Each of the options is measured at FVPL in accordance with pre-determined formulas and recorded in the consolidated statement of financial position as an asset under Derivative financial instruments (Note 6.9.).

### **6.2. Significant judgments, estimates and assumptions**

#### **6.2.1. Measurement of loss allowance for expected credit losses**

##### **6.2.1.1 Loans operations portfolio**

The Group calculates an expected credit loss allowance for its loans based on statistical models that consider both internal and external historical data, negative credit information and guarantees, among which information addressing the behavior of each debtor. The Group calculates its loans operations portfolio in three stages:

- (i) Stage 1: corresponds to loans that do not present significant increase in credit risk since origination;
- (ii) Stage 2: corresponds to loans that presented significant increase in credit risk subsequent to origination; and

The Group determines Stage 2 based on following criteria:

- (a) absolute criteria: financial asset overdue more than 30 days, or;
- (b) relative criteria: In addition to the absolute criteria, the Group analyzes the evolution of the risk of each financial instrument on a monthly basis, comparing the current behavior score attributed to each client with that attributed at the time of recognition of the financial asset. Behavioral scoring considers credit behavior variables, such as default on other products and market data about the customer. When the credit risk increases significantly since origination, the Stage 1 operations is moved to Stage 2.

For Stage 2, a cure criterion is applied when the financial asset no longer meet the criteria for a significant increase

in credit risk, as mentioned above, and the loan is moved to Stage 1.

(iii) Stage 3: corresponds to impaired loans.

The Group determine Stage 3 based on following criteria:

- (a) absolute criteria: financial asset overdue more than 90 days, or;
- (b) relative criteria: indicators that the financial asset will not be paid in full without activating a guarantee or financial guarantee.

The indication that an obligation will not be paid in full includes the tolerance of financial instruments that imply the granting of advantages to the counterparty following the deterioration of the counterparty's credit quality.

The Group also assumes a cure criterion for Stage 3, with respect to the counterparty's repayment capacity, such as the percentage of total debt paid or the time limit to liquidate current debt obligations.

Management regularly seeks forward looking perspectives for future market developments including macroeconomic scenarios as well as its portfolio risk profile. Management may adjust the ECL resulting from the models above in order to better reflect this forward looking perspective.

The information about the ECLs on the Group's Loans operations portfolio to clients are disclosed in Note 6.6.

#### **6.2.1.2. Accounts receivable from card issuers**

The macroeconomic scenario is facing significant challenges due to the prolonged persistence of high-interest rates, closely monitored by the group. This challenging situation is impacting various agents of the economy, including card issuers.

Continuous monitoring of this challenging scenario is crucial for the decisions on the provision and how we estimate ECLs within the Group. We estimate ECLs based on available external (including ratings from major agencies) and internal information. The Group monitors credit risk of issuers.

#### **6.2.1.3. Trade accounts receivable**

The provision rates are based on days past due for groupings of various client segments that have similar loss patterns (e.g., by product type, customer type and rating).

The provision is initially based on the Group's historical observed default rates. The Group calibrates to adjust the historical credit loss experience with forward-looking information every year.

The information about the ECLs on the Group's Accounts receivable from card issuers and Trade accounts receivable are disclosed in Notes 6.4.2 and 6.5.2 respectively.

#### **6.2.2. Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

### 6.3. Short and Long-term investments

	Short-term		Long-term		2023
	Listed securities	Unlisted securities	Listed securities	Unlisted securities	
<b>Bonds<sup>(a)</sup></b>					
Brazilian sovereign bonds	2,954,236	—	—	—	2,954,236
Structured notes linked to Brazilian sovereign bonds	—	473,259	—	—	473,259
Corporate bonds	51,933	—	—	—	51,933
Equity securities <sup>(b)</sup>	—	—	—	45,702	45,702
Investment funds <sup>(c)</sup>	—	2,068	—	—	2,068
	<b>3,006,169</b>	<b>475,327</b>	<b>—</b>	<b>45,702</b>	<b>3,527,198</b>
<b>Current</b>					<b>3,481,496</b>
<b>Non-current</b>					<b>45,702</b>
	Short-term		Long-term		2022
	Listed securities	Unlisted securities	Listed securities	Unlisted securities	
<b>Bonds<sup>(a)</sup></b>					
Brazilian sovereign bonds	926,559	—	—	—	926,559
Structured notes linked to Brazilian sovereign bonds	—	2,176,019	—	—	2,176,019
Corporate bonds	349,540	—	—	—	349,540
Equity securities <sup>(b)</sup>	—	—	182,139	32,626	214,765
Investment funds <sup>(c)</sup>	—	1,654	—	—	1,654
	<b>1,276,099</b>	<b>2,177,673</b>	<b>182,139</b>	<b>32,626</b>	<b>3,668,537</b>
<b>Current</b>					<b>3,453,772</b>
<b>Non-current</b>					<b>214,765</b>

(a) As of December 31, 2023, bonds of listed securities are mainly linked to the CDI and SELIC benchmark interest rates.

(b) Comprised of common shares of listed and unlisted entities. These assets are measured at fair value. The Group selects the assets for recognition at fair value, from the existing listed and unlisted equity instruments, through profit or loss ("FVPL") or other comprehensive income ("FVOCI"). Fair value of unlisted equity instruments as of December 31, 2022, was determined based on negotiations of the securities.

- Assets at FVPL

Comprised of Banco Inter S.A. ("Banco Inter") shares, acquired in June, 2021. During the first quarter of 2023, the Group sold its remaining interest in Banco Inter of 16.8 million shares. The shares were sold at a price of R\$ 12.96, equivalent to R\$ 218,105. The change in fair value of equity securities at FVPL for the year ended December 31, 2023 was a gain of R\$ 30,574 (2022 was a loss of R\$ 853,056), which was recognized in the statement of profit or loss.

- Assets as FVOCI

On December 31, 2023 and 2022, these comprised of common shares in entities that are not traded in an active market.

The change in fair value of equity securities at FVOCI for the year ended December 31, 2023 was R\$ 1,912 (2022 – R\$ (6,971)), which was recognized in other comprehensive income.

(c) Comprised of foreign investment fund shares.

Short-term investments are denominated in Brazilian Reais and U.S. Dollars.

### 6.4. Accounts receivable from card issuers

#### 6.4.1. Composition of accounts receivable from card issuers

Accounts receivable are amounts due from card issuers and acquirers for the transactions of clients with card holders, performed in the ordinary course of business.

	<u>2023</u>	<u>2022</u>
Accounts receivable from card issuers <sup>(a)</sup>	23,364,806	20,053,392
Accounts receivable from other acquirers <sup>(b)</sup>	667,922	718,228
Allowance for expected credit losses	(55,619)	(22,763)
	<u>23,977,109</u>	<u>20,748,857</u>
Current	23,895,512	20,694,523
Non-current	81,597	54,334

(a) Accounts receivable from card issuers, net of interchange fees, as a result of processing transactions with clients.

(b) Accounts receivable from other acquirers related to PSP (Payment Service Provider) transactions.

Part of the Group's cash requirement are to make prepayments to acquiring customers which are satisfied by the definitive sale of receivables to third parties. When such sales of receivables is carried out to entities in which the Group has subordinated shares or quotas, the receivables sold remain in statement of financial position, as these entities are consolidated in the financial statements. As of December 31, 2023 a total of R\$ 467,622 were consolidated through FIDC ACR FAST, of which the Group has subordinated shares (2022 - R\$ nil). When the sale of receivables is carried out to with non-controlled entities and for transactions where continuous involvement is not present, the amounts transferred are derecognized from the accounts receivable from card issuers. As of December 31, 2023, the sale of receivables that were derecognized from accounts receivables from card issuers in the statement of financial position represent the main form of funding used for the prepayment business.

Accounts receivable held by FIDCs guarantee the obligations to FIDC quota holders.

#### **6.4.2. Allowance for expected credit losses of accounts receivable from card issuers**

The Group records an allowance for expected credit losses of accounts receivable from card issuers based on expected credit losses that consider the expected nature and level of risk associated with receivables and the information about the different issuers. The Group recognizes additional allowance for card issuers upon increases in the credit risk. (Notes 6.1.1.5 and 6.2.1.2).

	<u>2023</u>	<u>2022</u>
At January 1	22,763	15,103
Charge for the year	53,090	22,818
Reversal	(20,234)	(15,158)
<b>At December 31</b>	<u>55,619</u>	<u>22,763</u>

#### **6.5. Trade accounts receivable**

##### **6.5.1. Composition of trade accounts receivable**

Trade accounts receivables are amounts due from clients mainly related to subscription services and equipment rental.

	<u>2023</u>	<u>2022</u>
Accounts receivable from subscription services	293,304	294,516
Accounts receivable from equipment rental	114,252	135,479
Chargeback	72,401	58,302
Services rendered	51,456	36,089
Cash in transit	24,172	21,521
Receivables from registry operation	22,347	35,150
Loans designated at FVPL	—	26,866
Allowance for expected credit losses	(117,553)	(108,434)
Others	28,101	22,557
	<u><b>488,480</b></u>	<u><b>522,046</b></u>
Current	459,947	484,722
Non-current	28,533	37,324

#### 6.5.2. Allowance for expected credit losses of trade accounts receivable

	<u>2023</u>	<u>2022</u>
<b>At January 1</b>	<b>108,434</b>	<b>80,418</b>
Charge for the year	82,946	94,093
Reversal	(17,668)	(13,181)
Write-off	(56,159)	(52,896)
<b>At December 31</b>	<b>117,553</b>	<b>108,434</b>

#### 6.6. Loans operations portfolio

Portfolio balances by product and maturity:

	<u>2023</u>
Credit card	3,131
Working capital	309,677
<b>Loans operations portfolio, gross</b>	<b>312,808</b>
Allowance for expected credit losses	(62,061)
<b>Loans operations portfolio, net of allowance for expected credit losses</b>	<b>250,747</b>
Current	209,957
Non-current	40,790

### 6.6.1. Aging by maturity

	<b>2023</b>
<b>Balances not yet due</b>	
<= 30 days	14,376
30 < 60 days	30,670
61 < 180 days	110,957
181 < 360 days	113,323
361 < 720 days	41,573
> 720 days	61
	<b>310,960</b>
<b>Balances overdue by</b>	
<= 30 days	947
30 < 90 days	799
91 < 180 days	99
181 < 360 days	3
	<b>1,848</b>
<b>Loans operations portfolio, gross</b>	<b>312,808</b>

### 6.6.2. Gross carrying amount

Reconciliation of gross portfolio of loans operations, segregated by Stages:

Stage 1	2022	Transfer to stage 2	Transfer to stage 3	Cure from stage 2	Cure from stage 3	Acquisition / (Settlement)	2023
Credit card	—	—	—	—	—	3,131	3,131
Working capital	—	(19,561)	(309)	5,369	313	310,470	296,282
	—	<b>(19,561)</b>	<b>(309)</b>	<b>5,369</b>	<b>313</b>	<b>313,601</b>	<b>299,413</b>

Stage 2	2022	Cure to stage 1	Transfer to stage 3	Transfer from stage 1	Cure from stage 3	Acquisition / (Settlement)	2023
Credit card	—	—	—	—	—	—	—
Working capital	—	(5,369)	(970)	19,561	62	(1,089)	12,195
	—	<b>(5,369)</b>	<b>(970)</b>	<b>19,561</b>	<b>62</b>	<b>(1,089)</b>	<b>12,195</b>

Stage 3	2022	Cure to stage 1	Cure to stage 2	Transfer from stage 1	Transfer from stage 2	Acquisition / (Settlement)	2023
Credit card	—	—	—	—	—	—	—
Working capital	—	(313)	(62)	309	970	296	1,200
	—	<b>(313)</b>	<b>(62)</b>	<b>309</b>	<b>970</b>	<b>296</b>	<b>1,200</b>

Consolidated 3 stages	2022	Acquisition / (Settlement)	2023
Credit card	—	3,131	3,131
Working capital	—	309,677	309,677
	—	<b>312,808</b>	<b>312,808</b>

### 6.6.3. Allowance for expected credit losses of loans operations

Stage 1	2022	Transfer to stage 2	Transfer to stage 3	Cure from stage 2	Cure from stage 3	Acquisition / (Settlement)	2023
Credit card	—	—	—	—	—	200	200
Working capital	—	(5,487)	(216)	628	27	62,624	57,576
	—	<b>(5,487)</b>	<b>(216)</b>	<b>628</b>	<b>27</b>	<b>62,824</b>	<b>57,776</b>

Stage 2	2022	Cure to stage 1	Transfer to stage 3	Transfer from stage 1	Cure from stage 3	Acquisition / (Settlement)	2023
Credit card	—	—	—	—	—	—	—
Working capital	—	(628)	(654)	5,487	5	(765)	3,445
	—	<b>(628)</b>	<b>(654)</b>	<b>5,487</b>	<b>5</b>	<b>(765)</b>	<b>3,445</b>

Stage 3	2022	Cure to stage 1	Cure to stage 2	Transfer from stage 1	Transfer from stage 2	Acquisition / (Settlement)	2023
Credit card	—	—	—	—	—	—	—
Working capital	—	(27)	(5)	216	654	2	840
	—	<b>(27)</b>	<b>(5)</b>	<b>216</b>	<b>654</b>	<b>2</b>	<b>840</b>

Consolidated 3 stages	2022	Acquisition / (Settlement)	2023
Credit card	—	200	200
Working capital	—	61,861	61,861
	—	<b>62,061</b>	<b>62,061</b>

### 6.7. Financial assets from banking solutions and deposits from banking customers

As required by BACEN regulation, financial assets arising from deposits from banking customers in payment accounts must be fully deposited in government securities, and/or deposits at BACEN ("CCME").

In December 31, 2023, the Group had R\$ 53,785 of payments in transit from banking customer accounts (2022 - R\$ 243,782).

## 6.8. Borrowings and financing and obligations to FIDC quota holders

### 6.8.1. Composition of borrowings and financing and obligations to FIDC quota holders

	Average annual interest rate %	Original date of issuance	Original maturity	Current portion	Non-current portion	2023
Obligations to FIDC TAPSO quota holders (6.8.3.3)	CDI Rate* + 1.85%	Jul/23	Jul/24	53,103	—	53,103
Obligations to FIDC ACR FAST quota holders (6.8.3.4)	CDI Rate* + 1.12%	Jul/23	Not applicable	452,128	—	452,128
<b>Obligations to FIDC quota holders</b>				<b>505,231</b>	<b>—</b>	<b>505,231</b>
Leases (6.8.3.5)	105.1% to 151.8% of CDI Rate*	Not applicable	Jan/23 to Jun/29	30,227	143,456	173,683
Bonds (6.8.3.6)	3.95% USD	Jun/21	Jun/28	2,922	2,399,776	2,402,698
Bank borrowings (6.8.3.7)	CDI + 1.30% to CDI + 1.94% p.a.	(Several)	Up to six months	1,321,348	—	1,321,348
Receivables backed securities (6.8.3.8)	CDI + 2.28% p.a.	Sep/23	Sep/26	3,316	98,702	102,018
Debentures (6.8.3.9)	CDI + 1.95% p.a.	Nov/23	Oct/26	16,953	997,281	1,014,234
<b>Borrowings and financing</b>				<b>1,374,766</b>	<b>3,639,215</b>	<b>5,013,981</b>
				<b>1,879,997</b>	<b>3,639,215</b>	<b>5,519,212</b>

	Average annual interest rate %	Original date of issuance	Original maturity	Current portion	Non-current portion	2022
Obligations to FIDC AR III quota holders (6.8.3.2)	CDI Rate* + 1.50%	Aug/20	Aug/23	952,780	—	952,780
Obligations to FIDC TAPSO quota holders (6.8.3.3)	CDI Rate* + 1.80%	Sep/19	Feb/23	22,468	—	22,468
<b>Obligations to FIDC quota holders</b>				<b>975,248</b>	<b>—</b>	<b>975,248</b>
Leases (6.8.3.5)	105.1% to 151.8% of CDI Rate*	Not applicable	Jan/23 to Jun/29	55,583	144,564	200,147
Bonds (6.8.3.6)	3.95% USD	Jun/21	Jun/28	4,007	2,583,861	2,587,868
Bank borrowings (6.8.3.7)	CDI + 0.95% p.a. to CDI + 1.44% p.a.	(Several)	Three to eighteen months	1,787,817	45	1,787,862
<b>Borrowings and financing</b>				<b>1,847,407</b>	<b>2,728,470</b>	<b>4,575,877</b>
				<b>2,822,655</b>	<b>2,728,470</b>	<b>5,551,125</b>

(\*) "CDI Rate" (Brazilian Certificado de Depósito Interbancário), which is an average of interbank overnight rates in Brazil, the average rate of December 31, 2023 was 13.04% (2022 – 12.38%).



**6.8.2. Changes in borrowings and financing and obligations to FIDC quota holders**

	2022	Additions	Disposals	Payment of principal	Payment of interest	Business Combination	Changes in Exchange Rates	Interest	2023
Obligations to FIDC AR III quota holders (Note 6.8.3.2)	952,780	—	—	(937,499)	(67,975)	—	—	52,694	—
Obligations to FIDC TAPSO quota holders (Note 6.8.3.3)	22,468	50,000	—	(20,000)	(3,021)	—	—	3,656	53,103
Obligations to FIDC ACR FAST quota holders (Note 6.8.3.4)	—	514,752	—	(75,004)	(2,413)	—	—	14,793	452,128
Leases (Note 6.8.3.5)	200,147	67,417	(21,225)	(72,815)	(13,764)	—	156	13,767	173,683
Bonds (Note 6.8.3.6)	2,587,303	—	—	—	(96,157)	—	(188,440)	99,992	2,402,698
Bank borrowings (Note 6.8.3.7)	1,788,427	4,088,209	—	(4,489,681)	(246,739)	—	(4,326)	185,458	1,321,348
Receivables backed securities (Note 6.8.3.8)	—	97,734	—	—	—	—	—	4,284	102,018
Debentures (Note 6.8.3.9)	—	995,676	—	—	—	—	—	18,558	1,014,234
	<b>5,551,125</b>	<b>5,813,788</b>	<b>(21,225)</b>	<b>(5,594,999)</b>	<b>(430,069)</b>	<b>—</b>	<b>(192,610)</b>	<b>393,202</b>	<b>5,519,212</b>
Current	2,822,655								1,879,997
Non-current	2,728,470								3,639,215

	2021	Additions	Disposals	Payment of principal	Payment of interest	Business Combination	Changes in Exchange Rates	Interest	2022
Obligations to FIDC AR III quota holders (Note 6.8.3.2)	2,206,043	—	—	(1,250,000)	(211,058)	—	—	207,795	952,780
Obligations to FIDC TAPSO quota holders (Note 6.8.3.3)	21,131	—	—	—	(1,515)	—	—	2,852	22,468
Leases (Note 6.8.3.5)	273,455	64,658	(52,913)	(85,229)	(14,600)	—	176	14,600	200,147
Bonds (Note 6.8.3.6)	2,764,610	—	—	—	(103,134)	—	(185,153)	110,980	2,587,303
Bank borrowings (Note 6.8.3.7)	2,697,641	3,499,986	—	(4,605,452)	(97,317)	4,464	—	289,105	1,788,427
Debentures (Note 6.8.3.9)	399,509	—	—	(404,317)	(17,374)	—	—	22,182	—
	<b>8,362,389</b>	<b>3,564,644</b>	<b>(52,913)</b>	<b>(6,344,998)</b>	<b>(444,998)</b>	<b>4,464</b>	<b>(184,977)</b>	<b>647,514</b>	<b>5,551,125</b>
Current	3,873,561								2,822,655
Non-current	4,488,828								2,728,470

**6.8.3. Description of borrowings and financing and obligations to FIDC quota holders**

In the ordinary course of the business, the Group funds its prepayment business through a mix of own cash, debt and receivables sales.

**6.8.3.2. Obligations to FIDC AR III quota holders**

The first series of FIDC AR III senior quotas maturing after 36 months, with a grace period of 15 months to repay the principal amount. During the grace period, the payment of interest is made every three months. After this period, the amortization of the principal and the payment of interest is every three months. Upon its maturity on August 2023 the fund was liquidated.

**6.8.3.3. Obligations to FIDC TAPSO quota holders**

In March 2021, the Group negotiated an amendment of the contract to postpone the payment date of the principal to March 2022.

In February 2022, the Group negotiated an amendment of the contract to postpone the payment date of the principal to March 2023. The mezzanine quotas were settled on March 2, 2023. Upon maturity of the mezzanine quotas, in July 2023 the Group negotiated new issuance of TAPSO Senior Quotas.

**6.8.3.4. Obligations to FIDC ACR FAST quota holders**

This FIDC ACR FAST was issued with the Group as a sponsor as well as a quota holder. This is the first open-end fund with third parties, in which the Group holds subordinated quotas, resulting in the consolidation of the whole structure. The main goal of this structure is to access the money market funds sector. Being, an open-end fund, redemptions are settled 30 days after requested by quota holders.

**6.8.3.5. Leases**

The Group has lease contracts for various items of offices, vehicles and software in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

**6.8.3.6. Bonds**

Bonds were issued in 2021, raising USD 500 million in seven year notes with a final yield of 3.95%. The total issuance was R\$ 2,510,350 (R\$ 2,477,408 net of the offering transaction costs, which will be amortized over the tenure of the debt). The Group has entered into a hedge to protect its currency risk (Note 6.9.1).

**6.8.3.7. Bank borrowings**

The Group issued bilateral unsecured term loans, with multiple counterparties and maturities up to six months. The principal and the interest of this type of loan are mainly paid at the date of maturity. The proceeds of these loans were used mainly for prepayments to acquiring customers.

**6.8.3.8. Receivables backed securities**

On September 6, 2023, a Certificate of Real Estate Receivables ("CRI") was issued by Opea Securitizadora S.A., raising R\$ 100,000 in a three year note bearing interest at CDI + 1.30% p.a.. The CRI security is backed by commercial notes issued by Stone Pagamentos as well as STNE Participações S.A.. This is the first funding structure of the Company to access retail and with institutional investors.

**6.8.3.9. Debentures**

On June 12, 2019 Stone Pagamentos approved the issuance of simple, secured and non-convertible debentures, sole series, for public distribution, with restricted distribution efforts, as amended, in the total amount of up to R\$ 400,000, settled on July 1, 2022. The Debentures were secured by Stone Pagamentos accounts receivable from card issuers and bear interest at a rate of 109.0% of the CDI rate.

On November 8, 2023 the subsidiary MNLT concluded its first issuance of debentures placing R\$ 1,000,000 with a three year maturity at CDI + 1.75% p.a. The debentures are guaranteed by both Stone Pagamentos and by the Company being the first corporate issuance by the Group in the Brazilian capital markets.

**6.9. Derivative financial instruments, net**

	2023	2022
Cross-currency interest rate swap used as hedge accounting instrument (Note 6.9.1)	(311,445)	(190,902)
Non-deliverable forward used as economic hedge instrument (Note 6.9.2)	(4,097)	(6,395)
Call options to acquire additional interest in subsidiaries	3,553	23,983
<b>Derivative financial instruments, net</b>	<b>(311,989)</b>	<b>(173,314)</b>

### 6.9.1. Hedge accounting – Financial liabilities

During 2021, the Group entered into hedge operations to protect its inaugural dollar bonds (Note 6.8.3.6), subject to foreign exchange exposure using cross-currency interest rate swap contracts. Additionally, in May 2023, the Group entered into hedge operations to protect bank borrowings (Note 6.8.3.7), subject to foreign exchange exposure using cross-currency interest rate swap contracts. The transactions have been designated for hedge accounting and classified as cash flow hedge of the variability of the designated cash flows of the US Dollar denominated bonds / bank borrowings due to changes in the exchange rate. The effective portion of the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income, recorded in a specific equity account, and subsequently reclassified into earnings in the same period the hedge object affects earnings, while any ineffective portion, when applicable, is immediately recognized in profit or loss. The details of the cross-currency swaps and their financial position as of December 31, 2023, are presented as follows.

Notional in US\$	Notional in R\$	Pay rate in local currency	Trade date	Due date	Fair value as of 2023 – Asset (Liability)	Loss recognized in income in 2023 <sup>(a)</sup>	Loss recognized in OCI (net of tax), in 2023 <sup>(b)</sup>	Fair value as of 2022 – Asset (Liability)
50,000	248,500	CDI + 2.94%	June 23, 2021	June 16, 2028	(26,967)	(86,656)	6,784	(15,274)
50,000	247,000	CDI + 2.90%	June 24, 2021	June 16, 2028	(26,359)	(72,213)	6,958	(14,836)
50,000	248,500	CDI + 2.90%	June 24, 2021	June 16, 2028	(27,625)	(74,618)	7,215	(15,961)
75,000	375,263	CDI + 2.99%	June 30, 2021	June 16, 2028	(43,894)	(50,137)	9,994	(26,179)
50,000	250,700	CDI + 2.99%	June 30, 2021	June 16, 2028	(29,705)	(42,826)	8,998	(17,846)
50,000	250,110	CDI + 2.98%	June 30, 2021	June 16, 2028	(29,207)	(50,705)	16,871	(17,403)
25,000	127,353	CDI + 2.99%	July 15, 2021	June 16, 2028	(16,495)	(21,254)	(7,334)	(10,374)
25,000	127,353	CDI + 2.99%	July 15, 2021	June 16, 2028	(16,573)	(16,887)	3,114	(10,455)
50,000	259,890	CDI + 2.96%	July 16, 2021	June 16, 2028	(37,516)	(21,703)	14,526	(24,793)
25,000	131,025	CDI + 3.00%	August 6, 2021	June 16, 2028	(18,487)	(20,321)	(8,295)	(12,101)
25,000	130,033	CDI + 2.85%	August 10, 2021	June 16, 2028	(19,391)	(17,178)	2,751	(12,917)
25,000	130,878	CDI + 2.81%	August 11, 2021	June 16, 2028	(19,226)	(16,181)	2,564	(12,763)
50,000	248,500	CDI + 1.80%	May 22, 2023	November 22, 2023	(13,308)	(13,308)	—	—
<b>Net amount</b>					<b>(324,753)</b>	<b>(503,987)</b>	<b>64,146</b>	<b>(190,902)</b>

(a) Recognized in the statement of profit or loss, in “Financial expenses, net.” The amount recognized in 2022 was a loss of R\$ 459,289.

(b) Recognized in equity, in “Other comprehensive income.” The balance in the cash flow hedge reserve as of December 31, 2023 is a loss of R\$ 197,188 (2022 - loss of R\$ 261,366).

In 2023 the Group paid R\$ 305,990 (2022 - R\$274,407.00) for coupon on the cross-currency swaps above.

### 6.9.2. Economic hedge

#### 6.9.2.1. Currency hedge

The Group is party to non-deliverable forward (“NDF”) contracts with different counterparties approved by the Board of Directors following the Counterparty Policy to hedge its foreign currency risk in U.S. Dollar and Euro. The Group uses those derivatives to hedge foreign currency risk associated with two exposures: (i) the cash position it holds and (ii) certain software purchase agreements.

	2023			
	Minimum Rate	Maximum Rate	Notional	Gain (loss)
NDF Dollar	4.8220	4.9400	6,460	19,116
NDF Euro	5.3208	5.3715	570	(447)
	2022			
	Minimum Rate	Maximum Rate	Notional	Gain (loss)
NDF Dollar	5.1900	5.3200	65,500	25,827

### 6.9.2.2. Interest rates hedge

The Group mitigates the interest rate risk generated by the gap between its prepayment business (fixed rate) and its funding activities (either fixed or floating) with mixed maturities. This hedge is executed over-the-counter ("OTC") with multiple financial institutions following its Counterparty Policy.

	2023				
	Minimum Rate	Maximum Rate	Maturity is up to	Notional	Gain (loss)
Interest rate swaps (Fixed rate to CDI)	10.2%	14.3%	May/25	6,079,500	(7,328)

	2022				
	Minimum Rate	Maximum Rate	Maturity is up to	Notional	Gain (loss)
Interest rate swaps (Fixed rate to CDI)	9.1%	14.3%	April/24	5,225,105	(9,262)

### 6.10. Financial risk management

The Group's activities expose it to market, liquidity, credit, and counterparty risks. The two main market risks for the Group are interest rates and exchange rates. Interest rate risk arises as the Group's originates assets at fixed rates (credit card prepayment and loans) and with funding through fixed and floating rates with unmatched maturities of such assets. The second risk arises from fluctuations in exchange rates among Brazilian Reais and the currencies of countries where the Group has subsidiaries in addition to its indebtedness and expenses denominated in currencies other than the Brazilian Real. The Group's main liquidity risk in potential its inability to raise financing to continue its prepayment business, which although not a legal obligation, is a significant component of its revenues. The counterparty risk is mainly generated by the counterparties with which the Group engages for financial contracts for hedging, investments and committed funding, in addition to its inherent credit risk exposure to credit card issuers.

The Board of Directors has approved policies, including a counterparties policy, and limits for its financial risk management. The Group uses financial derivatives only to mitigate market risk exposures. It is the Group's policy not to engage in derivatives for speculative purposes. Different levels of managerial approval are required for entering into financial instruments depending on its nature and the type of risk associated.

The Group's Financial risk management is carried out by the Risk Management Area.

#### 6.10.1. Credit risk

Credit risk is defined as the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises from the Group's exposures to third parties, including in positions classified in cash and cash equivalents, derivative financial instruments and deposits with banks and other financial institutions, as well as from its operating activities, primarily related to accounts receivable from financial institutions licensed by card companies, including outstanding receivables and commitments as well from its loans portfolio to customers.

The carrying amount of financial assets reflects the expected credit exposure.

##### 6.10.1.1. Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's internal policies. Investments of surplus funds and the use of derivative instruments are only conducted with carefully selected financial institutions.

##### 6.10.1.2. Accounts receivable from card issuers

Card issuers once accepted by the networks issue cards that when transact are processed by acquirers like us. Card issuer have different risk profiles.

The Group, with frequency associated with the availability of new information or new financial indicators of card issuers, carries out assessments of these companies, aiming to identify potential risks. Payment scheme networks have credit risk mitigation mechanisms that vary by network that are available to acquirers like the Group. To date, the Group has not incurred any significant loss from card issuer receivables.

#### **6.10.1.3. Loans designated at FVPL**

The Group's credit risk policy is based on the following internal criteria: classification of customers, usage of the acquiring solution, historical payments performance and trends, default rates, risk-adjusted return on allocated economic capital, and external factors such as: interest rates, benchmark default levels, consumption seasonality, among others.

The Group strictly controls the credit exposure of customers and counterparties, acting to manage expected default levels on a timely basis. Losses are based on the customer's payment history and expected payment patterns per risk and transactions profile.

#### **6.10.1.4 Loans operations portfolio**

Working capital and credit cards are available solely to individuals and businesses that are existing customers of the Group through acquiring.

Working capital loans rely on the main repayment source and collateral future receivables of customers while credit card line limits may be unsecured; the line is generally a portion of the total credit line available to a particular customer based on credit appetite and risk rating.

#### **6.10.2. Market risk**

Market risk is the risk that arises from a possible financial loss from changes in the fair value or future cash flows of financial instruments due to changes in market conditions.

In the ordinary course of the business, the Group executes financial transactions which are subject to market variables, therefore exposed to market risk. Global treasury manages those exposures to minimize the impacts of fluctuations of market prices on the Group's activities.

Market risk comprises mainly: foreign exchange risk, interest rate risk and equity price risk. The effects of market factors on the financial statements are discussed below.

Financial instruments affected by market risk include loans and borrowings, deposits, derivative financial instruments, cash, and cash equivalents denominated in foreign currencies, and short-term investments denominated in foreign currencies.

##### **6.10.2.1. Interest rate risk**

Short-term investments, borrowings and financing, and obligations to FIDC quota holders accrue interest at the CDI linked rates, the Brazilian benchmark floating rate and therefore incur future cash flow risks, but no fair value risks.

The Group's interest rate risk arises from certain assets (mostly cash and equivalents, short-term investments and accounts receivables and the loans operations portfolio) and liabilities (loans, financing, obligations to FIDC) with different benchmarks (fixed or floating) and maturity dates. The Group may mitigate its exposure by executing derivative transactions in which it will collect floating rates (CDI) and pay fixed rates.

##### **6.10.2.2. Foreign currency risk**

The Group has assets and liabilities in foreign currencies. Operations include cash and short-term investments in multiple countries in Latin American currencies, in addition to TPV processed in foreign exchange. However, significant capital expenditures (Pin Pads & POS, and data center equipment) and regular expenses (cloud and software fees) are incurred in US Dollars and Euros. The Global Treasury strategy is to hedge the foreign currency-denominated cash, debt and certain capital expenditures on any currency other than Brazilian Reais. The total foreign currency results on the year ended December 31, 2023 was loss of R\$ (13,580) a relatively small financial result, mainly from the interest rate differential on the US Dollar/Brazilian Real, despite high relative currency volatility observed in the same period, showing a well-balanced risk management.

The bonds issued by the Group, and other debt in foreign currencies are hedged on a cash flow hedge arrangement, in which all critical terms of the bonds (US Dollars denomination, coupon payment schedule, and interest rate) are matched with the hedging instrument.

The Group's exposure to foreign currency changes for all other currencies is not material.

#### 6.10.2.3. Risk Assessment: Value-at-Risk and Scenario Analysis

Market risk is managed and monitored, by risk factor, using the value-at-risk ("VaR") methodology. To integrate all the risk factors, the Group adopts a more conservative approach.

The Group conducts a study on how market variables would impact the Group's financial statements based on Historical Value at Risk models.

<b>Risk Factor</b>	<b>Asset/ Liability</b>	<b>VaR 1 day (thousands)</b>	<b>VaR 10 days (thousands)</b>	<b>VaR 60 days (thousands)</b>
Interest Rates	Accounts receivables from credit card issuers, Accounts payables to clients and interest rate swaps	297	941	2,304
Foreign Currency Exchange	USD denominated asset/liabilities/derivatives	6	19	46

The VaR figures are meaningful only under normal market conditions, thereby cushioning the effects of turmoil in financial markets.

#### 6.10.2.4 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the level of equity and individual stocks. The Group is exposed to equity price risk as it holds, as of December 31, 2023, R\$ 45,702 (2022 - R\$ 214,765) in listed and unlisted equity securities (Note 6.3).

#### 6.10.3. Liquidity risk

Cash flow forecasting is performed for the operating entities of the Group and aggregated by the Group's finance team. The Group's finance team monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities so that the Group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, compliance with internal statement of financial position ratio targets and, if applicable, external regulatory or legal requirements.

Surplus cash held by the operating entities is invested in interest-earning bank accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide adequate margin as determined by the above-mentioned forecasts. At the statement of financial position date, the Group held short-term investments of R\$ 3,481,496 (2022 - R\$ 3,453,772) that are expected to readily generate cash inflows for managing liquidity.

The table below analyzes the Group's non-derivative financial liabilities to maturity. Derivative financial liabilities are not included in the analysis as their contractual maturities are not essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>December 31, 2023</b>				
Deposits from banking customers	6,119,455	—	—	—
Accounts payable to clients	19,163,672	35,455	—	—
Trade accounts payable	513,877	—	—	—
Borrowings and financing	1,371,845	1,344,545	5,049,235	—
Obligations to FIDC quota holders	505,231	—	—	—
Other liabilities	119,526	160,079	250,425	—
	<b>27,793,606</b>	<b>1,540,079</b>	<b>5,299,660</b>	<b>—</b>
<b>December 31, 2022</b>				
Deposits from banking customers	4,023,679	—	—	—
Accounts payable to clients	16,542,963	35,775	—	—
Trade accounts payable	596,044	—	—	—
Borrowings and financing	2,255,110	431,180	1,231,989	2,729,500
Obligations to FIDC quota holders	1,028,562	—	—	—
Other liabilities	145,605	268,544	—	—
	<b>24,591,963</b>	<b>735,499</b>	<b>1,231,989</b>	<b>2,729,500</b>

#### 6.11. Fraud risk

The Group's exposure to operational risk from fraud is the risk that a misuse, or a wrongful or criminal deception will lead to a financial loss for one of the parties involved on a bankcard transaction. Fraud involving bankcards includes unauthorized use of lost or stolen cards, fraudulent applications, counterfeit or altered cards, and the fraudulent use of a cardholder's bankcard number for card-not-present transactions.

While the costs of most fraud involving bankcards remain with either the issuing financial institution or the client, the Group is occasionally required to cover fraudulent transactions in the following situations:

- Where clients also contract anti-fraud services rendered by the Group entities; or
- Through the chargeback process if the Group does not follow the minimum procedures, including the timely communication to all involved parties about the occurrence of a fraudulent transaction.

The Group is also exposed to potential liability if fraudulent agents use false identities to access credit and banking products, which could increase credit risk exposure as well as the liability towards clients and third parties in case of any damages. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeiting and fraud. Failure to effectively manage risk and prevent fraud would increase credit liabilities and default rates of credit solutions, and subject the Group to potential fines by regulators.

## 6.12. Financial instruments by category

### 6.12.1. Financial assets by category

	Amortized cost	FVPL	FVOCI	Total
<b>December 31, 2023</b>				
Short and Long-term investments	—	3,481,496	45,702	3,527,198
Financial assets from banking solutions	5,250,496	1,147,402	—	6,397,898
Accounts receivable from card issuers	5,877	—	23,971,232	23,977,109
Trade accounts receivable	488,480	—	—	488,480
Loans operations portfolio	250,747	—	—	250,747
Derivative financial instruments <sup>(a)</sup>	—	4,182	—	4,182
Receivables from related parties	2,512	—	—	2,512
Other assets	518,362	—	—	518,362
	<b>6,516,474</b>	<b>4,633,080</b>	<b>24,016,934</b>	<b>35,166,488</b>
<b>December 31, 2022</b>				
Short and Long-term investments	—	3,636,687	31,850	3,668,537
Financial assets from banking solutions	—	3,960,871	—	3,960,871
Accounts receivable from card issuers	6,992	—	20,741,865	20,748,857
Trade accounts receivable <sup>(b)</sup>	495,180	26,866	—	522,046
Derivative financial instruments <sup>(a)</sup>	—	36,400	—	36,400
Receivables from related parties	10,053	—	—	10,053
Other assets	571,881	—	—	571,881
	<b>1,084,106</b>	<b>7,660,824</b>	<b>20,773,715</b>	<b>29,518,645</b>

(a) Derivative financial instruments as of December 31, 2023 of R\$ 311,445 (2022 – R\$ 190,902) were designated as cash flow hedging instruments, and therefore the effective portion of the hedge is accounted for in the OCI.

(b) The amount classified as FVPL refers to loans granted to customers up to June 30, 2021 (Notes 6.5.1 and 6.10.1.3).



## 6.12.2. Financial liabilities by category

	Amortized cost	FVPL	Total
<b>December 31, 2023</b>			
Deposits from banking customers	6,119,455	—	6,119,455
Accounts payable to clients	19,199,127	—	19,199,127
Trade accounts payable	513,877	—	513,877
Borrowings and financing	5,013,981	—	5,013,981
Obligations to FIDC quota holders	505,231	—	505,231
Derivative financial instruments	—	316,171	316,171
Other liabilities	119,526	410,504	530,030
	<b>31,471,197</b>	<b>726,675</b>	<b>32,197,872</b>
<b>December 31, 2022</b>			
Deposits from banking customers	4,023,679	—	4,023,679
Accounts payable to clients	16,614,513	—	16,614,513
Trade accounts payable	596,044	—	596,044
Borrowings and financing	4,575,877	—	4,575,877
Obligations to FIDC quota holders	975,248	—	975,248
Derivative financial instruments	—	209,714	209,714
Other liabilities	144,893	611,279	756,172
	<b>26,930,254</b>	<b>820,993</b>	<b>27,751,247</b>

## 6.13. Fair value measurement

### 6.13.1. Assets and liabilities by fair value hierarchy

The following table presents an analysis of financial instruments measured at fair values by fair value hierarchy level:

	2023		2022	
	Fair value	Hierarchy level	Fair value	Hierarchy level
<b>Assets measured at fair value</b>				
Short and Long-term investments <sup>(a)</sup> <sup>(b)</sup>	3,527,198	I /II	3,668,537	I /II
Financial assets from banking solutions <sup>(b)</sup>	1,147,402	I	3,960,871	I
Accounts receivable from card issuers <sup>(c)</sup>	23,971,232	II	20,741,865	II
Trade accounts receivable <sup>(d)</sup>	—	N/A	26,866	III
Derivative financial instruments <sup>(e)</sup>	4,182	II	36,400	II
	<b>28,650,014</b>		<b>28,434,539</b>	
<b>Liabilities measured at fair value</b>				
Derivative financial instruments <sup>(e)</sup>	316,171	II	209,714	II
Other liabilities <sup>(f)(g)</sup>	410,504	III	611,279	III
	<b>726,675</b>		<b>820,993</b>	

(a) Listed securities are classified as Level I and unlisted securities classified as Level II, determining fair value using valuation techniques, which employ the use of market observable inputs.

(b) Sovereign bonds are priced using quotations from Anbima public pricing method.

(c) For Accounts receivable from card issuers measured at FVOCI, fair value is estimated by discounting future cash flows using market rates for similar items.

(d) As of December, 31, 2023, this loan was designated at FVPL with a portfolio gain of R\$ 21,534 (2022 - gain of R\$ 7,902). The total net cashflow effect was an inflow of R\$ 48,400 (2022 - R\$ 496,600). The fair value of loans are valued using valuation techniques, which employ the use of market unobservable inputs, and therefore are classified as Level III in the fair value hierarchy.

(e) The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative financial instruments are valued using valuation techniques, which employ the use of observable market inputs.

- (f) These are contingent considerations included in Other liabilities arising on business combinations that are measured at FVPL. Fair values are estimated in accordance with pre-determined formulae explicit in the contracts with selling shareholders. The significant unobservable inputs used in the fair value measurement of contingent consideration categorized as Level III of the fair value hierarchy are based on projections of revenue, net debt, number of clients, net margin and the discount rates used to evaluate the liability.
- (g) The Group issued put options for Reclame Aqui's non-controlling interests, in the 2022 business combination. For the non-controlling shareholder amounts the Group has elected as an accounting policy that the put options derecognize the non-controlling interests at each reporting date as if it was acquired at that date and recognize a financial liability at the present value of the amount payable on exercise of the non-controlling interests put option. The difference between the financial liability and the non-controlling interests derecognized at each period is recognized as an equity transaction. The amount of R\$ 178,721 was recorded in the consolidated statement of financial position as of December 31, 2023 as a financial liability under Other liabilities (2022 - R\$ 264,291).

As of December 31, 2023 and 2022, there were no transfers between the fair value measurements of Level I and Level II and between the fair value measurements of Level II and Level III.

#### 6.13.2. Fair value of financial instruments not measured at fair value

The table below presents a comparison of the book value and fair value of the financial instruments of the Group, other than those with carrying amounts that reasonably approximate fair values:

	2023		2022	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Loans operations portfolio	250,747	250,877	—	—
	<b>250,747</b>	<b>250,877</b>	—	—
<b>Financial liabilities</b>				
Accounts payable to clients	19,199,127	18,685,622	16,614,513	16,025,373
Borrowings and financing	5,013,982	4,692,866	4,575,877	4,564,864
	<b>24,213,109</b>	<b>23,378,488</b>	<b>21,190,390</b>	<b>20,590,237</b>

#### 6.14. Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital, and to have resources available for new opportunities.

In order to maintain or adjust the capital structure of the Group, management can make, or may propose to the shareholders when their approval is required, adjustments to the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce, for example, debt.

The Group monitors its capital structure based on standard leverage and capitalization metrics, and its strategy is to keep a positive balance of adjusted net cash.

The adjusted net cash as of December 31, 2023 and 2022 was as follows:

	2023	2022
Cash and cash equivalents	2,176,416	1,512,604
Short-term investments	3,481,496	3,453,772
Financial assets from banking solutions	6,397,898	3,960,871
Accounts receivable from card issuers	23,977,109	20,748,857
Derivative financial instruments <sup>(a)</sup>	629	12,418
<b>Adjusted cash</b>	<b>36,033,548</b>	<b>29,688,522</b>
Deposits from banking customers	(6,119,455)	(4,023,679)
Accounts payable to clients	(19,199,127)	(16,614,513)
Borrowings and financing <sup>(b)</sup>	(4,840,299)	(4,375,730)
Obligations to FIDC quota holders	(505,231)	(975,248)
Derivative financial instruments	(316,171)	(209,714)
<b>Adjusted debt</b>	<b>(30,980,283)</b>	<b>(26,198,884)</b>
<b>Adjusted net cash</b>	<b>5,053,265</b>	<b>3,489,638</b>

(a) Refers to economic hedge of cash and cash equivalents and short-term investments denominated in U.S. dollars;

(b) Borrowings and financing exclude the effects of leases liabilities recognized under IFRS 16.

Although capital is managed considering the consolidated position, some subsidiaries in Brazil are subject to minimum regulatory capital requirements established by BACEN.

The Company has a dedicated, centralized regulatory capital management team, which reports directly to the Chief Risk Officer (“CRO”), who has ultimate responsibility for capital adequacy. The structure has the objective of ensuring compliance with the current regulation and capital management processes regulatorily required. Additionally, the area has procedures and routines to plan capital adequacy requirement considering current and potential risks.

## 7. Other assets

	2023	2022
Customer deferred acquisition costs	190,239	199,920
Prepaid expenses <sup>(a)</sup>	189,371	230,681
Salary advances	52,586	41,294
Judicial deposits	22,507	17,682
Security deposits	14,230	15,011
Convertible loans	10,527	12,328
Other	38,902	54,965
	<b>518,362</b>	<b>571,881</b>
Current	380,854	365,355
Non-current	137,508	206,526

<sup>(a)</sup> These expenditures include, but are not limited to, prepaid software licenses, certain consulting services, insurance premiums and prepaid marketing expenses. The amount recognized as asset in the statement of financial position is charged to the statement of profit or loss once the prepaid services are consumed by the Group. As of December 31, 2023, the balance includes prepaid media to the Globo group of R\$ 96,198 (2022 - R\$ 163,065). Under the terms of the agreement the amount is available to place media until 2026.

## 8. Recoverable taxes

	2023	2022
Withholding income tax on finance income <sup>(a)</sup>	101,579	87,701
Income tax and social contribution <sup>(b)</sup>	9,584	9,872
Others withholding income tax	19,710	36,212
Contributions over revenue	544	3,410
Other taxes	14,922	13,761
	<b>146,339</b>	<b>150,956</b>

(a) Refers to income taxes withheld on financial income which will be offset against future income tax payable.

(b) Refers to income taxes, social contributions, and withholding tax prepayments that have been offset against income tax payable.

## 9. Income taxes

### 9.1. Accounting policy

#### 9.1.1. Current income and social contribution taxes

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. The tax regulations applied are those in force on the statement of financial position date in the countries where the Group operates and generates taxable income.

The Company is domiciled in the Cayman Islands which is an income tax free jurisdiction. Income of StoneCo from some investments outside the Cayman Islands is subject to withholding taxes to the countries where the investments are based. The withholding tax rate is generally 15%, which is treated as an income tax expense as StoneCo does not currently have taxable income against to which the withheld taxes can be offset.

The combined statutory rate applied to all entities in Brazil is 34%, comprising the Corporate Income Tax (“IRPJ”) and the Social Contribution on Net Income (“CSLL”) on the taxable income of each Brazilian legal entity individually (no consolidated tax returns).

The Group's Brazilian entities recognize IRPJ and CSLL on an accrual basis. According to Brazilian tax regulations, the historical nominal amount of tax losses determined in prior years can be offset against results of subsequent years at any time (i.e., do not prescribe), provided that such offsetting does not exceed 30% of the annual taxable income of the fiscal period in which tax losses are utilized.

Payments are made monthly, in anticipation of the amount which will be due by the year-end.

#### 9.1.2. Deferred income and social contribution taxes

Deferred tax assets or liabilities are measured based on the differences between the tax bases of assets and liabilities and the amounts reported in the statement of financial position. Deferred tax assets may be recognized for unused tax loss carryforwards.

Deferred tax assets are recognized only to the extent that it is probable that the Group's Brazilian entities will generate sufficient future taxable profits that will allow for their recovery. The expected realization of deferred tax assets is based on technical studies prepared by the Company that demonstrate expectation of future taxable profits according to management projections.

The income tax and social contribution expense is recognized in the Consolidated statement of profit or loss under Income tax and social contribution, except when it refers to items recognized in other comprehensive income, in which case the related deferred tax assets or liabilities are also recognized against other comprehensive income. In this case, the Group presents these items in the Consolidated Statement of Other Comprehensive Income net of related tax effect.

Management periodically evaluates positions taken in tax returns with respect to situations where applicable tax regulations are subject to interpretation and recognizes provisions, when appropriate.

Deferred tax assets and liabilities are presented net in the Consolidated statement of financial position when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same jurisdiction. Accordingly, deferred tax assets and liabilities in different entities or in different tax jurisdictions are generally presented separately, and not on a net basis.

## 9.2. Significant judgments, estimates and assumptions

Deferred tax assets are recognized for all unused tax losses to the extent that sufficient taxable profit will likely be available to allow the use of such losses. Significant judgment is required of management to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

## 9.3. Reconciliation of income tax expense

The following is a reconciliation of income tax expense starting from the reported pretax profit (loss) for the year, applying the combined Brazilian statutory rates of 34%:

	2023	2022	2021
Profit (loss) before income taxes	1,970,818	(387,290)	(1,445,554)
Brazilian statutory rate	34 %	34 %	34 %
<b>Tax benefit/(expense) at the statutory rate</b>	<b>(670,078)</b>	<b>131,679</b>	<b>491,488</b>
<b>Additions (exclusions):</b>			
Profit (loss) from entities subject to different tax jurisdiction rates	228,953	48,594	3,931
Profit (loss) from entities subject to different tax rates - Mark to market on equity securities designated at FVPL	10,395	(290,039)	(429,832)
Other permanent differences	(13,715)	(10,609)	4,325
Equity pickup on associates	(1,421)	(1,220)	(3,548)
Unrecorded deferred taxes	(15,966)	(33,465)	(40,165)
Prior years unrecorded deferred taxes	23,057	—	—
Unrealized gain previously held interest on acquisition	—	—	6,161
Interest payments on net equity	—	560	5,933
Use of tax losses previously unrecorded	1,099	1,292	22,492
Research and development tax benefits	59,155	10,275	4,688
Other tax incentives	8,123	3,827	2,733
<b>Total income tax and social contribution benefit/(expense)</b>	<b>(370,398)</b>	<b>(139,106)</b>	<b>68,206</b>
Effective tax rate	19 %	(36 %)	5 %
Current income tax and social contribution	(345,813)	(292,172)	(171,621)
Deferred income tax and social contribution	(24,585)	153,066	239,827
<b>Total income tax and social contribution benefit/(expense)</b>	<b>(370,398)</b>	<b>(139,106)</b>	<b>68,206</b>

#### 9.4. Deferred income taxes by nature

	2022	Recognized against other comprehensive income	Recognized against profit or loss	Recognized against goodwill	2023
Assets at FVOCI	215,730	(35,786)	—	—	179,944
Losses available for offsetting against future taxable income	385,634	—	(42,321)	—	343,313
Other temporary differences	273,625	—	28,926	—	302,551
Tax deductible goodwill	69,017	—	(26,392)	—	42,625
Share-based compensation	58,815	—	64,396	—	123,211
Contingencies arising from business combinations	51,313	—	(14,993)	—	36,320
Assets at FVPL	(993)	—	993	—	—
Technological innovation benefit	(31,557)	—	22,519	—	(9,038)
Temporary differences under FIDC	(147,924)	—	(76,809)	—	(224,733)
Intangible assets and property and equipment arising from business combinations	(693,936)	—	19,096	(1,375)	(676,215)
<b>Deferred tax, net</b>	<b>179,724</b>	<b>(35,786)</b>	<b>(24,585)</b>	<b>(1,375)</b>	<b>117,978</b>

	2021	Recognized against other comprehensive income	Recognized against profit or loss	Recognized against goodwill	2022
Assets at FVOCI	127,335	88,395	—	—	215,730
Losses available for offsetting against future taxable income	317,725	—	67,909	—	385,634
Other temporary differences	107,364	—	166,261	—	273,625
Tax deductible goodwill	111,298	—	(42,281)	—	69,017
Share-based compensation	41,150	—	17,665	—	58,815
Contingencies arising from business combinations	48,284	—	3,029	—	51,313
Assets at FVPL	(4,583)	—	3,590	—	(993)
Technological innovation benefit	(18,493)	—	(13,064)	—	(31,557)
Temporary differences under FIDC	(69,556)	—	(78,368)	—	(147,924)
Intangible assets and property and equipment arising from business combinations	(709,943)	—	28,325	(12,318)	(693,936)
<b>Deferred tax, net</b>	<b>(49,419)</b>	<b>88,395</b>	<b>153,066</b>	<b>(12,318)</b>	<b>179,724</b>

#### 9.5. Unrecognized deferred taxes

The Group has accumulated tax loss carryforwards and other temporary differences in some subsidiaries in the amount as of December 31, 2023 of R\$ 133,710 (2022 – R\$ 144,529) for which a deferred tax asset was not recognized and are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized with respect of these losses as they cannot be used to offset taxable profits between subsidiaries of the Group, and there is no other evidence of probable recoverability in the near future.

### 10. Property and equipment

#### 10.1. Accounting policy

All property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any (Note 10.3). Historical cost includes expenditures that are directly attributable to the acquisition of the items and, if applicable, net of tax credits. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item is material and can be measured reliably. All other repairs and maintenance expenditures are charged to profit or loss during the period in which they are incurred. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

Assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date and adjusted prospectively, if appropriate. Gains and losses on disposals or derecognition are determined by comparing the disposal proceeds (if any) with the carrying amount and are recognized in profit or loss. The Group also derecognizes under  Disposal of property and equipment  Pin Pads & POS held by customers that have not been used in the past 180 or 360 days, depending on the category of customer.

## 10.2. Significant judgments, estimates and assumptions

Property and equipment assets include the preparation of estimates to determine the useful life for depreciation purposes. Useful life determination requires estimates in relation to the expected technological advances and alternative uses of assets. There is a significant element of judgment involved in making technological development assumptions, since the timing and nature of future technological advances are difficult to predict.

The Group evaluated the useful life of Property and equipment assets and concluded that no change on the estimates of useful life and residual value of this assets was necessary for the year ended December 31, 2023.

The estimated useful lives for the Property and equipment are as follows:

	<b>Estimated useful lives (years)</b>
Pin Pads & POS	5
IT equipment	3 – 10
Facilities	3 – 14
Property	34
Furniture and fixtures	3 – 10
Machinery and equipment	5 – 14
Vehicles and airplanes	2 – 10

### 10.3. Changes in Property and equipment

	2022	Additions	Disposals (a)	Transfers	Effects of hyperinflation	Effects of changes in foreign exchange rates	2023
<b>Cost</b>							
Pin Pads & POS	1,948,382	563,884	(152,952)	—	—	—	2,359,314
IT equipment	262,405	51,743	(27,612)	8,754	165	(125)	295,330
Facilities	91,820	2,488	(20,846)	4,669	(68)	(469)	77,594
Machinery and equipment	23,521	4,241	(2,702)	—	(93)	(1,017)	23,950
Furniture and fixtures	24,150	1,025	(3,413)	960	(16)	(22)	22,684
Vehicles and airplane	27,296	49	(14)	—	(5)	(151)	27,175
Construction in progress	50,320	192	(5,167)	(14,383)	—	—	30,962
Right-of-use assets - Equipment	4,823	64	(7)	—	—	—	4,880
Right-of-use assets - Vehicles	43,794	3,785	(15,603)	—	—	—	31,976
Right-of-use assets - Offices	205,450	29,405	(56,255)	—	—	554	179,154
	<b>2,681,961</b>	<b>656,876</b>	<b>(284,571)</b>	<b>—</b>	<b>(17)</b>	<b>(1,230)</b>	<b>3,053,019</b>
<b>Depreciation</b>							
Pin Pads & POS	(740,468)	(455,632)	130,694	—	—	—	(1,065,406)
IT equipment	(145,406)	(53,143)	26,027	—	—	5	(172,517)
Facilities	(37,739)	(13,671)	20,618	—	—	285	(30,507)
Machinery and equipment	(18,571)	(4,463)	2,495	—	—	500	(20,039)
Furniture and fixtures	(7,054)	(2,316)	2,560	—	—	12	(6,798)
Vehicles and airplane	(2,437)	(3,123)	51	—	—	41	(5,468)
Right-of-use assets - Equipment	(1,031)	(129)	10	—	—	—	(1,150)
Right-of-use assets - Vehicles	(21,663)	(15,988)	14,349	—	—	—	(23,302)
Right-of-use assets - Offices	(66,414)	(36,846)	36,858	—	—	467	(65,935)
	<b>(1,040,783)</b>	<b>(585,311)</b>	<b>233,662</b>	<b>—</b>	<b>—</b>	<b>1,310</b>	<b>(1,391,122)</b>
<b>Property and equipment, net</b>	<b>1,641,178</b>	<b>71,565</b>	<b>(50,909)</b>	<b>—</b>	<b>(17)</b>	<b>80</b>	<b>1,661,897</b>

(a) Includes Pin Pad & POS derecognized for not being used by customers after a period of time and Cappta spun-off on June 30, 2023.



	2021	Additions	Disposals	Effects of hyperinflation	Effects of changes in foreign exchange rates	Business combination	2022
<b>Cost</b>							
Pin Pads & POS	1,498,271	569,895	(119,784)	—	—	—	1,948,382
IT equipment	246,543	19,807	(5,322)	—	25	1,352	262,405
Facilities	90,186	5,005	(2,949)	(285)	(137)	—	91,820
Machinery and equipment	25,776	5,445	(11,520)	186	3,610	24	23,521
Furniture and fixtures	24,754	1,123	(1,849)	1	3	118	24,150
Vehicles and airplane	43,586	97	(16,433)	87	(41)	—	27,296
Construction in progress	14,078	43,652	(7,410)	—	—	—	50,320
Right-of-use assets - Equipment	4,629	194	—	—	—	—	4,823
Right-of-use assets - Vehicles	31,547	18,171	(5,924)	—	—	—	43,794
Right-of-use assets - Offices	238,329	28,817	(61,314)	(211)	(171)	—	205,450
	<b>2,217,699</b>	<b>692,206</b>	<b>(232,505)</b>	<b>(222)</b>	<b>3,289</b>	<b>1,494</b>	<b>2,681,961</b>
<b>Depreciation</b>							
Pin Pads & POS	(438,346)	(379,442)	77,320	—	—	—	(740,468)
IT equipment	(95,553)	(55,803)	5,968	—	(18)	—	(145,406)
Facilities	(25,066)	(13,497)	726	—	98	—	(37,739)
Machinery and equipment	(17,861)	(4,613)	3,792	—	111	—	(18,571)
Furniture and fixtures	(5,516)	(2,424)	890	—	(4)	—	(7,054)
Vehicles and airplane	(2,498)	(3,534)	3,593	—	2	—	(2,437)
Right-of-use assets - Equipment	(505)	(526)	—	—	—	—	(1,031)
Right-of-use assets - Vehicles	(14,187)	(13,125)	5,649	—	—	—	(21,663)
Right-of-use assets - Offices	(48,647)	(40,449)	22,682	—	—	—	(66,414)
	<b>(648,179)</b>	<b>(513,413)</b>	<b>120,620</b>	<b>—</b>	<b>189</b>	<b>—</b>	<b>(1,040,783)</b>
<b>Property and equipment, net</b>	<b>1,569,520</b>	<b>178,793</b>	<b>(111,885)</b>	<b>(222)</b>	<b>3,478</b>	<b>1,494</b>	<b>1,641,178</b>

#### 10.4. Depreciation and amortization charges

Depreciation and amortization expense has been charged to the consolidated statement of profit or loss as follows:

	2023	2022	2021
Cost of services	606,639	529,793	299,240
General and administrative expenses	229,394	226,353	161,331
Selling expenses	42,148	43,879	46,798
Other income (expenses), net	—	301	—
<b>Depreciation and Amortization charges</b>	<b>878,181</b>	<b>800,326</b>	<b>507,369</b>
Depreciation charge	585,311	513,413	310,630
Amortization charge (Note 11.3)	292,870	286,913	196,739
<b>Depreciation and Amortization charges</b>	<b>878,181</b>	<b>800,326</b>	<b>507,369</b>

#### 10.5. Impairment test

As of December 31, 2023, 2022 and 2021, there were no indicators of impairment of property and equipment. Property and equipment were tested for impairment at the Cash Generating Units (“CGUs”) level in connection with intangible assets and investments in associates (Note 11.4).

## **11. Intangible assets**

### **11.1. Accounting policy**

#### **11.1.1. Initial recognition**

Certain direct development costs associated with internally developed software and software enhancements of the Group's technology platform are capitalized. Capitalized costs, which occur post determination by Management of technical feasibility, include external services and internal payroll costs. These costs are recorded as intangible assets over the development phase. Research and pre-feasibility development costs, as well as maintenance and training costs, are charged to profit or loss when incurred.

Separately acquired intangible assets are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination corresponds to their fair value at the acquisition date.

#### **11.1.2. Subsequent recognition**

The useful lives of intangible assets are assessed as finite or indefinite. As of December 31, 2023 the Group holds only trademarks and patents and goodwill as indefinite life intangible assets. Intangible assets with finite useful lives are amortized over their estimated useful lives on a straight-line basis. Intangible assets with indefinite lives are not amortized. In both cases the intangible asset is tested for impairment whenever there is an indication that their carrying amount may not be recovered. For intangible assets with indefinite live, the impairment test is annually mandatory.

The carrying amount of an intangible asset comprises of its cost net of accumulated amortization and any impairment losses recognized.

The useful life and the method of amortization for intangible assets with finite lives are reviewed at least at the end of each year or when a change in the use pattern of the asset is identified. Changes in estimated useful lives or expected consumption of future economic benefits embodied in the assets are considered to modify the amortization period or method, as appropriate, and treated as changes in accounting estimates, with prospective effects.

The amortization of intangible assets with definite lives is recognized in profit or loss as an expense consistent with the use of intangible assets.

Gains and losses resulting from the disposal or derecognition of intangible assets are measured as the difference between the net disposal proceeds (if any) and their carrying amount and are recognized in profit or loss.

#### **11.1.3. Impairment test**

The Group performs the impairment test of the assets in the scope of IAS 36 - Impairment of assets when (i) it observes an indication that an asset may be impaired or (ii) annually, whenever the entity has non-ready-to-use assets or goodwill. Assets of the Group subject to IAS 36 are intangible assets (including goodwill), property and equipment and investments in associates.

Assets are tested individually, whenever possible, or allocated to CGU or group of CGUs. For the purpose of goodwill impairment testing, goodwill is allocated to the CGU or group of CGUs, which are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those CGU or groups of CGUs.

The impairment test consists of a comparison between (i) the carrying amount of the asset, CGU, or group of CGUs and (ii) its recoverable amount. The recoverable amount of an asset, CGU or group of CGUs is the higher of (i) its fair value less costs of disposal and (ii) its value in use. If the carrying amount exceeds the recoverable amount an impairment loss is recognized.

In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognized in the statement of profit or loss as expenses consistent with the function of the impaired asset. Impairment losses can be reversed in future periods, except for impairment losses of goodwill.

See Note 11.4 for details in the model and key assumptions adopted in the annual goodwill impairment test.

## **11.2. Significant judgments, estimates and assumptions**

### **11.2.1. Estimated useful lives**

Accounting for intangible assets require to estimate the useful life of those assets for amortization purposes. Useful life determination requires estimates in relation to the expected technological advances and alternative uses of assets. There is a significant element of judgment involved in making technological development assumptions, since the timing and nature of future technological advances are difficult to predict.

The Group evaluated the useful life of its intangible assets and concluded that no change of estimate of useful life and residual value of these assets was necessary for the year ended December 31, 2023.

The useful lives for the intangible assets are presented below:

	<b>Estimated useful lives (years)</b>
Software	3 – 10
Customer relationship	2 – 34.5
Trademarks and patents	7 – 30.9
Non-compete agreement	5
Licenses	1 – 5

### **11.2.2. Value in use calculation in the impairment test**

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are the most relevant for the impairment test of goodwill recognized by the Group.

### 11.3. Changes in Intangible assets

	2022	Additions	Disposals	Transfers	Effects of hyperinflation	Effects of changes in foreign exchange rates	Business combination (a)	2023
<b>Cost</b>								
Goodwill - acquisition of subsidiaries	5,647,421	—	—	—	—	(10,358)	(2,160)	5,634,903
Customer relationship	1,793,405	6,285	(7,934)	—	—	—	1,940	1,793,696
Trademarks and patents	551,000	1	(2)	—	—	—	—	550,999
Software	1,162,311	220,627	(62,862)	23,160	681	(11,323)	2,104	1,334,698
Non-compete agreement	26,024	—	—	—	—	—	—	26,024
Operating license	5,674	—	—	—	—	—	—	5,674
Software in progress	66,820	254,664	(23,716)	(23,160)	—	—	—	274,608
Right-of-use assets - Software	88,254	34,163	(71,859)	—	—	—	—	50,558
	<b>9,340,909</b>	<b>515,740</b>	<b>(166,373)</b>	<b>—</b>	<b>681</b>	<b>(21,681)</b>	<b>1,884</b>	<b>9,671,160</b>
<b>Amortization</b>								
Customer relationship	(278,032)	(70,690)	4,741	—	—	—	—	(343,981)
Trademarks and patents	(10,816)	(9,404)	1	—	—	—	—	(20,219)
Software	(337,935)	(184,397)	43,581	—	—	4,588	—	(474,163)
Non-compete agreement	(7,751)	(5,083)	—	—	—	—	—	(12,834)
Operating license	(6,108)	(16)	451	—	—	—	—	(5,673)
Right-of-use assets - Software	(67,935)	(23,280)	71,844	—	—	—	—	(19,371)
	<b>(708,577)</b>	<b>(292,870)</b>	<b>120,618</b>	<b>—</b>	<b>—</b>	<b>4,588</b>	<b>—</b>	<b>(876,241)</b>
<b>Intangible assets net</b>	<b>8,632,332</b>	<b>222,870</b>	<b>(45,755)</b>	<b>—</b>	<b>681</b>	<b>(17,093)</b>	<b>1,884</b>	<b>8,794,919</b>

(a) More details in Note 23.3.

	2021	Additions	Disposals	Transfers	Effects of hyperinflation	Effects of changes in foreign exchange rates	Business combination	2022
<b>Cost</b>								
Goodwill - acquisition of subsidiaries	5,591,489	—	(22,774)	—	—	(12,111)	90,817	5,647,421
Customer relationship	1,747,444	21,075	(4,015)	—	—	(152)	29,053	1,793,405
Trademarks and patents	262,036	—	—	—	—	—	288,964	551,000
Software	1,066,470	207,086	(170,997)	17,117	1,754	(4,480)	45,361	1,162,311
Non-compete agreement	26,024	—	—	—	—	—	—	26,024
Operating license	12,443	—	(6,073)	—	—	(696)	—	5,674
Software in progress	43,960	43,115	(3,138)	(17,117)	—	—	—	66,820
Right-of-use assets - Software	72,463	16,728	(937)	—	—	—	—	88,254
	<b>8,822,329</b>	<b>288,004</b>	<b>(207,934)</b>	<b>—</b>	<b>1,754</b>	<b>(17,439)</b>	<b>454,195</b>	<b>9,340,909</b>
<b>Amortization</b>								
Customer relationship	(217,090)	(73,897)	9,650	—	—	3,305	—	(278,032)
Trademarks and patents	(6,908)	(3,908)	—	—	—	—	—	(10,816)
Software	(264,399)	(174,358)	100,754	—	—	68	—	(337,935)
Non-compete agreement	(1,106)	(6,645)	—	—	—	—	—	(7,751)
Operating license	(10,854)	(3,801)	6,073	—	—	2,474	—	(6,108)
Right-of-use assets - Software	(44,454)	(24,304)	823	—	—	—	—	(67,935)
	<b>(544,811)</b>	<b>(286,913)</b>	<b>117,300</b>	<b>—</b>	<b>—</b>	<b>5,847</b>	<b>—</b>	<b>(708,577)</b>
<b>Intangible assets, net</b>	<b>8,277,518</b>	<b>1,091</b>	<b>(90,634)</b>	<b>—</b>	<b>1,754</b>	<b>(11,592)</b>	<b>454,195</b>	<b>8,632,332</b>

#### 11.4. Impairment test

As of December 31, 2023, and 2022, there were no indicators of impairment of finite-life intangible assets.

The Group performs its impairment test annually or more frequently if it observes an indication that a potential impairment exists by testing the impairment of the CGUs (or groups of CGUs) that contain goodwill and / or indefinite useful-life intangible assets. In 2023, the Group defined four CGUs, for which significant goodwill had been allocated to two of them, as follows:

CGU	Description	As of October 31, 2023	
		Goodwill allocated	Indefinite useful-life intangible assets allocated
CGU 1 – Financial services	Companies related to financial solutions are included in this CGU. The Group considers these companies as a CGU due to the integrated financial solutions provided by them, as capture, processing, transmission, and financial liquidation of transactions with debit and credit card, among other services.	444,140	14,497
CGU 2 – Software	This CGU includes the technology offering new solutions to customers related to the technology platform of the Group.	5,147,296	248,422
CGUs 3 and 4	Composed by other smaller CGUs defined as separate CGUs due to the specific service provided to customers which generate cash flows that are largely independent of the other Group's CGUs.	44,535	2,962

The Group performed its annual impairment test as of October 31, 2023 (2022 – November 30) which did not result in the need to recognize impairment losses on the carrying amount of any of the CGUs. As from 2023, the Group changed the date of the mandatory annual impairment test for goodwill and indefinite useful-life intangible assets from November 30 to October 31 in order to better align the date with the timing of Company's financial budgeting and forecasting cycle and to allow more time from the date of the test to the date of approval of financial statements.

The recoverable amount of the Group's CGUs as of October 31, 2023 and as of November 30, 2022 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by Board of Officers, covering a period of five years in 2023 and 2022.

The key assumptions considered in value in use calculation for all of the Group's CGUs are as follows:

- Free cash flow to equity for the five years forecasted period.
- Average annual growth rate of the free cash flows over the five-year forecast period, based on past performance and management's expectations of market development and on current industry trends and including long-term inflation forecasts.
- Considered a pre-tax discount rate applied to discount future cash flows of between 11.73% and 13.75% (2022 – between 12.16% and 14.39%), based on long-term interest rate, country risk premium, industry adjusted beta and other variables.
- Considered a perpetuity growth rate of 6.00% (2022 – 6.00%), based on long-term local inflation and real growth.

The Group carried out a sensitivity analysis of the impairment test considering four independent scenarios of key assumptions deterioration, as follows: (i) a decrease of 10% in the value of the expected synergies between the CGU 1 – Financial services and the CGU 2 – Software, which impacts the free cash flow of those CGUs; (ii) a decrease of 1,000 basis points in the average annual growth of the free cash flow over the five-year forecasted period; (iii) an increase of 100 basis points in the pre-tax discount rate; and (iv) a decrease of 50 basis points in the perpetuity rate applied after the last year of projected free cash flow. The sensitivity analysis results did not indicate an impairment loss on the CGUs carrying amounts, except for the CGU 2 – Software in the scenario (iii) as described as follows.

The recoverable amount of the CGU 2 – Software exceeds its carrying amount by R\$ 1,086,957. The Group would recognize an impairment loss of R\$ 193,551 on goodwill allocated to this CGU if the pre-tax discount rate increased from 11.73% to 12.73%. A pre-tax discount rate up to 12.56% would not result in an impairment loss.

## 12. Taxes payable

	2023	2022
Income tax (IRPJ and CSLL) <sup>(a)</sup>	366,366	223,764
Contributions over revenue (PIS and COFINS) <sup>(b)</sup>	76,719	51,065
Withholding income tax	43,238	27,582
Taxes on services (ISS) <sup>(b)</sup>	13,367	11,702
Withholding taxes from services taken <sup>(c)</sup>	5,392	6,802
Other taxes and contributions	9,217	8,190
	<b>514,299</b>	<b>329,105</b>

(a) Some income from investment funds is only taxed when redemption occurs. Accordingly, on December 31, 2023, the amount of R\$ 356,599 (R\$ 208,939 on December 31, 2022) was recorded as income tax on an accrual basis. The expense for current income tax is recognized in the statement of profit or loss under "Income tax and social contribution" against tax payable. An advance payment of income tax when due is recognized during the tax year as Recoverable taxes (Note 8).

(b) PIS/COFINS and ISS are measured based on the revenues of the Brazilian entities of the Group and are recognized as a deduction to gross revenue.

(c) Amount relative to PIS, COFINS, IRPJ and CSLL, withheld from suppliers and paid by the Group on their behalf. These amounts are recognized as a tax liability, with no impact to the statement of profit or loss.

## 13. Transactions with related parties

Related parties comprise the Group's parent companies, key management personnel and any businesses which are controlled, directly or indirectly by the founders, officers and directors or over which they exercise significant management influence. Related party transactions are entered in the normal course of business at prices and terms approved by the Group's management.

The following transactions were carried out with related parties:

	2023	2022	2021
<b>Sales of services</b>			
Associates (legal and administrative services) <sup>(a)</sup>	153	86	23
Entity controlled by management personnel <sup>(b)</sup>	6	3	10
	<b>159</b>	<b>89</b>	<b>33</b>
<b>Purchases of goods and services</b>			
Entity controlled by management personnel <sup>(b)</sup>	—	—	(1,531)
Associates (transaction services) <sup>(c)</sup>	(3,207)	(1,800)	(1,119)
Service provider	—	—	(440)
	<b>(3,207)</b>	<b>(1,800)</b>	<b>(3,090)</b>

(a) Related to services provided to Trinks.

(b) Related to consulting and management services with Genova Consultoria e Participações Ltda., travel services reimbursed to Zurich Consultoria e Participações Ltda and VCK Investment Fund.

(c) Related mainly to expenses paid to Trinks, RH Software, APP and Tablet Cloud for consulting services, marketing expenses, sales commissions and software license to new customer's acquisition.

Services provided to related parties include legal and administrative services provided under normal trade terms and reimbursement of other expenses incurred in their respect.

As of December 31, 2023, some officers and directors had subscribed to the Group's banking solutions. The total amount recognized in Deposits from banking customers is R\$ 253 (2022 – R\$ 86).

### 13.1. Year-end balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2023	2022
Loans to associate	2,512	3,932
<b>Receivables from related parties</b>	<b>2,512</b>	<b>3,932</b>

Comparative balances have been revised and certain balances due by parties at December 31, 2022 were no longer considered related parties.

As of December 31, 2023, there is no allowance for expected credit losses on related parties' receivables. No guarantees were provided or received in relation to any accounts receivable or payable involving related parties.

### 13.2. Key management personnel compensation

Management includes executive officers and members of Board of Directors of the Group and compensation consists of fixed compensation, profit sharing and benefits plus any corresponding social or labor charges and or provisions for such charges. Compensation expenses are recognized in profit or loss of the Group. For the years ended December 31, 2023 and 2022, compensation expense was as follows:

	2023	2022	2021
Short-term benefits	64,904	45,169	13,621
Share-based payments (Note 20.4)	86,215	64,038	29,332
	<b>151,119</b>	<b>109,207</b>	<b>42,953</b>

## 14. Provision for contingencies

### 14.1. Accounting policy

Some entities of the Group are party to labor, civil and tax litigation in progress, which are being addressed at the administrative and judicial levels.

Provisions for legal claims (labor, civil and tax) are recognized when (i) there is a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that an outflow of resources will be required to settle such obligation; and (iii) a reliable estimate can be made of the amount of the obligation.

If there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured by the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are recognized at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation whenever the effect of the time value of money is material. The increase in the provision due to the passage of time is recognized as Financial expenses, net.

Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement, if applicable.

#### 14.2. Significant judgments, estimates and assumptions

As the litigation portfolio matures, the estimation of litigation outcomes is refined to assess the mores significant legal settlements. During 2023 two changes were introduced to the estimation methods:

March 2023 - The previous approach disclosed possible losses based solely on the total amount claimed in both civil and labor disputes. In March, 2023, a more sophisticated methodology was used that considers actual losses incurred by in similar cases. Under the revised criteria possible losses are based on the actual historical costs in the respective judicial courts for similar cases. In general, upon final determination, actual losses are a fraction of the total amounts claimed, and as a result, total possible civil and labor contingencies disclosed were reduced.

December of 2023 - The previous criteria considered a loss to be probable on a case-by-case basis which generally occurred once an adverse decision had been handed down for that lawsuit. In December 2023, the criteria was modified for individually non-significant lawsuits of a similar nature. Under the revised methodology, individually non-significant lawsuits of a similar nature such as a portfolio, are measured, grouped and provided to cover the losses based on the most recent 12-month average loss for these types of lawsuits. For individually significant losses or those of a non-repetitive nature, the Group continues to assess the probability and the amount of the losses considered probable on a case-by-case basis.

#### 14.3. Probable losses, provided for in the statement of financial position

The Group's companies are party to labor, civil and tax litigation in progress, which are being addressed at the administrative and judicial levels, as well recognize risks of their activities that may require the recording of provisions. The amount, nature and the movement of the liabilities is summarized as follows:

	Civil	Labor	Tax	Total
<b>Balance as of December 31, 2021</b>	<b>15,610</b>	<b>16,383</b>	<b>149,856</b>	<b>181,849</b>
Additions	29,460	8,759	9,491	47,710
Reversals	(13,471)	(1,654)	(13,736)	(28,861)
Interest	2,030	1,239	16,208	19,477
Payments	(8,305)	(267)	(1,227)	(9,799)
<b>Balance as of December 31, 2022</b>	<b>25,324</b>	<b>24,460</b>	<b>160,592</b>	<b>210,376</b>
Additions	46,723	38,533	23,607	108,863
Reversals	(22,598)	(24,624)	(55,816)	(103,038)
Interest	3,846	3,218	19,613	26,677
Payments	(17,433)	(1,882)	(14,697)	(34,012)
<b>Balance as of December 31, 2023</b>	<b>35,862</b>	<b>39,705</b>	<b>133,299</b>	<b>208,866</b>

##### 14.3.1. Civil lawsuits

In general, provisions and contingencies arise from claims related to lawsuits of a similar nature, with individual amounts that are not considered individually significant. The nature of the civil litigations is categorized according to the primary business of the Group. Substantial provisions are summarized in two business domains, namely (i) acquiring, totaling R\$ 18,556 as of December 31, 2023 (2022 - R\$ 15,082) and (ii) banking, totaling R\$ 12,559 as of December 31, 2023 (2022 - R\$ 6,355).

##### 14.3.2. Labor claims

In the context of Labor Courts, the Group encounters recurrent lawsuits, primarily falling in two categories: (i) labor claims by former employees and (ii) labor claims brought forth by former employees of outsourced companies contracted by the Group. These claims commonly center around issues such as the claimant's placement in a different trade union and payment of overtime. The initial value of these lawsuits is asserted by the former employees at the commencement of the legal proceeding.

#### 14.4. Possible losses, not provided for in the statement of financial position

The Group has the following civil, labor and tax litigation involving risks of loss assessed by management as possible, based on



the advice of the legal counsel, for which no provision was recognized:

	<b>2023</b>	<b>2022</b>
Civil <sup>(a)</sup>	50,762	178,809
Labor <sup>(a)</sup>	2,179	238,523
Tax	181,163	140,658
<b>Total</b>	<b>234,104</b>	<b>557,990</b>

(a) Change in methodology (Note 14.2).

#### **14.4.1. Civil lawsuits**

The Group is a party to several legal actions arising from its ordinary course of business. In this regard, civil lawsuits have been categorized according to the Group's primary business domains, namely: (i) acquiring, amounting to R\$ 9,239 as of December 31, 2023 (2022 - R\$ 89,466); (ii) banking, amounting to R\$ 672 as of December 31, 2023 (2022 - R\$ 73,198); (iii) credit, amounting to R\$ 1,481 as of December 31, 2023 (2022 - R\$ 6,808) and (iv) software, amounting to R\$ 28,412 as of December 31, 2023 (2022 - R\$ 5605).

For the acquiring business, there is a noteworthy lawsuit filed by a business partner who was responsible for a portion of the acquisition and referral of commercial establishments. The amount considered as a possible loss is R\$ 10,706 as of December 31, 2023 (2022 - R\$ 10,309). For the software product line, there is significant indemnity lawsuit filed by an indirect supplier, for the utilization of a specific software provided by the partner, amounting to R\$ 25,596 as of December 31, 2023 (2022 - R\$ nil).

#### **14.4.2. Labor claims**

The Group frequently receives lawsuits through the labor courts, primarily for two categories: (i) labor claims by former employees and (ii) labor claims by former employees of outsourced companies contracted by the Group (as a secondary obligor). These claims typically concern revolve around matters such as the claimant's placement in a different trade union and payment of overtime. An initial value of these lawsuits is claimed by the former employees at the beginning of the proceeding. The actual amounts of possible contingencies when disbursed correspond to a fraction of the amount initially requested by the claimants – this lower fraction is calculated based on the Company's track record of losses, considering similar cases. As the lawsuits progress, the reported risk amount may change, particularly following new court decisions.

#### **14.4.3. Tax litigations**

The nature of the tax litigations is summarized as follows:

An action for annulment of tax debts regarding the tax assessment issued by the State tax authorities alleging that the Group would have leased equipment and data center spaces from January 2014 to December 2015, on the grounds that the operations are analogous to telecommunications services and therefore would be subject to State tax at the rate of 25% plus a fine equivalent to 50% of the updated tax amount for failure to issue ancillary tax obligations. As of December 31, 2023, the updated amount recorded as a probable loss is R\$ 27,937 (2022 - R\$ 24,715), and the amount of R\$ 29,727 (2022 - R\$ 28,130) is considered as a possible loss (contingency arising from the acquisition of Linx).

During 2002 and 2023, the Group received tax assessments issued by a municipal tax authority related to the allegedly insufficient payment of tax on services rendered. As of December 31, 2023, the updated amount of the claims is R\$ 129,141 (2022 - R\$ 93,605). The cases, classified as possible losses, are being challenged at the administrative level of the court.

#### **14.5. Judicial deposits**

For certain contingencies, the Group has made judicial escrow deposits, which are legal reserves required by the Brazilian courts as security for any damages or settlements the Group may be required to pay as a result of litigation.

The amount of the judicial deposits as of December 31, 2023 is R\$ 22,507 (2022 - R\$ 17,682), which are included in Other assets in the non-current assets.

## 15. Equity

### 15.1. Authorized capital

On December 31, 2023 and 2022, the Company's issued capital totaled R\$ 76. The Company has an authorized share capital of US Dollar 50 thousand, corresponding to 630,000,000 authorized shares with a par value of US Dollar 0.000079365 each. The Company is authorized to increase capital up to this limit, subject to approval of the Board of Directors. The liability of each member is limited to the amount from time to time unpaid on such member's shares.

### 15.2. Subscribed and paid-in capital and capital reserve

The Articles of Association provide that at any time when there are Class A common shares issued, Class B common shares may only be issued pursuant to: (a) a share split, subdivision or similar transaction or as contemplated in the Articles of Association; or (b) a business combination involving the issuance of Class B common shares as full or partial consideration. A business combination, as defined in the Articles of Association, would include, amongst other things, a statutory amalgamation, merger, consolidation, arrangement or other reorganization.

The additional paid-in capital refers to the difference between the purchase price that the shareholders pay for the shares and their par value. Under Cayman Islands Law, the balance in this account may be applied by the Company to pay distributions or dividends to members, pay up unissued shares to be issued as fully paid, for redemptions and repurchases of own shares, for writing off preliminary expenses, recognized expenses, commissions or for other reasons. All distributions are subject to the Cayman Islands Solvency Test which addresses the Company's ability to pay debts as they fall due in the natural course of business.

The changes in the number of shares during 2023, 2022 and 2021 are summarized below:

	Number of shares		
	Class A	Class B	Total
<b>At December 31, 2021</b>	<b>266,490,063</b>	<b>46,041,185</b>	<b>312,531,248</b>
Conversions	27,292,415	(27,292,415)	—
Vested awards <sup>(a)</sup>	342,351	—	342,351
<b>At December 31, 2022</b>	<b>294,124,829</b>	<b>18,748,770</b>	<b>312,873,599</b>
Vested awards <sup>(b)</sup>	1,373,921	—	1,373,921
<b>At December 31, 2023</b>	<b>295,498,750</b>	<b>18,748,770</b>	<b>314,247,520</b>

<sup>(a)</sup> In 2022 the Company delivered 226,691 RSUs, through the issuance of shares. Additionally, 115.66 Class A common shares were issued to our founder shareholders, as anti-dilutive shares.

<sup>(b)</sup> In 2023 the Company delivered 1,373,921.00 shares, due to vesting of RSUs.

### 15.3. Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in equity.

As of December 31, 2022, there was a reduction in treasury shares mainly due to: (a) the acquisition of Reclame Aqui, in which the company transferred, 1,977,391 class A common shares, previously held in treasury, to some of the selling shareholders; (b) the sale of 974,718 class A common shares shortly after being contributed by the Company as capital increase in Reclame Aqui; (c) delivery of vested awards of 281,359; and (d) other movements of 132,608.

On September 21, 2023, the Company's Board of Directors approved a new program under which the Company may repurchase up to R\$ 300,000 in outstanding Class A common shares ("New Repurchase Program"). The New Repurchase Program went into effect after the date of the resolution.

Following the New Repurchase Program concluded in early November 2023, on November 9, 2023 the R\$ 292,745 was used to repurchase shares. As a result, the Company's Board of Directors approved an additional share repurchase program. Under this program, the Company may repurchase up to R\$ 1 billion in Class A common shares ("Additional Share Repurchase Program").

As of December 31, 2023 the Company holds 5,311,421 Class A common shares in treasury (December 31, 2022 - 233,772). The main transactions involving treasury shares during the calendar year ended on December 31, 2023 were: (i) sale of 16,641 Class A common shares to Pagar.me, which were used for payment of contingent consideration related to acquisition of Trampolin, which originally occurred in August 2021; (ii) delivery of 824 shares in the context of the transaction completed with Vitta Group in May 2020; (iii) delivery of 132,607 shares to Linx founders shareholders, in accordance with the non-compete agreement signed; (iv) delivery of 375,531 shares due to vesting of RSUs awards (Note 20.4.1); (v) transfer of 130,488 treasury shares due to the anti-dilutive mechanism of the IPO pool signed with the founders of the Company; and (vi) repurchase of 5,733,740 Class A shares for the amount of R\$ 292,745.

#### 15.4. Incentive shares

In 2017, certain key employees have been granted incentive shares, or the Co-Investment Shares, which entitle participants to receive a cash bonus which they, at their option, may use to purchase a specified number of shares.

Incentive Shares are subject to a 10-year lock-up period; after that the shares are free and clear for transfer. If a participant ceases employment for any reason before the end of the 10-year lock-up period, the Company has the right (but not the obligation) to acquire the shares for the price originally paid by the participant less an applicable discount.

The incentives shares granted were classified and recognized as equity settled transaction. During 2023 and 2022, there were no repurchases of Class A common shares. The participants of the plan were granted 5,321,769 Incentive Shares. At December 31, 2023, there were still 325,407 shares subjected to the lock-up period (2022 - 488,107).

#### 15.5. Other comprehensive income

Other comprehensive income ("OCI") represents the profit or loss not reported in the statement of profit and loss being separately presented in the financial statements. This includes Company transactions and operations that are not considered realized gains or losses. The table presents the accumulated balance of each category of OCI as of December 31, 2023 and 2022:

	2023	2022
<b>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods (net of tax):</b>		
Exchange differences on translation of foreign operations	(41,266)	(18,243)
Accounts receivable from card issuers at fair value	(348,529)	(413,398)
Unrealized loss on cash flow hedge	(197,188)	(261,366)
<b>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods (net of tax):</b>		
Fair value of equity instruments designated at fair value	254,353	252,441
Effects of hyperinflationary accounting	12,181	7,865
<b>Total</b>	<b>(320,449)</b>	<b>(432,701)</b>

## 16. Earnings (loss) per share

### 16.1 Accounting policy

Basic earnings (loss) per share is calculated by dividing net income (loss) for the year attributed to the controlling shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share considers the number of shares outstanding for the purposes of Basic earnings (loss) plus (when dilutive) the number of potentially issuable shares computed following the treasury stock method, as required by IAS 33. All numbers of shares for the purpose of earning per share are the weighted average during each period presented.

For share-based transactions, a calculation is done to determine the number of shares that could have been acquired at fair value, considering the difference between (i) the number of shares issuable, reduced by the number of shares that could be purchased at the weighted average quoted market price during the period, with (ii) the proceeds to be obtained (if any) upon issuance of the shares. As per IAS 33, proceeds for share-based compensation instruments must include, as deemed proceeds, the amount to be recognized as compensation expense in profit and loss in future periods for such instruments.

The numerator of the Earnings per Share (“EPS”) calculation is adjusted to allocate undistributed earnings as if all earnings for the period had been distributed.

### 16.2 Numerator of earnings (loss) per share

In determining the numerator of basic EPS, earnings attributable to the Group is allocated as follows:

	2023	2022	2021
Net income (loss) attributable to controlling shareholders	1,592,065	(519,417)	(1,358,813)
<b>Numerator of basic EPS</b>	<b>1,592,065</b>	<b>(519,417)</b>	<b>(1,358,813)</b>

In determining the numerator of diluted EPS, earnings attributable to the Group is allocated as follows:

	2023	2022	2021
Numerator of basic EPS	1,592,065	(519,417)	(1,358,813)
Adjustments for expenses (revenues) related to potential common shares included in the net income attributable to controlling shareholders <sup>(a)</sup>	(79,062)	—	—
<b>Numerator of diluted EPS</b>	<b>1,513,003</b>	<b>(519,417)</b>	<b>(1,358,813)</b>

(a) Diluted earnings per share are calculated by adjusting the numerator of basic EPS, considering adjustments of potentially convertible instruments related to contingent consideration of acquisitions (Note 24.3). However, due to the loss for the year ended December 31, 2022 and 2021, these instruments have a non-diluting effect, therefore, they were not considered in the total numerator of diluted loss per share.

### 16.3 Basic and Diluted earnings (loss) per share

The following table contains the earnings (loss) per share of the Group for the years ended December 31, 2023, 2022 and 2021 (in thousands except share and per share amounts):

	2023	2022	2021
Numerator of basic EPS	1,592,065	(519,417)	(1,358,813)
Weighted average number of outstanding shares	312,574,647	311,880,008	308,905,398
Weighted average number of contingently issuable shares with conditions satisfied	12,941	—	—
<b>Denominator of basic EPS</b>	<b>312,587,588</b>	<b>311,880,008</b>	<b>308,905,398</b>
<b>Basic earnings (loss) per share - R\$</b>	<b>5.09</b>	<b>(1.67)</b>	<b>(4.40)</b>
Numerator of diluted EPS	1,513,003	(519,417)	(1,358,813)
Denominator of basic EPS	312,587,588	311,880,008	308,905,398
Share-based instruments <sup>(a)</sup> (Note 16.3.1)	6,679,569	—	—
<b>Denominator of diluted EPS</b>	<b>319,267,157</b>	<b>311,880,008</b>	<b>308,905,398</b>
<b>Diluted earnings (loss) per share - R\$</b>	<b>4.74</b>	<b>(1.67)</b>	<b>(4.40)</b>

(a) Including share-based compensation, contingent consideration and non-compete agreement with founders of Linx. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding, considering potentially convertible instruments. However, due to the loss for the years ended December 31, 2022 and 2021, these instruments issued have a non-diluting effect, therefore, they were not considered in the total number of outstanding shares to determine the diluted loss per share.

### 16.3.1 Detail of potentially issuable common shares for purposes of Diluted EPS

For the year ended 2023 the potentially issuable common shares consider the difference between the issuable shares under share-based instruments and the number of shares that potentially be purchased at the weighted average market price of the shares during the period with the amount of future compensation expense of those share-based instruments, as presented as follows:

	<u>2023</u>
Shares issuable under share-based payment plans for which performance conditions have already been met	13,578,978
Total weighted average shares that could have been purchased: compensation expense to be recognized in future periods divided by the weighted average market price of Company's shares	(8,944,168)
Other total weighted average shares potentially issuable for no additional consideration	<u>2,044,759</u>
<b>Share-based instruments</b>	<b><u>6,679,569</u></b>

## 17. Revenue and income

### 17.1. Accounting policy

#### 17.1.1. Revenue from contracts with clients

Revenue is recognized when the Group has transferred control of the services to the clients, in an amount that reflects the consideration the Group expects to collect in exchange for those services. The Group applies the following five steps:

- Identification of the contract with a client;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the entity satisfies a performance obligation.

Revenue is recognized net of taxes collected from clients, which are subsequently remitted to governmental authorities.

The revenue from contracts with clients of the Company is presented as follows.

##### 17.1.1.1. Transaction activities and other services

For financial solution, the Group's core performance obligations are to provide electronic payment processing services including the capture, transmission, processing and settlement of transactions carried out using credit, debit and voucher cards, as well as fees for other services. The Group's promise to its clients is to perform an unknown or unspecified quantity of tasks and the consideration received is contingent upon the clients' use (e.g., number of payment transactions processed). Therefore, the total consideration received for services provided to the client is variable despite the price for each transaction being specified by contract. The Group recognize the transaction fee at a point in time considering the contractual right to bill its clients for each processed transaction.

Revenue from transaction activities is recognized net of interchange fees retained by card issuers and assessment fees paid to payment scheme networks. The Group does not bear the significant risks and rewards, being an agent in those services as follows:

- The Group facilitates the acquisition of payment information and management of the client relationship, it is not primarily responsible for the authorization, processing and settlement services performed by payment schemes networks and card issuers;
- The Group has no latitude to establish the assessment and interchange fees applied to card issuers and payment scheme networks. The Group generally has the right to increase its merchant discount rate to protect its net commission when interchange and assessment fees are increased by payment schemes networks;
- The Group does not collect the interchange fee that is retained by the card issuer and effectively acts as a clearing house in collecting and remitting assessment fees and payment settlements on behalf of payment scheme networks and clients; and
- The Group does not bear the credit risk of the cardholder (i.e., the client's customer). It does bear credit risk from the card issuer for the payment settlement and assessment fees. Card issuers are qualified by the payment scheme networks. Receivables can be considered to be collateralized by the cardholder's invoice settlement proceeds. As such, the Group's exposure to credit risk is generally low.

Other services mainly comprises:

- Membership fee from customers is charged at one time for specific products for which there is not a recurring fee charged for the use of Pin Pads & POS. Revenue is recognized at agreement inception when all risks and benefits of the transaction are transferred to the customer and the Company obtains the contractual rights related to fee;
- Fees charged to customers for services relate to banking money-in volumes (transfers received under TED, Pix and "boleto" products and interchange represented by fees of transactions from other networks processed on credit and debit card issued by the Company), and money-out volumes (transfers made under products as Pix Out, wire transfers, bill payments, boletos paid, withdrawals, recharge and other transactions). The revenue is recognized at each transactions date.

#### **17.1.1.2. Subscription services and Equipment rental**

For software solution and equipment rental the Group's core performance obligations are to provide: (a) recurring subscription services, such as reconciliation, business automatization solutions, services to provide the client with the right of use of software in a cloud-based, where the client has no right to end the contract and become the owner of the software, and revenues related to technological support, help desk, equipment rental and software hosting services; (b) non-recurring services, such as implementation services, personalization, training, and other services; and (c) operating leases of electronic capture equipment to clients.

The Group has concluded that it is the principal for purposes of its revenue arrangements, because it controls the services before transferring them to the client.

The Group's subscription services generally consist of services sold as part of a new or existing agreement or sold as a separate service. The Group's subscription services may or may not be considered distinct based on the nature of the services being provided. Subscription service fees are charged as a fixed monthly fee, and the related revenue is recognized over time, either as the subscription services are performed or as the services from a combined performance obligation are transferred to the client (over the term of the related transaction and processing agreement).

The Group accounts for equipment rental as a separate performance obligation and recognizes the revenue at its standalone selling price, considering that rental is charged as a fixed monthly fee. Revenue is recognized on a straight-line basis over the contractual lease term, beginning when the client obtains control of the equipment lease. The Group does not manufacture equipment, but purchases equipment from third-party vendors.

#### **17.1.1.3. Contracts with multiple performance obligations**

The Group's contracts with its clients can consist of multiple performance obligations and the Group accounts for individual performance obligations separately if they are distinct (e.g., setup services and subscription fees in the same contract). When equipment or services are bundled in an agreement with a client, the components are separated using the relative stand-alone selling price of the components which is based on the Group's customary pricing for each element in separate transactions.

#### **17.1.1.4. Costs to obtain and fulfill a contract**

The Group incurs certain costs to obtain and fulfill a contract that are capitalized at the inception of the transaction for new customer contracts, for recurring customers these costs are not capitalized. The cost comprises mainly commissions to sellers in order to obtain a contract and logistic costs to fulfill a contract. The asset recognized is amortized on a straight-line basis over the expected life of merchants. As of December 31, 2023, the Group had a carrying amount of R\$ R\$ 190,239 (2022 – R\$ 199,920) recognized under Other assets and R\$ R\$ 110,035 (2022 – R\$ R\$97,982 and 2021 – 101,008) as amortization recognized in the statement of profit or loss.

#### **17.1.2. Financial income**

Comprised mainly of:

- discount fees charged for the prepayment to clients of their installment receivables from us. The discount is measured by the difference between the original amount payable to the client, net of commissions and fees charged, and the prepaid amount. Revenue is recognized in full when the amount is prepaid to the client;
- interest income over floating account balances; and
- interest income on loans.

A loans is considered in default if there is any indication that it will not be fully honored even if the loan is not in arrears.

Loans classified as Stage 1 or 2 have interest income recognized by applying the EIR to the gross carrying amount of the asset. Once loans are classified as Stage 3, differently from Stage 1 or 2, interest income is recognized by applying the EIR to the amortized cost balance (net of the corresponding allowance for expected credit losses) rather than to the gross carrying amount. If a loan impaired is subsequently cured, it is transferred from Stage 3, back to Stage 2 or Stage 1, or to stage 1, previously unrecognized interest is recognized in profit or loss.

#### **17.1.3. Other financial income**

Comprised interest income and fair value gains (losses) of cash and cash equivalents and short-term investments.

#### **17.1.4. Deferred revenue**

The Group records deferred revenue related to hours contracted by clients for rendering of services. Revenue is recognized after provision of service. If billed amounts exceed services rendered plus recognized revenue, the difference is recorded in the statement of financial position as deferred revenue and presented in the statement of financial position as deferred revenue under “Other liabilities.”

The Group records deferred revenue for services paid by the clients but which have not yet been completed under the contract which are recognized in the statement of financial position as deferred revenue under “Other liabilities”.

The amount recognized as deferred revenue in the statement of financial position is recycled to the statement of profit or loss once the promised services are executed.

#### **17.1.5. Sales taxes**

Revenues, expenses and assets are recognized net of sales tax, except;

- When the sales taxes incurred on the purchase of goods or services are not recoverable from tax authorities, they are recognized as part of the cost of acquiring the asset or expense item, as applicable;
- When the amounts receivable or payable are stated with the amount of sales taxes included.

The net amount of sales taxes, recoverable or payable to the tax authority, is included as part of receivables or payables in the statement of financial position, and net of corresponding revenue or cost / expense, in the statement of profit or loss.

Sales revenues in Brazil are subject to taxes and contributions, at the following statutory rates:

	Rate		
	Transaction activities and other services	Subscription services and equipment rental	Financial income
Contribution on gross revenue for social integration program ("PIS") <sup>(a)</sup>	0.65% - 1.65%	0.65% - 1.65%	0.65%
Contribution on gross revenue for social security financing ("COFINS") <sup>(a)</sup>	3.00% - 7.60%	3.00% - 7.60%	4.00%
Taxes on service ("ISS") <sup>(b)</sup>	2.00% - 5.00%	2.00% - 5.00%	—
Social security levied on gross revenue ("INSS") <sup>(c)</sup>	4.50%	—	—

- (a) PIS and COFINS are contributions levied by the Brazilian Federal government on gross revenues. These amounts are invoiced to and collected from the Group's customers and recognized as deductions to gross revenue (Note 17.3) against tax liabilities, the Company acts as the tax withholding agents on behalf of the tax authorities. PIS and COFINS paid on certain purchases may be claimed back as tax credits to offset PIS and COFINS payable. These amounts are recognized as Recoverable taxes (Note 8) and are offset on a monthly basis against Taxes payable (Note 12) and presented net, as the amounts are due to the same tax authority.
- (b) ISS is a tax levied by municipalities on revenues from the provision of services. ISS tax is added to amounts invoiced to the Group's customers for the services the Group renders. These are recognized as deductions to gross revenue (Note 17.3) against tax liabilities, as the Company acts as agent collecting these taxes on behalf of municipal governments. The rates may vary from 2.00% to 5.00%. The ISS stated in the table is applicable to the city of São Paulo and refers to the rate most commonly levied on the Group's operations.
- (c) INSS is a social security charge usually levied on employees' wages. Companies in some economic sectors can calculate INSS based on their revenues. The subsidiaries Linx Sistemas, Equals, Hiper, Buy4, Vitta Tecnologia em Saúde S.A. and Questor have this option to pay INSS at a rate of 4.50% on gross revenue when this is a more favorable basis compared to social security tax on payroll regime.

## 17.2. Significant judgments, estimates and assumptions

### 17.2.1. Expected life of merchants

The Company estimates the expected life of two different classes of merchants in order to recognize equipment rental revenue on a straight-line basis and as a fixed monthly fee, as well as recognize the amortization of the costs of obtaining and fulfilling contracts with these merchants.

The estimate is revised annually, and is related to the average time expected for the merchants to process transactions with the Group, over the customers' life cycles.

### 17.3. Timing of revenue recognition

Net revenue from transaction activities and other services and discount fees charged for the prepayment are recognized at a point in time. All other revenue and income are recognized over time.

Net revenue from transaction activities and other services includes R\$ 315,919 of membership fees (2022 - R\$ \$230,584.00 and 2021 - R\$ 132,007) and R\$ 113,897 of registry business fee (2022 - R\$ 164,280 and 2021 - R\$ 110,821).

## 18. Expenses by nature

	2023	2022	2021
Personnel expenses (Note 20.3)	2,731,089	2,508,567	1,489,245
Transaction and client services costs <sup>(a)</sup>	1,279,366	1,069,082	810,219
Depreciation and amortization (Note 10.4)	878,181	800,326	507,369
Marketing expenses and sales commissions <sup>(b)</sup>	772,910	632,137	420,818
Third party services	261,281	332,081	305,517
Mark-to-market on equity securities designated at FVPL (Note 6.3 <sup>(b)</sup> )	(30,574)	853,056	1,264,213
Other	188,288	262,658	192,439
<b>Total</b>	<b>6,080,541</b>	<b>6,457,907</b>	<b>4,989,820</b>

- (a) Transaction and client services costs include card transaction capturing services, card transaction and settlement processing services, logistics costs, payment scheme fees, cloud services and other costs.
- (b) Marketing expenses and sales commissions relate to marketing and advertising expenses, and commissions paid to sales related partnerships.



## 19. Financial expenses, net

	2023	2022	2021
Finance cost of sale of receivables (Note 22.4)	3,195,130	2,463,298	690,344
Bonds (Note 6.8.2 e 6.9.1)	402,231	385,681	118,560
Other interest on borrowings and financing (Note 6.8.2)	293,210	548,009	381,916
Foreign exchange (gains) and losses	(13,580)	(3,958)	(4,368)
Other	122,474	121,709	82,606
<b>Total</b>	<b>3,999,465</b>	<b>3,514,739</b>	<b>1,269,058</b>

## 20. Employee benefits

The Group offers a combination of fixed and variable compensation, each part of the mix defined based on the nature, scope and seniority of the different job positions, aligned to market practices.

Fixed compensation is payable in cash while variable compensation is paid in cash and/or by granting share-based instruments (as described below). Whereas the variable compensation for sales and operations teams is paid monthly or quarterly in cash, other teams are paid on an annual basis, which consists of a combination of cash payments (“cash bonus”) and share-based instruments with a four-year vesting schedule (“equity bonus”). The Group may also grant incentives as part of a hiring package to attract specific talent to the senior management team.

The Group have occasionally granted share-based instruments on an individual or collective basis to reward extraordinary performance (Special Recognition Equity Awards). Such special recognition equity awards are not part of the goals-based variable compensation but rather are granted unilaterally by the Company and have a vesting schedule and /or performance conditions defined on an ad-hoc basis.

The annual “equity bonus,” hiring bonus and special recognition equity awards are part of the Long-Term Incentive Plan (□LTIP□) that enables the grant of share-based instruments to employees and other service providers with respect to the Class A common shares.

### 20.1. Accounting policy

#### 20.1.1. Short-term obligations

Liabilities in connection with short-term employee benefits are measured on a non-discounted basis and are expensed as the related service is provided.

The liability is recognized for the expected amount to be paid under the plans of cash bonus or short-term profit sharing if the Group has a legal or constructive obligation of paying this amount due to past service provided by employees and the obligation may be reliably estimated.

#### 20.1.2. Share-based payment

The Group has equity settled share-based payment instruments, under which management grants shares to employees and non-employees depending on the strategy described above.

The cost of equity-settled transactions with employees is measured using their fair value at the date they are granted. The cost is expensed together with a corresponding increase in equity over the service period when the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date up to the vesting date reflects the extent to which the vesting period has elapsed and the Group’s best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of the instruments, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other

conditions attached to an instrument, but without an associated service requirement, are considered to be non-vesting conditions.

The dilutive effect of outstanding share-based instruments is reflected as additional share dilution in the computation of diluted earnings per share (Note 16).

### 20.1.3. Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing. Bonus and profit-sharing payable in cash for each individual is determined based on the following factors: adjusted net income, corporate goals, department goals and individual performance assessment. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## 20.2. Significant judgments, estimates and assumptions

### 20.2.1. Share-based payment

Estimating fair value for share-based instruments requires determination of the most appropriate valuation model and underlying assumptions, which depends on the terms and conditions of the grant and the information available at the grant date.

The Group uses the following methodologies to estimate fair value:

- estimation of fair value based on equity transactions with third parties close to the grant date; and
- other valuation techniques including option pricing models such as Black-Scholes.

These estimates also require determination of the most appropriate inputs to the valuation models including assumptions regarding the expected life of a share option or appreciation right, expected volatility of the price of the Group's shares and expected dividend yield.

### 20.3. Employee benefits expenses

	2023	2022	2021
Wages and salaries	1,923,480	1,727,760	1,055,959
Social security costs	335,081	353,789	258,488
Profit-sharing and annual cash bonus	221,289	213,942	61,629
Share-based payments	251,239	213,076	113,169
	<b>2,731,089</b>	<b>2,508,567</b>	<b>1,489,245</b>

### 20.4. Share-based payment plans

As detailed further below the Group has primarily two types of share-based instruments: Restricted Share Units (□RSU□) and Performance Share Units (□PSU□).

The Group goal-based annual equity bonus is granted entirely through RSUs for approximately 1,300 employees (circa. 8.5% of total employees). The special recognition equity awards are usually granted through a combination of RSUs and PSUs and about 200 employees (circa. 1.3% of total employees) currently have instruments outstanding.

While the majority of RSUs vesting is conditional only to a time condition, a small part vests also depending on certain Company level performance goals. Whereas all PSUs vestings are conditional to market conditions, namely Total Shareholder Return measured based on the quoted market price of the shares of StoneCo at the vesting date.

As of December 31, 2023 there are no instruments currently exercisable.

The table below outlines the different type of instruments outstanding and changes for the years ended as of December 31, 2023, 2022 and 2021.

	Equity			
	RSU	PSU	Options	Total
<b>Number of shares</b>				
<b>Balance as of December 31, 2021</b>	<b>6,585,148</b>	<b>4,070,000</b>	<b>32,502</b>	<b>10,687,650</b>
Granted	6,171,570	4,606,897	12,657	10,791,124
Issued	(700,092)	—	—	(700,092)
Cancelled	(549,405)	(1,356,530)	—	(1,905,935)
<b>Balance as of December 31, 2022</b>	<b>11,507,221</b>	<b>7,320,367</b>	<b>45,159</b>	<b>18,872,747</b>
Granted	5,293,655	1,141,273	—	6,434,928
Issued	(2,149,169)	—	—	(2,149,169)
Cancelled	(2,222,150)	(156,592)	—	(2,378,742)
<b>Balance as of December 31, 2023</b>	<b>12,429,557</b>	<b>8,305,048</b>	<b>45,159</b>	<b>20,779,764</b>

#### 20.4.1. Restricted share units ("RSU")

RSUs have been granted to certain key employees under the LTIP to incentivize and reward such individuals. These awards are equity-classified for accounting purposes and may be granted as part of the annual equity bonus and also as special recognition equity awards (Note 20.4), with a weighted average vesting period of 2.9 years, subject to and conditioned upon the achievement of certain targets which are generally solely service conditions. Assuming these conditions are met, awards are settled through Class A common shares. If the applicable conditions are not achieved, the awards are forfeited for no consideration.

Information on the restricted shares is summarized below (amounts in R\$):

Granted year	Vesting period	RSU		
		Weighted average fair value <sup>(a)</sup>	Weighted average remaining expected life (years)	Number of Outstanding Awards
2018 <sup>(b)</sup>	From 4 to 10 years of service	R\$ 88.80	2.0	1,507,070
2019	From 5 to 10 years of service	R\$ 136.08	1.4	12,997
2020	From 5 to 10 years of service	R\$ 163.18	4.1	180,012
2021	From 1 to 10 years of service	R\$ 348.49	4.9	1,153,100
2022	From 1 to 10 years of service	R\$ 49.56	2.3	5,659,123
2023	From 1 to 9 years of service	R\$ 52.22	2.8	3,917,255
				<b>12,429,557</b>

(a) Determined based on the fair value of the equity instruments granted and the exchange rate, both at the grant date.

(b) All performance conditions related with this grant were already satisfied.

#### 20.4.2. Performance share units ("PSU")

PSUs are equity classified for accounting purposes and the vast majority have been granted as part of special recognition equity awards (Note 20.4), with a weighted average vesting period of 2.7 years. PSU grants beneficiaries the right to receive shares if the Group reaches minimum levels of total shareholder return ("TSR") for a specific period. If the minimum performance condition is not met the PSUs will not be delivered.

The fair value of the instruments is estimated at the grant date using the Black-Scholes-Merton pricing model, considering the terms and conditions on which the PSUs were granted, and the related expense is recognized over the vesting period. The performance condition is considered for estimating the grant-date fair value and of the number of PSUs expected to be issued, based on historical data and current expectations and is not necessarily indicative of performance patterns that may occur.

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the PSUs is indicative of future trends, which may not necessarily be the actual outcome. The main two inputs to the model were: Risk-free interest rate and annual volatility, based on the historical stock price of the Company and relevant peers. To estimate the number of awards that are considered vested for accounting purposes the calculation considers exclusively whether the service condition is met but TSR target attainment is ignored. If TSR targets are ultimately not achieved the expense will be recognized and not reversed for those PSUs for which the service condition was met.

Information on the performance shares is as follows (amounts in R\$):

Granted year	Vesting conditions	PSU					Number of Outstanding Awards
		Weighted average fair value	Volatility	Risk-free rate	Weighted average remaining expected life (years)		
2021	5 years of service and achievement of a specified TSR	R\$ 26.74	71.8%	0.82%	2.4	2,849,000	
2022	From 2 to 5 years of service and achievement of a specified TSR	R\$ 2.71	76.5% to 83.3%	2.18% to 4.34%	2.7	4,602,578	
2023	From 1.4 to 5.3 years of service and achievement of a specified TSR	R\$ 4.06	73.8% to 83.4%	3.95% to 5.60%	2.9	853,470	
						<b>8,305,048</b>	

#### 20.4.3. Options

The Group has granted awards as stock options with an exercise date between three and ten years and a fair value estimated at the grant date based on the Black-Scholes-Merton pricing model.

Information on the stock options is summarized as follows (amounts in R\$ and in USD):

Granted year	Vesting period	Options					
		Weighted average fair value	Volatility	Remaining expected life (years)	Exercisable at year end	Exercise price	Number of Outstanding Awards
2018	From 5 to 10 years of service	R\$ 59.59	50.00 %	0.5 to 5.5	12,657	USD 24.00	39,999
2019	From 3 to 5 years of service	R\$ 81.71	69.80 %	1.5	1,935	USD 30.00	5,160
						<b>45,159</b>	

#### 20.4.4. Share-based payment expenses

The total expense, including taxes and social charges, recognized as Other income (expenses), net for the programs was R\$ 251,239 (2022 - R\$ 213,076 and 2021 - R\$ 113,169).

#### 20.5. Labor and social security liabilities

	2023	2022
Accrued annual payments and related social charges	435,915	398,891
Labor liabilities and related social charges	114,135	105,550
<b>Total labor and social security liabilities</b>	<b>550,050</b>	<b>504,441</b>
Current	515,749	468,599
Non-current	34,301	35,842

## 21. Transactions with non-controlling interests

The main transactions of non-controlling interests with the controlling shareholders were:

	Changes in non-controlling interest		Changes in equity attributable to controlling shareholders	Consideration paid or payable to non-controlling interests
	Capital contributions (deductions) by non-controlling interests	Transfers to (from) non-controlling interests		
<i>Transactions between subsidiaries and shareholders:</i>				
Issuance of shares for purchased noncontrolling interests (a)	(230,500)	(77,911)	308,411	230,500
Capital contribution to subsidiary	893	—	—	—
Sale of subsidiary (b)	—	(1,220)	—	(1,220)
Non-controlling interests arising on a business combination (c)	—	50,252	—	—
<b>For the year ended December 31, 2021</b>	<b>(229,607)</b>	<b>(28,879)</b>	<b>308,411</b>	<b>229,280</b>
<i>Transactions between subsidiaries and shareholders:</i>				
Transaction costs from subsidiaries	(60)	—	—	—
Equity transaction with non-controlling interests (d)	—	(20,928)	—	2,829
Non-controlling interests arising on a business combination (e)	—	3,849	—	—
<b>For the year ended December 31, 2022</b>	<b>(60)</b>	<b>(17,079)</b>	<b>—</b>	<b>2,829</b>
<i>Transactions between subsidiaries and shareholders:</i>				
Equity transaction with non-controlling interests	—	49	—	—
Equity transaction related to put options over non-controlling interest	—	(3,904)	—	—
<b>For the year ended December 31, 2023</b>	<b>—</b>	<b>(3,855)</b>	<b>—</b>	<b>—</b>

- (a) On January 28, 2021, the Group acquired all the non-controlling interest in PDCA held by Bellver Fundo de Investimento Multimercado Crédito Privado Investimento no Exterior (“Bellver”). The transaction executed through a purchase and sale of shares, where Bellver agreed to acquire 1,313,066 STNE Participações S.A. shares paid part in cash in the amount of R\$230,500 and part by the delivering of their PDCA shares. The number of STNE Participações S.A. shares delivered to Bellver was based on STNE Participações S.A. volume-weighted average trading price of the 30 days preceding the signing of a memorandum of understanding (“MOU”) between the parties on December 8th, 2020.
- (b) On June 28, 2021, the Group sold all of the 4,205,115 Linked Gourmet Soluções para Restaurante S.A. (“Linked Gourmet”) shares held by it, representing 58.10% of the total and voting capital, for the total price of R\$1, thus withdrawing from Linked Gourmet’s shareholder group. The amount of R\$1,219 refers to the 41.9% held by non-controlling shareholders.
- (c) Arising from the business combination among the Group and: SimpleVet – R\$12,424, VHSYS – R\$19,858, Questor – R\$8,233, Sponte – R\$1,765, Creditinfo Caribbean - R\$5,505 and MLabs – R\$2,465.
- (d) On October 18, 2022, the Group lost control of its subsidiary StoneCo CI following a capital contribution by a new investor. The remaining interest of 47.75% held by the Group on StoneCo CI is classified as an investment in an associate according to IAS 28. As result of the loss of control, in accordance with IFRS 10, the Group derecognized the assets and liabilities of StoneCo CI. The amount of R\$20,928 refers to shares held by non-controlling shareholders. On September 20, 2022, STNE Par fully acquired the non-controlling interest held by Sponte. The amount of R\$2,829 refers to shares held by non-controlling shareholders.
- (e) Arising from the business combination Reclame Aqui and Hubcount.

## 22. Other disclosures on cash flows

### 22.1. Non-cash operating activities

	2023	2022	2021
Fair value adjustment on loans designated at FVPL	(127,137)	(326,491)	(1,306,205)
Fair value adjustment on equity securities designated at FVPL (Note 6.3 (b)).	30,574	(853,056)	(1,264,213)
<b>Fair value adjustment in financial instruments designated at FVPL</b>	<b>(96,563)</b>	<b>(1,179,547)</b>	<b>(2,570,418)</b>
Changes in the fair value of accounts receivable from card issuers	(98,283)	253,181	303,156
Fair value adjustment on equity instruments/listed securities designated at FVOCI	1,912	(6,971)	216,465

### 22.2. Non-cash investing activities

	2023	2022	2021
Property and equipment and intangible assets acquired through lease (Note 10.3 and 11.3)	67,417	63,910	92,802

### 22.3. Non-cash financing activities

	2023	2022	2021
Unpaid consideration for acquisition of non-controlling shares	725	1,498	1,823
Settlement of loans with private entities	—	—	748,297
Shares of the Company delivered at Reclame Aqui acquisition	—	169,864	—

### 22.4. Interest income received, net of costs

	2023	2022	2021
Interest income received on accounts payable to clients	5,962,063	4,521,948	2,269,214
Finance cost of sale of receivables on accounts receivable from card issuers (Note 19)	(3,195,130)	(2,463,298)	(690,344)
<b>Interest income received, net of costs</b>	<b>2,766,933</b>	<b>2,058,650</b>	<b>1,578,870</b>

## 22.5. Property and equipment, and intangible assets

	2023	2022	2021
Additions of property and equipment (Note 10.3)	(656,876)	(692,206)	(1,086,113)
Additions of right of use (IFRS 16) (Note 10.3)	33,254	47,182	87,176
Payments from previous year	(176,835)	(51,614)	(33,353)
Purchases unpaid at year end	65,348	176,835	51,614
Prepaid purchases of POS	(1,135)	102,070	(102,314)
<b>Purchases of property and equipment</b>	<b>(736,244)</b>	<b>(417,733)</b>	<b>(1,082,990)</b>
Additions of intangible assets (Note 11.3)	(515,740)	(288,004)	(264,646)
Additions of right of use (IFRS 16) (Note 11.3)	34,163	16,728	5,626
Payments from previous year	(6,593)	(41,898)	—
Purchases unpaid at year end	14,117	6,593	41,898
Capitalization of borrowing costs	—	1,069	592
Issuance of shares for acquisition of assets	—	—	849
<b>Purchases and development of intangible assets</b>	<b>(474,053)</b>	<b>(305,512)</b>	<b>(215,681)</b>
Net book value of disposed assets (Notes 10.3 and 11.3)	96,664	202,519	161,902
Net book value of disposed Leases	(21,225)	(52,164)	(14,474)
Loss on disposal of property and equipment and intangible assets	(66,200)	(25,347)	(136,104)
Disposal of Creditinfo property, equipment and intangible assets, including goodwill	—	(61,316)	—
Disposal of Linked's property, equipment and intangible assets, including goodwill	—	—	(11,224)
Disposal of Cappta property, equipment and intangible assets	1,767	—	—
Outstanding balance	(10,470)	(36,684)	—
<b>Proceeds from disposal of property and equipment and intangible assets</b>	<b>536</b>	<b>27,008</b>	<b>100</b>

## 23. Business combinations

### 23.1. Accounting policy

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, including assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure non-controlling interests in the acquiree at fair value or on the basis of its proportionate share in the identifiable net assets of the acquiree. Costs directly attributable to the acquisition are expensed as incurred.

The assets acquired and liabilities assumed are measured at fair value, classified, and allocated according to the contractual terms, economic circumstances, and relevant conditions as at the acquisition date. The Group identifies and measures the assets acquired and liabilities assumed by the value obtained in preliminary assessments at the acquisition date. The Group has up to 12 months after each of the acquisitions to conclude the assessment and frequently values the assets acquired and liabilities assumed with the assistance of independent specialists. When the valuation is finalized, the Company recognizes the difference between the preliminary amounts and the final amounts related to the acquisition on its statement of financial position and statement of profit or loss, as appropriated.

Subsequent to the initial recognition of property and equipment and intangible assets identified, the Company records the depreciation and amortization over the useful lives defined at the initial recognition based on the preliminary assessments until the final assessments are available.

Contingent liabilities recognized as of acquisition date are measured at fair value. Subsequently, until the liability is settled, cancelled or expires, they are recognized at the higher of the amount initially recognized or the amount that would be recognized under IAS 37.

Any contingent consideration to be transferred by the acquirer is recognized at fair value on acquisition date. Subsequent changes in the fair value of the contingent consideration treated as an asset or liability is recognized in profit or loss. In order to evaluate the contingent consideration, the Group considers different probabilities of scenarios and discounted future contractual cash flows at the interest rates available in the market for similar financial instruments.

Goodwill is measured as the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the fair value of net assets acquired. If the fair value of net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all assets acquired and all liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less than any accumulated impairment losses. Goodwill indefinite useful life intangible assets recognized under business combination are tested for impairment at least annually at December 31 or whenever there is an indication that it may be impaired (Note 11.4).

### **23.2. Significant judgments, estimates and assumptions**

The process of accounting a business combination includes the use of (i) valuation techniques to determine the amounts of intangible assets identified, (ii) estimates to determine its useful life, and (iii) valuation techniques to estimate the contingent consideration included in the total consideration paid to acquire the companies.

### **23.3. Acquisitions in 2022 – assessments concluded in 2023**

In 2022, the Group, through its subsidiary Questor acquired control of Hubcount. The acquisition of this company was measured in 2022 based on preliminary assessments and included in the December 31, 2022 consolidated financial statements. The assessments were completed in the first quarter of 2023. The effects of the differences between the preliminary assessments (as originally recognized on December 31, 2022) and the final assessments are presented below.

#### **23.3.1. Financial position of the businesses acquired**

The net assets acquired, at fair value, on the date of the business combination, and the goodwill amount originated in the transaction considering the preliminary and the final assessments are presented below.



### 23.3.1.1. Hubcount

Fair value	Preliminary amounts (as presented on December 31, 2022)	Adjustments	Final amounts (as presented on December 31, 2023)
Cash and cash equivalents	36	—	36
Trade accounts receivable	235	—	235
Recoverable taxes	42	—	42
Property and equipment	205	—	205
Intangible assets - Customer relationship <sup>(a)</sup>	—	1,940	1,940
Intangible assets - Software <sup>(a)</sup>	—	2,104	2,104
Other assets	460	—	460
<b>Total assets</b>	<b>978</b>	<b>4,044</b>	<b>5,022</b>
Trade accounts payable	79	—	79
Labor and social security liabilities	313	—	313
Taxes payable	41	—	41
Deferred tax liabilities	—	1,375	1,375
Other liabilities	87	—	87
<b>Total liabilities</b>	<b>520</b>	<b>1,375</b>	<b>1,895</b>
<b>Net assets and liabilities<sup>(b)</sup></b>	<b>458</b>	<b>2,669</b>	<b>3,127</b>
Consideration paid (Note 23.3.3)	10,615	509	11,124
<b>Goodwill</b>	<b>10,157</b>	<b>(2,160)</b>	<b>7,997</b>

(a) The Group carried out a fair value assessment of the assets acquired in the business combination, having identified customer relationship, and software as intangible assets. Details on the methods and assumptions adopted to evaluate these assets are described on Note 23.3.2.

(b) The net assets recognized in the December 31, 2022 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the intangible assets owned by Hubcount. The valuation had not been completed by the date the 2022 financial statements were approved for issue by the Board of Directors. In the first quarter of 2023, the valuation was completed.

### 23.3.2. Intangible assets recognized from business combinations

The assumptions used in the measurement of fair value of intangible assets identified in the business combination are as below.

#### 23.3.2.1. Customer relationship

	Hubcount
Amount	1,940
Method of evaluation	MEEM (*)
Estimated useful life (a)	7 years, 2 months
Discount rate (b)	15.3%
Source of information	Acquirer's management internal projections

(\*) Multi-Period Excess Earnings Method ("MEEM")

(a) Useful lives were estimated based on internal benchmarks.

(b) Discount rate used was equivalent to the weighted average cost of capital combined with the sector's risk.

### 23.3.2.2. Software

	<b>Hubcount</b>
Amount	2,104
Method of evaluation	Relief from royalties
Estimated useful life <sup>(a)</sup>	5 years
Discount rate <sup>(b)</sup>	15.3%
Source of information	Historical data

(a) Useful lives were estimated based on internal benchmarks.

(b) Discount rate used was equivalent to the weighted average cost of capital combined with the sector's risk.

### 23.3.3. Consideration paid

The consideration paid on business combination comprises the following values, if any: (i) consideration transferred, (ii) non-controlling interest in the acquiree and (iii) fair value of the acquirer's previously held equity interest in the acquiree. The consideration paid in the preliminary and the final assessments is presented as follows.

#### 23.3.3.1. Hubcount

	<b>Preliminary amounts (as presented on December 31, 2022)</b>	<b>Adjustments</b>	<b>Final amounts (as presented on December 31, 2023)</b>
Cash consideration paid to the selling shareholders	7,500	—	7,500
Cash consideration to be paid to the selling shareholders	3,000	(341)	2,659
Call option	—	(1,534)	(1,534)
Non-controlling interest in the acquiree	115	667	782
Contingent consideration <sup>(a)</sup>	—	1,717	1,717
<b>Total</b>	<b>10,615</b>	<b>509</b>	<b>11,124</b>

(a) Refers to contingent consideration that may be paid in 2024, based on predetermined formulae which consider mainly the net revenue of Hubcount for 2023.

## 24. Segment information

### 24.1. Accounting policy

In line with the strategy and organizational structure of the Group, two reportable segments, "Financial Services" and "Software" and certain non-allocated activities, are presented:

- Financial services: Comprised of the financial services solutions which includes mainly payments solutions, digital banking, credit, insurance solutions as well as the registry business.
- Software: Comprised of two main activities (i) Core, which is comprised by POS/ERP solutions, TEF and QR Code gateways, reconciliation and CRM, and (ii) Digital, which includes OMS, e-commerce platforms, engagement tools, ads solutions and marketplace hubs.
- Non allocated activities: Comprised of non-strategic businesses, including results on disposal / discontinuation of non-core businesses.

The Group used and continues to use Adjusted net income (loss) as the measure reported to the Chief Operating Decision Maker ("CODM") about the performance of each segment.

The measurement of Adjusted net income (loss) from January 1, 2023 no longer excludes share-based compensation expenses in the segmented statement of profit or loss. Also, from April 1, 2022 it no longer excludes bond issuance expenses in the segmented statement of profit or loss. Hence, the statement of profit or loss as from January 1, 2023 include the share-based and bond issuance expenses in the segmented Statement of Profit or Loss. Information of prior periods have been retroactively adjusted to reflect the new criteria as presented below. The effect in Adjusted net income (loss) of no longer excluding share-based compensation expenses from January 1, 2023 to December 31, 2023 amounts to R\$ 31,487.

#### 24.2. Segmented Statement of Profit or Loss

	2023		
	Financial Services	Software	Non allocated
<b>Total revenue and income</b>	<b>10,495,422</b>	<b>1,492,206</b>	<b>67,375</b>
Cost of services	(2,309,021)	(670,878)	(2,859)
Administrative expenses	(729,204)	(290,494)	(32,676)
Selling expenses	(1,373,202)	(304,448)	(20,626)
Financial expenses, net	(3,902,800)	(50,383)	(930)
Other income (expenses), net	(383,150)	(25,652)	(481)
<b>Total adjusted expenses</b>	<b>(8,697,377)</b>	<b>(1,341,855)</b>	<b>(57,572)</b>
Loss on investment in associates	(4,608)	446	(17)
<b>Adjusted profit before income taxes</b>	<b>1,793,437</b>	<b>150,797</b>	<b>9,786</b>
Income taxes and social contributions	(356,803)	(36,953)	(2,768)
<b>Adjusted net income for the year</b>	<b>1,436,634</b>	<b>113,844</b>	<b>7,018</b>

	2022		
	Financial Services	Software	Non allocated
<b>Total revenue and income</b>	<b>8,083,548</b>	<b>1,419,841</b>	<b>85,555</b>
Cost of services	(1,987,522)	(670,154)	(12,076)
Administrative expenses	(640,772)	(314,267)	(39,666)
Selling expenses	(1,245,266)	(245,071)	(20,903)
Financial expenses, net	(3,426,148)	(56,176)	(1,067)
Other income (expenses), net	(296,785)	(18,267)	(24,659)
<b>Total adjusted expenses</b>	<b>(7,596,493)</b>	<b>(1,303,935)</b>	<b>(98,371)</b>
Loss on investment in associates	(409)	(1,355)	(1,825)
<b>Adjusted profit (loss) before income taxes</b>	<b>486,646</b>	<b>114,551</b>	<b>(14,641)</b>
Income taxes and social contributions	(124,857)	(49,811)	(1,352)
<b>Adjusted net income (loss) for the year</b>	<b>361,789</b>	<b>64,740</b>	<b>(15,993)</b>
<b>Additional information:</b>			
Share-based compensation, net of tax	112,772	2,124	101
Bond expenses	80,559	—	—
<b>Previously reported adjusted net income (loss) for the year (as reported in the year)</b>	<b>555,120</b>	<b>66,864</b>	<b>(15,892)</b>

	2021		
	Financial Services	Software	Non allocated
<b>Total revenue and income</b>	<b>4,090,995</b>	<b>686,267</b>	<b>46,499</b>
Cost of services	(1,328,281)	(370,854)	(14,693)
Administrative expenses	(439,683)	(180,819)	(24,314)
Selling expenses	(887,009)	(114,591)	(10,944)
Financial expenses, net	(1,209,830)	(36,936)	(58)
Other income (expenses), net	(171,185)	(10,016)	(3,878)
<b>Total adjusted expenses</b>	<b>(4,035,988)</b>	<b>(713,216)</b>	<b>(53,887)</b>
Loss on investment in associates	(941)	(48)	(9,448)
<b>Adjusted profit (loss) before income taxes</b>	<b>54,066</b>	<b>(26,997)</b>	<b>(16,836)</b>
Income taxes and social contributions	39,413	(7,061)	(2,557)
<b>Adjusted net income (loss) for the year</b>	<b>93,479</b>	<b>(34,058)</b>	<b>(19,393)</b>
<b>Additional information:</b>			
Share-based compensation, net of tax	44,691	12	—
Bond expenses	118,560	—	—
<b>Previously reported adjusted net income (loss) for the year (as reported in the year)</b>	<b>256,730</b>	<b>(34,046)</b>	<b>(19,393)</b>

#### 24.3. Reconciliation of segment adjusted net income (loss) for the year with net income (loss) in the consolidated financial statements

	2023	2022	2021
Adjusted net income – Financial Services	1,436,634	361,789	93,479
Adjusted net income (loss) – Software	113,844	64,740	(34,058)
Adjusted net income (loss) – Non allocated	7,018	(15,993)	(19,393)
<b>Segment adjusted net income</b>	<b>1,557,496</b>	<b>410,536</b>	<b>40,028</b>
<b>Adjustments from adjusted net income to consolidated net income (loss)</b>			
Mark-to-market from the investment in Banco Inter	30,574	(853,056)	(1,264,213)
Amortization of fair value adjustment <sup>(a)</sup>	(92,399)	(138,601)	(89,100)
Gain on previously held interest in associate	—	—	15,848
Other expenses <sup>(b)</sup>	78,623	17,810	(118,323)
Tax effect on adjustments	26,126	36,915	38,412
<b>Consolidated net income (loss)</b>	<b>1,600,420</b>	<b>(526,396)</b>	<b>(1,377,348)</b>

(a) Related to acquisitions. Consists of expenses resulting from the changes in the fair value adjustments as a result of the application of the acquisition method.

(b) Consists of the fair value adjustment related to associates call option, M&A and, earn-out interests related to acquisitions, loss of control of subsidiaries and reversal of litigation of Linx. As mentioned above, Bond issuance expenses was part of the criteria from adjusted net income used up to December 31, 2022, The effect in Adjusted net income of no longer excluding Bond issuance expenses from January 1, 2022 to December 31, 2022 amounts to R\$ 80,559 (2021 - R\$ 118,560).

## **25. Subsequent events**

### **Sociedade de Crédito, Financiamento e Investimento (“SCFI”)**

On January 5, 2024, the Group received from BACEN a license to operate a financial services company (“Financeira”) under the legal format of a Stone Sociedade de Crédito, Financiamento e Investimento S.A. (“SCFI”). This license enables the SCFI to develop and offer a range of new products, such as time deposits to improve and diversify the funding sources of the Group.

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### **Check list - Revisão Áreas**

Incluir um comentário afirmando se foi feita a revisão da demonstração financeira na última versão.

<b>Revisão pessoas-chaves</b>	<b>Áreas</b>	<b>Notas</b>	<b>Comentários de revisão:</b>
Camila Poente	Contabilidade	DF Completa	Revisado 14/mar
Rodrigo Mercado	Controladoria	DF Completa	Revisado.
Danilo Borges	Controladoria	DF Completa	Revisado.
Eliane Mattos	Controladoria	DF Completa	Revisado conforme comentários levantados ao longo da DF.
Wellington Souza	Controladoria	Políticas contábeis	Revisado, conforme ajustes realizados ao longo da elaboração da DF.
Danilo Kamiji	M&A	4 e 23	Revisado conforme comentário 06/02 as 10h44
Jacob Cory Lovelady	FP&A	17.3, 18, 19, 20.3 e 24	Revisado conforme email Fwd: DF StoneCo   Sign-off
Isabella Medeiros	Jurídico Societário e M&A Jurídico	1, 4.1.2, 4.2.2, 15, 15.1 e 15.2	Revisado, conforme comentários levantados ao longo da DF. Confirmação de revisão conforme comentário 05/03 as 16h35.
Gustavo Fernandes	Jurídico Contencioso	14	Revisado
Leonilia Ribeiro	Tax compliance	8, 9 e 12	Revisado
Thais Mattos	Tax planning	8, 12 e 17.1.5	Revisado
Luciana Oliveira	Gestão de Caixa	DFC, 6.14 e 22	Revisado conforme comentário em 30/01 as 10h40.
Ana Magalhães	FP&A	17.3, 18, 19, 24.2 e 24.3	Revisado, conforme comentários levantados ao longo da DF. Confirmação de revisão conforme comentário 05/03 as 17h21.
Ricardo De La Vega	Pessoas e Gestão	15.3, 15.4, 20.4,	Revisado conforme comentário em 05/03 as 21h28.
Roberta Noronha	Diretora de RI	DF Completa	Revisado conforme comentário em 05/03 as 14h46.
Diego Salgado	Diretor de Tesouraria	5, 6.3, 6.8.3.3, 6.8.3.5, 6.8.3.6, 6.9 6.10.2.3, 6.10.3, 6.12 e 6.13	Revisado conforme email Fwd: DF StoneCo   Sign-off
André Monteiro	Diretor de Riscos	2.6, 6.1, 6.10, 6.10.1, 6.10.1.1, 6.10.1.2, 6.10.1.3, 6.10.1.4, 6.10.2, 6.10.2.1, 6.10.2.2, 6.10.2.3, 6.10.2.4, 6.10.3 e 6.11	Revisado conforme email Fwd: DF StoneCo   Sign-off
Mateus Scherer	Diretor de Finanças	DF Completa	Revisado conforme email Fwd: DF StoneCo   Sign-off

<b>Revisão pessoas-chaves-controladoria</b>	<b>Áreas</b>	<b>Notas</b>	<b>Comentários de revisão:</b>
João Lemes	Contabilidade	6.2.1.1, 6.5, 6.6, 6.7, 6.8.1, 6.8.2, 6.8.3.2 e 6.9	Revisado
Debora Borges	Contabilidade	8, 9, 10 e 11	Revisado
Bianca Reis	Reporting	DF Completa	Revisado.
Filipe Oliveira	Contabilidade	6.6, 6.8.3.1, 6.8.3.1.1, 6.8.3.1.2 e 6.8.3.1.3	Revisado conforme comentário em 05/03 as 15h04
Priscila Bertoni	Contabilidade	6.4	Revisado conforme comentário em 07/02 as 17h11
Eduardo Ribeiro	Contabilidade	13 e 14.5	Revisado
Ducileia Aparecida	Contabilidade	10.3, 10.4 e 11.3	Revisado conforme comentário em 09/02 as 12h17

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1	Operations	Societário
2	General accounting policies	Políticas /Controladoria
2.1	Basis of preparation	Políticas /Controladoria
2.2	Foreign currency translation	Políticas /Controladoria
2.2.1	Financial statements in foreign currencies	Políticas /Controladoria
2.2.2	Transactions in foreign currencies	Políticas /Controladoria
2.3	Leases	Políticas /Controladoria
2.3.1	The Group as a lessee	Políticas /Controladoria
2.3.1.1	Right-of-use assets	Políticas /Controladoria
2.3.1.2	Lease liabilities	Políticas /Controladoria
2.3.1.3	Short-term leases and leases of low-value assets	Políticas /Controladoria
2.3.2	The Group as a lessor	Políticas /Controladoria
2.4	Current and non-current classification	Políticas /Controladoria
2.5	IAS 29 Financial Reporting in Hyperinflationary Economies	Políticas /Controladoria
2.6	Climate Related Matters	Políticas /Controladoria
2.7	New standards and amendments to standards and interpretations adopted	Políticas /Controladoria
2.8	New standards and amendments to standards and interpretations not yet adopted	Políticas /Controladoria
2.8.1	International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12	Políticas /Controladoria
2.8.2	Amendments to IAS 1: Classification of liabilities as current or non-current	Políticas /Controladoria
2.8.3	Amendments to IAS 21: Lack of exchangeability	Políticas /Controladoria
2.8.4	IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments	Políticas /Controladoria
2.8.5	The Enhancement and Standardization of Climate-Related Disclosures for Investors	Políticas /Controladoria
3	Significant judgments, estimates and assumptions	Políticas /Controladoria
4	Group information	M&A/Societário
4.1	Subsidiaries	M&A/Societário
4.1.1	Accounting policy	Políticas /Controladoria
4.1.1.1	Basis of consolidation	Políticas /Controladoria
4.1.1.2	Consolidation of structured entities	M&A/Societário
4.1.2	Subsidiaries of the Group	M&A/Societário
4.2	Associates	M&A/Societário
4.2.1	Accounting policy	Políticas /Controladoria
4.2.2	Associates held by the Group	Políticas /Controladoria
5	Cash and cash equivalents	Tesouraria
5.1	Accounting policy	Políticas /Controladoria
5.2	Currency denomination	Tesouraria
6	Financial instruments	Tesouraria
6.1	Accounting policy	Políticas /Controladoria
6.1.1	Financial assets	Políticas /Controladoria
6.1.1.1	Description of the different financial assets	Políticas /Controladoria
6.1.1.2	Initial recognition and measurement	Políticas /Controladoria
6.1.1.3	Subsequent measurement	Políticas /Controladoria
6.1.1.3.1	Financial assets at amortized cost (debt instruments)	Políticas /Controladoria
6.1.1.3.2	Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)	Políticas /Controladoria
6.1.1.3.3	Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)	Políticas /Controladoria

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NE	Descrição	Áreas
6.1.1.3.4	Financial assets at FVPL	Políticas /Controladoria
6.1.1.4	Derecognition	Políticas /Controladoria
6.1.1.5	Impairment of financial assets	Políticas /Controladoria
6.1.2	Financial liabilities	Políticas /Controladoria
6.1.2.1	Description of our funding strategy including different financial liabilities of our Financial Services segment	Políticas /Controladoria
6.1.2.2	Initial recognition and measurement	Políticas /Controladoria
6.1.2.3	Subsequent measurement	Políticas /Controladoria
6.1.2.3.1	Financial liabilities at FVPL	Políticas /Controladoria
6.1.2.3.2	Financial liabilities at amortized cost	Políticas /Controladoria
6.1.2.4	Derecognition	Políticas /Controladoria
6.1.3	Fair value of financial instruments	Políticas /Controladoria
6.1.4	Offsetting of financial instruments	Políticas /Controladoria
6.1.5	Derivative financial instruments	Políticas /Controladoria
6.2	Significant judgments, estimates and assumptions	Políticas /Controladoria
6.2.1	Measurement of loss allowance for expected credit losses	Políticas /Controladoria
6.2.1.1	Loans operations portfolio	Políticas /Controladoria
6.2.1.2	Accounts receivable from card issuers	Políticas /Controladoria
6.2.1.3	Trade accounts receivable	Políticas /Controladoria
6.2.2	Fair value measurement of financial instruments	Políticas /Controladoria
6.3	Short and Long-term investments	Tesouraria
6.4	Accounts receivable from card issuers	Contabilidade
6.4.1	Composition of accounts receivable from card issuers	Contabilidade
6.4.2	Allowance for expected credit losses of accounts receivable from card issuers	Contabilidade
6.5	Trade accounts receivable	Contabilidade
6.5.1	Composition of trade accounts receivable	Contabilidade
6.5.2	Allowance for expected credit losses of trade accounts receivable	Contabilidade
6.6	Loans operations portfolio	Contabilidade
6.6.1	Aging by maturity	Contabilidade
6.6.2	Gross carrying amount	Contabilidade
6.6.3	Allowance for expected credit losses of loans operations	Contabilidade
6.7	Financial assets from banking solutions and deposits from banking customers	Contabilidade
6.8	Borrowings and financing and obligations to FIDC quota holders	Tesouraria/Contabilidade
6.8.1	Composition of borrowings and financing and obligations to FIDC quota holders	Tesouraria/Contabilidade
6.8.2	Changes in borrowings and financing and obligations to FIDC quota holders	Tesouraria/Contabilidade
6.8.3	Description of borrowings and financing and obligations to FIDC quota holders	Tesouraria/Contabilidade
6.8.3.1	Obligations to FIDC quota holders	Tesouraria/Contabilidade
6.8.3.2	Obligations to FIDC AR III quota holders	Tesouraria/Contabilidade
6.8.3.3	Obligations to FIDC TAPSO quota holders	Tesouraria/Contabilidade
6.8.3.4	Obligations to FIDC ACR FAST quota holders	Tesouraria/Contabilidade
6.8.3.5	Leases	Tesouraria/Contabilidade
6.8.3.6	Bonds	Tesouraria/Contabilidade
6.8.3.7	Bank borrowings	Tesouraria/Contabilidade
6.8.3.8	Receivables backed securities	Tesouraria/Contabilidade
6.8.3.9	Debentures	Tesouraria/Contabilidade



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NE	Descrição	Áreas
6.9	Derivative financial instruments, net	Tesouraria/Contabilidade
6.9.1	Hedge accounting – Financial liabilities	Tesouraria/Contabilidade
6.9.2	Economic hedge	Tesouraria/Contabilidade
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8	Recoverable taxes	Tax planning
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10	Property and equipment	Políticas /Controladoria
10.1	Accounting policy	Políticas /Controladoria
10.2	Significant judgments, estimates and assumptions	Políticas /Controladoria
10.3	Changes in Property and equipment	Contabilidade
10.4	Depreciation and amortization charges	Contabilidade
10.5	Impairment test	Políticas /Controladoria
11	Intangible assets	Contabilidade
11.1	Accounting policy	Políticas /Controladoria
11.1.1	Initial recognition	Políticas /Controladoria
11.1.2	Subsequent recognition	Políticas /Controladoria

**StoneCo Ltd.****Notes to Consolidated Financial Statements**

December 31, 2023, 2022 and 2021

(In thousands of Brazilian Reais, unless otherwise stated)

NE	Descrição	Áreas
11.1.3	Impairment test	Políticas /Controladoria
11.2	Significant judgments, estimates and assumptions	Políticas /Controladoria
11.2.1	Estimated useful lives	Políticas /Controladoria
11.2.2	Value in use calculation in the impairment test	Políticas /Controladoria
11.3	Changes in Intangible assets	Políticas /Controladoria
11.4	Impairment test	Políticas /Controladoria
12	Taxes payable	Tax planning
13	Transactions with related parties	Contabilidade
13.1	Year-end balances	Contabilidade
13.2	Key management personnel compensation	Gestão e pessoas
14	Provision for contingencies	Tax planning/Contabilidade/Jurídico contencioso
14.1	Accounting policy	Políticas /Controladoria
14.2	Significant judgments, estimates and assumptions	Políticas /Controladoria
14.3	Probable losses, provided for in the statement of financial position	Tax planning/Contabilidade/Jurídico contencioso
14.3.1	Civil lawsuits	Tax planning/Contabilidade/Jurídico contencioso
14.3.2	Labor claims	Tax planning/Contabilidade/Jurídico contencioso
14.4	Possible losses, not provided for in the statement of financial position	Tax planning/Contabilidade/Jurídico contencioso
14.4.1	Civil lawsuits	Tax planning/Contabilidade/Jurídico contencioso
14.4.2	Labor claims	Tax planning/Contabilidade/Jurídico contencioso
14.4.3	Tax litigations	Tax planning/Contabilidade/Jurídico contencioso
14.5	Judicial deposits	Tax planning/Contabilidade/Jurídico contencioso
15	Equity	Societário/Investors
15.1	Authorized capital	Societário/Investors
15.2	Subscribed and paid-in capital and capital reserve	Societário/Investors
15.3	Treasury shares	Gestão e pessoas
15.4	Incentive shares	Gestão e pessoas
15.5	Other comprehensive income	Contabilidade
16	Earnings (loss) per share	Políticas /Controladoria
16.1	Accounting policy	Políticas /Controladoria
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16.3	Basic and Diluted earnings (loss) per share	Políticas /Controladoria
16.3.1	Detail of potentially issuable common shares for purposes of Diluted EPS	Políticas /Controladoria
17	Revenue and income	Políticas /Controladoria
17.1	Accounting policy	Políticas /Controladoria
17.1.1	Revenue from contracts with clients	Políticas /Controladoria
17.1.1.1	Transaction activities and other services	Políticas /Controladoria
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**StoneCo Ltd.****Notes to Consolidated Financial Statements**

December 31, 2023, 2022 and 2021

(In thousands of Brazilian Reais, unless otherwise stated)

NE	Descrição	Áreas
17.1.3	Other financial income	Políticas /Controladoria
17.1.4	Deferred revenue	Políticas /Controladoria
17.1.5	Sales taxes	Tax Planning
17.2	Significant judgments, estimates and assumptions	Tax Planning
17.2.1	Expected life of merchants	Tax Planning
17.3	Timing of revenue recognition	FP&A
18	Expenses by nature	FP&A
19	Financial expenses, net	FP&A
20	Employee benefits	Políticas /Controladoria
20.1	Accounting policy	Políticas /Controladoria
20.1.1	Short-term obligations	Políticas /Controladoria
20.1.2	Share-based payment	Políticas /Controladoria
20.1.3	Profit-sharing and bonus plans	Políticas /Controladoria
20.2	Significant judgments, estimates and assumptions	Políticas /Controladoria
20.2.1	Share-based payment	Políticas /Controladoria
20.3	Employee benefits expenses	FP&A
20.4	Share-based payment plans	Pessoas e Gestão
20.4.1	Restricted share units ("RSU")	Pessoas e Gestão
20.4.2	Performance share units ("PSU")	Pessoas e Gestão
20.4.3	Options	Pessoas e Gestão
20.4.4	Share-based payment expenses	Pessoas e Gestão
20.5	Labor and social security liabilities	Pessoas e Gestão
21	Transactions with non-controlling interests	Políticas /Controladoria
22	Other disclosures on cash flows	Fluxo de caixa
22.1	Non-cash operating activities	Fluxo de caixa
22.2	Non-cash investing activities	Fluxo de caixa
22.3	Non-cash financing activities	Fluxo de caixa
22.4	Interest income received, net of costs	Fluxo de caixa
22.5	Property and equipment, and intangible assets	Fluxo de caixa
23	Business combinations	Societário/M&A/Controladoria
23.1	Accounting policy	Políticas /Controladoria
23.2	Significant judgments, estimates and assumptions	Políticas /Controladoria
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23.3.1.1	Hubcount	Societário/M&A/Controladoria
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25	Subsequent events	Societário/M&A

**THE COMPANIES ACT (AS REVISED)  
OF THE CAYMAN ISLANDS**

**STONECO LTD.**

An Exempted Company Limited By Shares

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**SECOND AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION**

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**(adopted by Special Resolution passed on August 29, 2023)**

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**THE COMPANIES ACT (AS REVISED)  
OF THE CAYMAN ISLANDS**

**SECOND AMENDED AND RESTATED  
MEMORANDUM OF ASSOCIATION**

**OF**

**STONECO LTD.**

**(adopted by Special Resolution passed on August 29, 2023)**

- 1 The name of the Company is StoneCo Ltd.
- 2 The registered office of the Company shall be at the offices of Harneys Fiduciary (Cayman) Limited, 4<sup>th</sup> Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands or such other place as the Directors may from time to time determine.
- 3 Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted.
- 4 Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Act.
- 5 Nothing in this Memorandum shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licensed.
- 6 The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
- 7 The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.
- 8 The share capital of the Company is US\$50,000 divided into 630,000,000 shares of a par value of US\$0.000079365 each which may be issued as Class A Common Shares, Class B Common Shares or common shares of any class or classes (howsoever designated) or as shares with preferred, deferred or other special rights or restrictions as the Board may determine from time to time in accordance with Article 4 of the Articles of Association of the Company, PROVIDED THAT, subject to the Act and the Articles of Association, the Company shall have the power to issue all or any part of its capital, whether original, redeemed, increased or reduced, with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any condition or restriction whatsoever and so that, unless the conditions of issue shall otherwise expressly provide, every issue of shares, whether stated to be common, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.
- 9 The Company may exercise the power contained in the Act to deregister in the Cayman Islands and be registered by way of continuation in another jurisdiction.
- 10 Capitalised terms that are not defined in this Memorandum of Association bear the meaning given in the Articles of Association of the Company.

**THE COMPANIES ACT (AS REVISED)  
OF THE CAYMAN ISLANDS**

**SECOND AMENDED AND RESTATED  
ARTICLES OF ASSOCIATION**

**OF**

**STONECO LTD.**

**(adopted by Special Resolution passed on August 29, 2023)**

**1. PRELIMINARY**

1.1. The regulations contained in Table A in the First Schedule of the Act shall not apply to the Company and the following regulations shall be the Articles of Association of the Company.

1.2. In these Articles:

(a) the following terms shall have the meanings set opposite if not inconsistent with the subject or context:

<i>Act</i>	the Companies Act (As Revised);
<i>allotment</i>	shares are taken to be allotted when a person acquires the unconditional right to be included in the Register of Members in respect of those shares;
<i>Affiliate</i>	in respect of a Person, means any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person, and (i) in the case of a natural person, shall include, without limitation, such person's spouse, parents, children, siblings, mother-in-law and father-in-law and brothers and sisters-in-law, whether by blood, marriage or adoption or anyone residing in such person's home, a trust for the benefit of any of the foregoing, a company, partnership or any natural person or entity wholly or jointly owned by any of the foregoing, and (ii) in the case of an entity, shall include a partnership, a corporation or any natural person or entity which directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such entity;
<i>Articles</i>	these articles of association of the Company, as amended from time to time;
<i>Audit Committee</i>	the Audit Committee of the Company formed by the Board pursuant to these Articles, or any successor of the Audit Committee;
<i>Board or Board of Directors</i>	the board of directors of the Company;
<i>Business Combination</i>	a statutory amalgamation, merger, consolidation, arrangement or other reorganization requiring the approval of the members of one or more of the participating companies as well as a short-form merger or consolidation that does not require a resolution of members;

<b><i>Chairman</i></b>	the chairman of the Board of Directors appointed in accordance with Article 20.2;
<b><i>Class A Common Shares</i></b>	class A common shares in the capital of the Company having the rights provided for in these Articles;
<b><i>Class B Common Shares</i></b>	class B common shares in the capital of the Company having the rights provided for in these Articles;
<b><i>clear days</i></b>	in relation to a period of notice means that period excluding both the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;
<b><i>Clearing House</i></b>	a clearing house recognized by the laws of the jurisdiction in which shares in the capital of the Company (or depository receipts thereof) are listed or quoted on a stock exchange or interdealer quotation system in such jurisdiction;
<b><i>common equivalents</i></b>	means (i) with respect to Shares, the number of Shares, (ii) with respect to any Company securities that are convertible into or exchangeable for Shares, the number of Shares issuable in respect of the conversion or exchange of such securities into Shares;
<b><i>Common Shares</i></b>	Class A Common Shares, Class B Common Shares and shares of such other classes as may from time to time be designated by the Board pursuant to these Articles as being common shares for the purposes of Article 5.3;
<b><i>Company</i></b>	the above named company, StoneCo Ltd., an exempted company incorporated in the Cayman Islands with limited liability;
<b><i>Company's Website</i></b>	the website of the Company and/or its web-address or domain name;
<b><i>control</i></b>	the ownership, directly or indirectly, of shares possessing more than fifty per cent (50%) of the voting power of the corporation, partnership or other entity (other than, in the case of a corporation, shares having such power only by reason of the happening of a contingency), or having the power to control the management or elect a majority of members to the board of directors or equivalent decision-making body of such corporation, partnership or other entity;
<b><i>Designated Stock Exchange</i></b>	the Nasdaq Global Market and any other stock exchange or interdealer quotation system listed in Schedule 4 of the Act on which shares in the capital of the Company are listed or quoted;
<b><i>Directors</i></b>	the Directors for the time being of the Company or, as the case may be, those Directors assembled as a Board or as a committee of the Board;
<b><i>dividend</i></b>	includes a distribution or interim dividend or interim distribution;
<b><i>electronic</i></b>	has the same meaning as in the Electronic Transactions Act (As Revised);



<b><i>electronic communication</i></b>	a communication sent by electronic means, including electronic posting to the Company's Website, transmission to any number, address or internet website (including the SEC's website) or other electronic delivery methods as otherwise determined and approved by the Board;
<b><i>electronic record</i></b>	has the same meaning as in the Electronic Transactions Act (As Revised);
<b><i>electronic signature</i></b>	has the same meaning as in the Electronic Transactions Act (As Revised);
<b><i>Exchange Act</i></b>	the Securities Exchange Act of 1934, as amended of the United States of America;
<b><i>executed</i></b>	includes any mode of execution;
<b><i>Finance Committee</i></b>	the Finance Committee of the Company formed by the Board pursuant to these Articles, or any successor of the Finance Committee;
<b><i>Founding Shareholders</i></b>	at any time, HR Holdings LLC, VCK Investment Fund Ltd. SAC A, Cakubran Holdings Ltd., as long as they remain vehicles controlled by André Street de Aguiar, Eduardo Cunha Monnerat Solon de Pontes, collectively, and each Person (other than the Company) that is an Affiliate of André Street or Eduardo Pontes, so long as such Person shall "beneficially own" (as such term is defined in Rule 13d-3 of the Exchange Act) any Company shares.
<b><i>holder</i></b>	in relation to any share, the Member whose name is entered in the Register of Members as the holder of the share;
<b><i>Incentive Plan</i></b>	any incentive plan or scheme established or implemented by the Company pursuant to which any Person who provides services of any kind to the Company or any of its direct or indirect subsidiaries (including, without limitation, any employee, executive, officer, director, consultant, secondee or other provider of services) may receive and/or acquire newly-issued shares of the Company or any interest therein;
<b><i>Indemnified Person</i></b>	every Director, alternate Director or Officer for the time being or from time to time of the Company;
<b><i>Independent Director</i></b>	a Director who is an independent director as defined in the rules of any Designated Stock Exchange or in Rule 10A-3 under the Exchange Act, as the case may be;
<b><i>Islands</i></b>	the British Overseas Territory of the Cayman Islands;
<b><i>Member</i></b>	has the same meaning as in the Act;
<b><i>Memorandum</i></b>	the memorandum of association of the Company as from time to time amended;
<b><i>month</i></b>	a calendar month;
<b><i>Officer</i></b>	means any person appointed as an officer of the Company, including a Secretary;

<b><i>Ordinary Resolution</i></b>	a resolution (i) of a duly constituted general meeting of the Company passed by a simple majority of the votes cast by, or on behalf of, the Members entitled to vote present in person or by proxy and voting at the meeting, or (ii) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed;
<b><i>Other Indemnitors</i></b>	persons or entities other than the Company that may provide indemnification, advancement of expenses and/or insurance to the Indemnified Persons in connection with such Indemnified Persons' involvement in the management of the Company;
<b><i>paid up</i></b>	paid up as to the par value of the shares and includes credited as paid up;
<b><i>People and Compensation Committee</i></b>	the People and Compensation Committee of the Company formed by the Board pursuant to these Articles, or any successor of the People and Compensation Committee;
<b><i>Person</i></b>	any individual, corporation, general or limited partnership, limited liability company, joint stock company, joint venture, estate, trust, association, organization or any other entity or governmental entity;
<b><i>Register of Members</i></b>	the register of Members required to be kept pursuant to the Act;
<b><i>Risk Committee</i></b>	the Risk Committee of the Company formed by the Board pursuant to these Articles, or any successor of the Risk Committee;
<b><i>Seal</i></b>	the common seal of the Company including every duplicate seal;
<b><i>SEC</i></b>	the Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act;
<b><i>Secretary</i></b>	any person appointed by the Directors to perform any of the duties of the secretary of the Company, including a joint, assistant or deputy secretary;
<b><i>Securities Act</i></b>	the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time;
<b><i>share</i></b>	a share in the share capital of the Company, and includes stock (except where a distinction between shares and stock is expressed or implied) and includes a fraction of a share;
<b><i>signed</i></b>	includes an electronic signature or any other representation of a signature affixed by mechanical means;

<b><i>Special Resolution</i></b>	means a special resolution passed in accordance with the Act, being a resolution: (i) passed by a majority of at least two-thirds of such Members as, being entitled to do so, vote in person or by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a Special Resolution has been duly given; or (ii) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members;
<b><i>subsidiary</i></b>	means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person;
<b><i>Treasury Share</i></b>	a share held in the name of the Company as a treasury share in accordance with the Act;
<b><i>Vice Chairman</i></b>	the vice chairman of the Board of Directors appointed in accordance with Article 20.2;
<b><i>U.S. Person</i></b>	a Person who is a citizen or resident of the United States of America; and
<b><i>written and in writing</i></b>	includes all modes of representing or reproducing words in visible form including in the form of an electronic record.

- (b) unless the context otherwise requires, words or expressions defined in the Act shall have the same meanings herein but excluding any statutory modification thereof not in force when these Articles become binding on the Company;
- (c) unless the context otherwise requires: (i) words importing the singular number shall include the plural number and vice-versa; (ii) words importing the masculine gender only shall include the feminine gender; and (iii) words importing persons shall include companies or associations or bodies of person whether incorporated or not as well as any other legal or natural person;
- (d) "written" and "in writing" include all modes of representing or reproducing words in visible form, including in the form of an Electronic Record;
- (e) the word may shall be construed as permissive and the word shall shall be construed as imperative;
- (f) any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- (g) the headings herein are for convenience only and shall not affect the construction of these Articles;
- (h) any requirements as to delivery under the Articles include delivery in the form of an Electronic Record;
- (i) sections 8 and 19(3) of the Electronic Transactions Act (As Revised) shall not apply;
- (j) references to statutes are, unless otherwise specified, references to statutes of the Islands and, subject to paragraph (b) above, include any statutory modification or re-enactment thereof for the time being in force; and
- (k) where an Ordinary Resolution is expressed to be required for any purpose, a Special Resolution is also effective for that purpose.

## 2. FORMATION EXPENSES

The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company including the expenses of registration.

## 3. OFFICES OF THE COMPANY

3.1. The registered office of the Company shall be at such address in the Islands as set out in the Memorandum or as the Board shall otherwise from time to time determine.

3.2. The Company, in addition to its registered office, may establish and maintain such other offices, places of business and agencies in the Islands and elsewhere as the Board may from time to time determine.

## 4. SHARES

4.1. *[intentionally left blank]*

(a) Subject to the rules of any Designated Stock Exchange and to the provisions, if any, in the Memorandum and these Articles, the Board has general and unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any unissued shares in the capital of the Company without the approval of Members (whether forming part of the original or any increased share capital), either at a premium or at par, with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, on such terms and conditions, and at such times as the Board may determine, but so that no share shall be issued at a discount to par, except in accordance with the provisions of the Act.

(b) In particular and without prejudice to the generality of paragraph (a) above, the Board is hereby empowered to authorise by resolution or resolutions from time to time and without the approval of Members;

(i) the creation of one or more classes or series of preferred shares, to cause to be issued such preferred shares and to fix the designations, powers, preferences and relative participating, optional and other rights, if any, and the qualifications, limitations and restrictions thereof, if any, including, without limitation, the number of shares constituting each such class or series, dividend rights, conversion rights, redemption privileges, voting rights and powers (including full or limited or no voting rights or powers) and liquidation preferences, and to increase or decrease the number of shares comprising any such class or series (but not below the number of shares of any class or series of preferred shares then outstanding) to the extent permitted by law. Without limiting the generality of the foregoing, the resolution or resolutions providing for the establishment of any class or series of preferred shares may, to the extent permitted by law, provide that such class or series shall be superior to, rank equally with or be junior to the preferred shares of any other class or series;

(ii) to designate for issuance as Class A Common Shares or Class B Common Shares from time to time any or all of the authorised but unissued shares of the Company which have not at that time been designated by the Memorandum or by the Directors as being shares of a particular class;

(iii) to create one or more further classes of shares which represent common shares for the purposes of Article 5.3; and

(iv) to re-designate authorised but unissued Class A Common Shares or Class B Common Shares from time to time as shares of another class.

(c) The Company shall not issue shares or warrants to bearer.

- (d) Subject to the rules of any Designated Stock Exchange, the Board shall have general and unconditional authority to issue options, warrants or convertible securities of similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of shares or securities in the capital of the Company to such persons, on such terms and conditions and at such times as the Board may determine.
- 4.2. Notwithstanding Article 4.1, at any time when there are Class A Common Shares in issue, Class B Common Shares may only be issued pursuant to:
- (a) a share-split, subdivision or similar transaction or as contemplated in Articles 5.8 or 34.1(b) below; or
  - (b) a Business Combination involving the issuance of Class B Common Shares as full or partial consideration.
- 4.3. The Company may issue fractions of a share of any class and a fraction of a share shall be subject to and carry the corresponding fraction of liabilities (whether with respect to nominal or par value, premium, contribution, calls or otherwise howsoever), limitations, preferences, privileges, qualifications, restrictions, rights and other attributes of a whole share of that class of shares.
- 4.4. The Company may, in so far as the Act permits, pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares in the capital of the Company. Such commissions may be satisfied by the payment of cash or the allotment of fully or partly paid up shares or partly in one way and partly in the other. The Company may also, on any issue of shares, pay such brokerage fees as may be lawful.
- 4.5. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share (except only as by these Articles or by law otherwise provided) or any other rights in respect of any share except an absolute right to the entirety thereof in the holder.
- 4.6. *[intentionally left blank]*
- (a) If at any time the share capital is divided into different classes of shares, the rights attached to any class of shares (unless otherwise provided by these Articles or the terms of issue of the shares of that class) may be varied with the consent in writing of the holders of two-thirds of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of these Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be any one or more persons holding or representing by proxy not less than two-thirds of the issued shares of the applicable class and that any holder of shares of that class present in person or by proxy may demand a poll.
  - (b) For the purposes of Article (a), the Directors may treat all classes of shares or any two or more classes of shares as forming one class if they consider that all such classes would be affected in the same way by the proposals under consideration.
  - (c) The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by:
    - (i) the creation or issue of further shares ranking *pari passu* therewith;
    - (ii) by the redemption or purchase of any shares of any class by the Company;
    - (iii) the cancellation of authorised but unissued shares of that class; or

(iv) the creation or issue of shares with preferred or other rights including, without limitation, the creation of any class or issue of shares with enhanced or weighted voting rights.

(d) The rights conferred upon holders of Class A Common Shares shall not be deemed to be varied by the creation or issue from time to time of further Class B Common Shares and the rights conferred upon holders of Class B Common Shares shall not be deemed to be varied by the creation or issue from time to time of further Class A Common Shares.

4.7. The Directors may accept contributions to the capital of the Company otherwise than in consideration of the issue of shares and the amount of any such contribution may, unless otherwise agreed at the time such contribution is made, be treated by the Company as a distributable reserve, subject to the provisions of the Act and these Articles.

## **5. CLASS A COMMON SHARES AND CLASS B COMMON SHARES**

5.1. The rights of the holders of Class A Common Shares and Class B Common Shares are identical, except with respect to voting, conversion and transfer restrictions applicable to the Class B Common Shares as set out in these Articles.

5.2. Holders of Class A Common Shares and holders of Class B Common Shares have the right to receive notice of, attend, speak and vote at general meetings of the Company. Subject to any separate general meeting(s) of the holders of a class of shares in accordance with Article 4.6(a) above, holders of Class A Common Shares and Class B Common Shares shall at all times vote together as one class on all resolutions submitted to a vote by the Members in general meetings. Each Class A Common Share shall entitle the holder to 1 vote on all matters subject to a vote at general meetings of the Company, and each Class B Common Share shall entitle the holder to 10 votes on all matters subject to a vote at general meetings of the Company.

5.3. Without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares established pursuant to the Memorandum and/or these Articles from time to time, holders of Class A Common Shares and holders of Class B Common Shares shall:

(a) be entitled to such dividends as the Board may from time to time declare;

(b) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purposes of a reorganization or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and

(c) generally be entitled to enjoy all of the rights attaching to Class A Common Shares and Class B Common Shares.

5.4. In no event shall Class A Common Shares be convertible into Class B Common Shares.

5.5. Class B Common Shares shall be convertible into Class A Common Shares as follows:

(a) Right of Conversion. Class B Common Shares shall be convertible into the same number of Class A Common Shares, on a share-to-share basis, in the following manner:

(1) a holder of Class B Common Shares has the right to call upon the Company to effect a conversion of all or any of his Class B Common Shares into the same number of Class A Common Shares which right shall be exercised, at any time after issue and without payment of any additional sum (subject to any moneys unpaid on their shares in accordance with Article 8), by notice in writing given to the Company at its registered office (and which conversion shall be effected by the Company promptly upon delivery of the said notice);

- (2) a Class B Common Share shall automatically convert into a Class A Common Share immediately and without further action by the holder thereof upon the registration of any transfer of a Class B Common Share (whether or not for value and whether or not the certificate(s) (if any) representing such Class B Common Share are surrendered to the Company), other than:
  - (i) a transfer to an Affiliate of the holder of the Class B Common Share;
  - (ii) a transfer to one or more trustees of a trust established for the benefit of the holder or an Affiliate of the holder of the Class B Common Share; or
  - (iii) a transfer to a partnership, corporation or other entity owned or controlled by the holder or an Affiliate of the holder of the Class B Common Share.

For the avoidance of doubt, the creation of any pledge, charge, encumbrance or other security interest or third party right of whatever description on any Class B Common Shares to secure a holder's contractual or legal obligations shall not be deemed to be a transfer unless and until any such pledge, charge, encumbrance or other third party right is enforced and results in such third party (or its nominee) holding legal title to the related Class B Common Shares, in which case all the related Class B Common Shares shall be automatically and immediately converted into the same number of Class A Common Shares. The conversion of Class B Common Shares to Class A Common Shares shall occur prior to any effective transfer not authorised in Article 5.5(a)(2)(i). **Error! Reference source not found.** above.

- (3) If, on the record date for any meeting of the Members, the total voting power of all the Class B Common Shares in issue represent less than 10% of the combined voting power of the Class A Common Shares and Class B Common Shares then in issue, the Class B Common Shares then in issue shall automatically and immediately convert into Class A Common Shares and no Class B Common Shares shall be issued by the Company thereafter.
- (b) **Mechanics of Conversion.** Before any holder of Class B Common Shares shall be entitled to convert such Class B Common Shares into Class A Common Shares pursuant to sub- paragraph (a) (1) above, the holder shall, if available, surrender the certificate or certificates therefor, duly endorsed (where applicable), at the registered office of the Company.

Upon the occurrence of one of the bases of conversion provided for in paragraph (a) above, the Company shall enter or procure the entry of the name of the relevant holder of Class B Common Shares as the holder of the relevant number of Class A Common Shares resulting from the conversion of the Class B Common Shares in, and make any other necessary and consequential changes to, the Register of Members and shall procure that certificate(s) in respect of the relevant Class A Common Shares, together with a new certificate for any unconverted Class B Common Shares comprised in the certificate(s) surrendered by the holder of the Class B Common Shares, are issued to the holders of the Class A Common Shares and Class B Common Shares, as the case may be, if so requested.

Any conversion of Class B Common Shares into Class A Common Shares pursuant to this Article 5 shall be effected by means of: the re-designation and re-classification of the relevant Class B Common Share as a Class A Common Share together with such rights and restrictions for the time being attached thereto and shall rank pari passu in all respects with the Class A Common Shares then in issue. For the avoidance of doubt, following the conversion to Class A Common Shares, the holder thereof shall have Class A Common Share voting rights in respect of such shares and not Class B Common Share voting rights. Such conversion shall become effective forthwith upon entries being made in the Register of Members to record the re-designation and re-classification of the relevant Class B Common Shares as Class A Common Shares.

If the proposed conversion is in connection with an underwritten or other public or private offering of securities, the conversion may, at the option of any holder tendering such Class B Common Shares for conversion, be conditional upon the closing with the underwriters or other purchasers of the sale of securities pursuant to such offering, in which event any persons entitled to receive Class A Common Shares upon conversion of such Class B Common Shares shall not be deemed to have converted such Class B Common Shares until immediately prior to the closing of such sale of securities.

- (c) Effective upon and with effect from the conversion of a Class B Common Share into a Class A Common Share in accordance with this Article 5.5, the converted share shall be re-designated as and be treated for all purposes as a Class A Common Share and shall carry the rights and be subject to the restrictions attaching to Class A Common Shares including, without limitation, the right to one vote on matters subject to a vote at general meetings of the Company.
- 5.6. No subdivision of Class A Common Shares into shares of an amount smaller than the nominal or par value of such shares at the relevant time shall be effected unless Class B Common Shares are concurrently and similarly subdivided in the same proportion and the same manner, and no subdivision of Class B Common Shares into shares of an amount smaller than the nominal or par value of such shares at the relevant time shall be effected unless Class A Common Shares are concurrently and similarly subdivided in the same proportion and the same manner.
- 5.7. No consolidation of Class A Common Shares into shares of an amount larger than the nominal or par value of such shares at the relevant time shall be effected unless Class B Common Shares are concurrently and similarly consolidated in the same proportion and the same manner, and no consolidation of Class B Common Shares into shares of an amount larger than the nominal or par value of such shares at the relevant time may be effected unless Class A Common Shares are concurrently and similarly consolidated in the same proportion and the same manner.
- 5.8. In the event that a dividend or other distribution is paid by the issue of Class A Common Shares or Class B Common Shares or rights to acquire Class A Common Shares or Class B Common Shares (i) holders of Class A Common Shares shall receive Class A Common Shares or rights to acquire Class A Common Shares, as the case may be; and (ii) holders of Class B Common Shares shall receive Class B Common Shares or rights to acquire Class B Common Shares, as the case may be.
- 5.9. No Business Combination (whether or not the Company is the surviving entity) shall proceed unless by the terms of such transaction: (i) the holders of Class A Common Shares have the right to receive, or the right to elect to receive, the same form of consideration as the holders of Class B Common Shares, and (ii) the holders of Class A Common Shares have the right to receive, or the right to elect to receive, at least the same amount of consideration on a per share basis as the holders of Class B Common Shares. The Directors shall not approve such a transaction unless the requirements of this Article are satisfied. For the avoidance of doubt, this Article refers to and includes only economic rights.
- 5.10. No tender or exchange offer to acquire any Class A Common Shares or Class B Common Shares by any third party pursuant to an agreement to which the Company is to be a party, nor any tender or exchange offer by the Company to acquire any Class A Common Shares or Class B Common Shares shall be approved by the Company unless by the terms of such transaction: (i) the holders of Class A Common Shares shall have the right to receive, or the right to elect to receive, the same form of consideration as the holders of Class B Common Shares, and (ii) the holders of Class A Common Shares shall have the right to receive, or the right to elect to receive, at least the same amount of consideration on a per share basis as the holders of Class B Common Shares. The Directors shall not approve such a transaction unless the requirements of this Article are satisfied. For the avoidance of doubt, this Article refers to and includes only economic rights.
- 5.11. Save and except for voting rights, conversion rights and transfer rights, Class A Common Shares and the Class B Common Shares shall rank *pari passu* and shall have the same rights, preferences, privileges and restrictions and share ratably and otherwise be identical in all respects as to all matters.



## **6. SHARE CERTIFICATES**

- 6.1. A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates representing Shares, if any, shall be in such form as the Directors may determine. Share certificates shall be signed by one or more Directors or other person authorised by the Directors. The Directors may authorise certificates to be issued with the authorised signature(s) affixed by mechanical process. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. All certificates surrendered to the Company for transfer or conversion shall be cancelled and subject to the Articles and, save as provided in Articles 6.3, 7 and 8 below and in the case of a conversion of shares pursuant to Article 4.1, no new certificate shall be issued until the former certificate representing a like number of relevant Shares shall have been surrendered and cancelled.
- 6.2. Every share certificate of the Company shall bear legends required under the applicable laws, including the Securities Act.
- 6.3. If a share certificate is defaced, worn-out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses reasonably incurred by the Company in investigating evidence as the Directors may determine but otherwise free of charge, and (in the case of defacement or wearing-out) on delivery to the Company of the old certificate.

## **7. LIEN**

- 7.1. The Company shall have a first and paramount lien on every share (not being a share which is fully paid as to its par value and share premium) for all moneys (whether presently payable or not) payable at a fixed time or called in respect of that share (including any premium payable). The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a share shall extend to any amount in respect of it.
- 7.2. The Company may sell in such manner as the Directors determine any shares on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within fourteen (14) clear days after notice has been given to the holder of the share or to the person entitled to it in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the shares may be sold.
- 7.3. To give effect to a sale, the Directors may authorise some person to execute an instrument of transfer of the shares sold to, or in accordance with the directions of, the purchaser. The title of the transferee to the shares shall not be affected by any irregularity or invalidity in the proceedings in reference to the sale.
- 7.4. The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable, and any residue shall (upon surrender to the Company for cancellation of the certificate for the shares sold, if any, and subject to a like lien for any moneys not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

## **8. CALLS ON SHARES AND FORFEITURE**

- 8.1. Subject to the terms of allotment, the Directors may make calls upon the Members in respect of any moneys unpaid on their shares (whether in respect of nominal value or premium) and each Member shall (subject to receiving at least fourteen (14) clear days' notice specifying when and where payment is to be made) pay to the Company as required by the notice the amount called on his shares. A call may be required to be paid by instalments. A call may, before receipt by the Company of any sum due thereunder, be revoked in whole or in part and payment of a call may be postponed in whole or in part. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made.

- 8.2. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.
- 8.3. The joint holders of a share shall be jointly and severally liable to pay all calls in respect of the share.
- 8.4. If a call remains unpaid after it has become due and payable, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the share or in the notice of the call or, if no rate is fixed, at an annual rate of ten percent (10%), but the Directors may waive payment of the interest wholly or in part.
- 8.5. An amount payable in respect of a share on allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call, and if it is not paid when due, all the provisions of the Articles shall apply as if that amount had become due and payable by virtue of a call.
- 8.6. Subject to the terms of allotment, the Directors may make arrangements on the issue of shares for a difference between the holders in the amounts and times of payment of calls on their shares.
- 8.7. If a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than fourteen (14) clear days' notice requiring payment of the amount unpaid, together with any interest which may have accrued. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.
- 8.8. If the notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors and the forfeiture shall include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.
- 8.9. Subject to the provisions of the Act, a forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors determine either to the person who was before the forfeiture the holder or to any other person, and at any time before a sale, re- allotment or other disposition, the forfeiture may be cancelled on such terms as the Directors think fit. Where, for the purposes of its disposal a forfeited share is to be transferred to any person, the Directors may authorise any person to execute an instrument of transfer of the share to that person.
- 8.10. A person any of whose shares have been forfeited shall cease to be a Member in respect of them and shall surrender to the Company for cancellation the certificate for the shares forfeited, if any, but shall remain liable to the Company for all moneys which at the date of forfeiture were presently payable by him to the Company in respect of those shares with interest at the rate at which interest was payable on those moneys before the forfeiture or, if no interest was so payable, at an annual rate of ten percent (10%), from the date of forfeiture until payment but the Directors may waive payment wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.
- 8.11. A statutory declaration by a Director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and the declaration shall (subject to the execution of an instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture or disposal of the share.

## 9. TRANSFER OF SHARES

- 9.1. Subject to these Articles (including the limitation on transfers of Class B Shares as set out in Article 5.5), any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by any Designated Stock Exchange or in any other form approved by the Board and may be under hand or, if the transferor or transferee is a Clearing House, by hand or by electronic signature or by such other manner of execution as the Board may approve from time to time. Without prejudice to the generality of the foregoing, title to listed shares of the Company may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Designated Stock Exchange on which such shares are listed.
- 9.2. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. Without prejudice to Article 9.1, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers including, where applicable, in accordance with the laws and rules applicable to the Designated Stock Exchange. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof. Nothing in these Articles shall preclude the Board from recognizing a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.
- 9.3. The Board may in its absolute discretion and without giving any reason therefor, refuse to register a transfer of any share:
- (a) that is not fully paid up (as to both par value and any premium) to a person of whom it does not approve;
  - (b) issued under any Incentive Plan upon which a restriction on transfer imposed thereby still subsists;
  - (c) to more than four joint holders; or
  - (d) on which the Company has a lien.
- 9.4. Without limiting the generality of Article 9.3, the Board may also decline to recognise any instrument of transfer unless:
- (a) a fee of such maximum sum as any Designated Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof;
  - (b) the instrument of transfer is in respect of only one class of shares;
  - (c) the Shares are fully paid (as to both par value and any premium) and free of any lien;
  - (d) the instrument of transfer is lodged at the registered office or such other place at which the Register of Members is kept in accordance with the Act accompanied by any relevant share certificate(s), if any, and/or such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
  - (e) if applicable, the instrument of transfer is duly and properly stamped.
- 9.5. If the Directors refuse to register a transfer of a share, they shall within two (2) months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

9.6. The registration of transfers of shares or of any class of shares may, after compliance with any notice requirement of any Designated Stock Exchange, be suspended and the Register of Members be closed at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine.

9.7. The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the Directors refuse to register shall be returned to the person lodging it when notice of the refusal is given.

#### **10. TRANSMISSION OF SHARES**

10.1. If a Member dies, his personal representatives or his legal successor (where he was a sole holder) or the survivor of joint holders (in case of joint ownership) shall be the only persons recognised by the Company as having any title to his interest; but nothing in these Articles shall release the estate of a deceased Member from any liability in respect of any share which had been jointly held by him.

10.2. A person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as the Directors may properly require, elect either to become the holder of the share or to have some person nominated by him registered as the transferee. If he elects to become the holder he shall give notice to the Company to that effect. If he elects to have another person registered he shall execute an instrument of transfer of the share to that person. All the Articles relating to the transfer of shares shall apply to the notice or instrument of transfer as if it were an instrument of transfer executed by the Member and the death or bankruptcy of the Member had not occurred.

10.3. A person becoming entitled to a share by reason of the death or bankruptcy of a Member shall have the rights to which he would be entitled if he were the holder of the share, except that he shall not, before being registered as the holder of the share, be entitled in respect of such share to attend or vote at any meeting of the Company or at any separate meeting of the holders of any class of shares in the Company.

10.4. If a holder of Class B Common Shares dies or becomes bankrupt then such Class B Common Shares held at the time of death or bankruptcy shall maintain all of its rights and no conversion shall apply to such Class B Common Shares upon transmission of such shares to the new holder who must be an Affiliate.

#### **11. CHANGES OF CAPITAL**

11.1. Subject to and in so far as permitted by the provisions of the Act and these Articles, the Company may from time to time by Ordinary Resolution alter or amend the Memorandum to:

- (a) increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- (b) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
- (c) convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;
- (d) sub-divide its existing shares, or any of them, into shares of smaller amounts than is fixed by the Memorandum provided that in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and
- (e) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

- 11.2. For the avoidance of doubt, the Directors shall have the ability to issue shares within the authorised share capital of the Company thereby changing the issued share capital of the Company and no Ordinary Resolution shall be required for such issuances.
- 11.3. Except so far as otherwise provided by the conditions of issue, the new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.
- 11.4. Whenever as a result of a consolidation of shares any Members would become entitled to fractions of a share, the Directors may, on behalf of those Members, sell the shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Act, the Company) and distribute the net proceeds of sale in due proportion among those Members, and the Directors may authorise some person to execute an instrument of transfer of the shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.
- 11.5. The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner and with and subject to any incident, consent, order or other matter required by law.

## **12. REDEMPTION AND PURCHASE OF OWN SHARES**

- 12.1. Subject to the provisions of the Act and these Articles, the Company may:
  - (a) issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Member on such terms and in such manner as the Directors may, before the issue of shares, determine;
  - (b) purchase its own shares (including any redeemable shares) in such manner and on such terms as the Directors may determine and agree with the relevant Member; and
  - (c) make a payment in respect of the redemption or purchase of its own shares in any manner authorised by the Act, including out of capital.
- 12.2. The Directors may, when making a payment in respect of the redemption or purchase of shares, if so authorised by the terms of issue of the shares (or otherwise by agreement with the holder of such shares) make such payment in cash or in specie (or partly in one and partly in the other).
- 12.3. Upon the date of redemption or purchase of a share, the holder shall cease to be entitled to any rights in respect thereof (excepting always the right to receive (i) the price therefor and (ii) any dividend which had been declared in respect thereof prior to such redemption or purchase being effected) and accordingly his name shall be removed from the Register of Members with respect thereto and the share shall be cancelled.

## **13. TREASURY SHARES**

- 13.1. The Directors may, prior to the purchase, redemption or surrender of any Share, determine that such Share shall be held as a Treasury Share.
- 13.2. The Directors may determine to cancel a Treasury Share or transfer a Treasury Share on such terms as they think proper (including, without limitation, for nil consideration).

## **14. REGISTER OF MEMBERS**

- 14.1. The Company shall maintain or cause to be maintained an overseas or local Register of Members in accordance with the Act, provided that for so long as the securities of the Company are listed for trading on the Designated Stock Exchange, title to such securities may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Designated Stock Exchange.

14.2. The Directors may determine that the Company shall maintain one or more branch registers of Members in accordance with the Act. The Directors may also determine which Register of Members shall constitute the principal register and which shall constitute the branch register or registers, and to vary such determination from time to time.

#### **15. CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE**

15.1. For the purpose of determining Members entitled to notice of, or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any dividend or other distribution, or in order to make a determination of Members for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period which shall not in any case exceed thirty (30) days. If the Register shall be so closed for the purpose of determining those Members that are entitled to receive notice of, attend or vote at a meeting of Members, the Register shall be so closed for at least ten (10) clear days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register.

15.2. In lieu of, or apart from, closing the Register of Members, the Directors may fix, in advance or in arrears, a date as the record date for any such determination of Members entitled to notice of, or to vote at any meeting of the Members or any adjournment thereof, or for the purpose of determining the Members entitled to receive payment of any dividend or other distribution, or in order to make a determination of Members for any other purpose, provided that such a record date shall not exceed forty (40) clear days prior to the date where the determination will be made.

15.3. If the Register of Members is not so closed and no record date is fixed for the determination of Members entitled to notice of, or to vote at, a meeting of Members or Members entitled to receive payment of a dividend or other distribution, the date on which notice of the meeting is sent or posted or the date on which the resolution of the Directors resolving to pay such dividend or other distribution is passed, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

#### **16. GENERAL MEETINGS**

16.1. An annual general meeting of the Company may at the discretion of the Board be held in the year in which these Articles were adopted and shall be held in each year thereafter at such time as determined by the Board and the Company may, but shall not (unless required by the Act) be obliged to, in each year hold any other general meeting.

16.2. The agenda of the annual general meeting shall be set by the Board and shall include the presentation of the Company's annual accounts and the report of the Directors (if any).

16.3. Annual general meetings shall be held in such place as the Directors may determine from time to time.

16.4. All general meetings other than annual general meetings shall be called extraordinary general meetings and the Company shall specify the meeting as such in the notices calling it.

16.5. The Board may, whenever it thinks fit, convene an extraordinary general meeting of the Company.

16.6. *[intentionally left blank]*

16.7. Other than pursuant to Article 16.9, no Member shall have the power to make a requisition to convene a meeting to Directors.

16.8. *[intentionally left blank]*

16.9. If there are no Directors, Members collectively holding more than two-thirds of the voting power may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three (3) months after notice of such meeting is given.

16.10. A general meeting convened as aforesaid by the Members shall be convened in as close to the same manner as possible as that in which general meetings are to be convened by the Board.

16.11. Save as set out in Articles 16.1 to 16.10, the Members have no right to propose resolutions to be considered or voted upon at annual general meetings or extraordinary general meetings of the Company.

## **17. NOTICE OF GENERAL MEETINGS**

17.1. An annual general meeting, if and when called in accordance with Article 16, shall be called by not less than 20 clear business days' notice in writing, and any other general meeting shall be called by not less than 10 clear business days' notice in writing. Such notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting.

17.2. Such Notice may be served on a Member in accordance with Article 36 or in such other manner (if any) as may be prescribed by Ordinary Resolution, to such persons as are entitled to vote or may otherwise be entitled under these Articles to receive such notices from the Company; provided that a general meeting of the Company shall, whether or not the notice specified in this Article has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all of the Members entitled to attend and vote thereat; and

(b) in the case of an extraordinary general meeting, by Members having a right to attend and vote at the meeting, together holding not less than two-thirds of the voting power of the Shares giving that right.

17.3. The accidental omission to give notice of a general meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that general meeting.

## **18. PROCEEDINGS AT GENERAL MEETINGS**

18.1. No business shall be transacted at any meeting unless a quorum is present at the time when the meeting proceeds to business and continues to be present until the conclusion of the meeting. One or more Members holding not less than one-third in aggregate of the voting power of all Shares in issue and entitled to vote, present in person or by proxy or, if a corporation or other non-natural person, by its duly authorised representative, shall represent a quorum.

18.2. If a quorum is not present within half an hour from the time appointed for the meeting to commence or if during such a meeting a quorum ceases to be present, the meeting, if convened upon a Members' requisition, shall be dissolved and in any other case it shall stand adjourned and shall reconvene on the same day in the next week at the same time and/or place or to such other day, time and/or place as the Directors may determine, and if at the reconvened meeting a quorum is not present within half an hour from the time appointed for the meeting to commence, the Members present shall be a quorum.

18.3. A person may participate in a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other at the same time. Participation by a Member in a meeting in this manner is treated as presence in person at that meeting and is counted in a quorum and entitled to vote.

- 18.4. The Chairman or in the absence of the Chairman, any other person nominated by the Directors, shall preside as chairman of the meeting, but if neither the Chairman nor such other person nominated by the Directors is present within thirty (30) minutes after the time appointed for holding the meeting and willing to act, the Directors present shall elect one of their number to be chairman and, if there is only one Director present and willing to act, he shall be chairman. If no Director is willing to act as chairman, or if no Director is present within thirty (30) minutes after the time appointed for holding the meeting, then such meeting shall be adjourned for a one week period and shall be held in the following week on the same day at the same time and place. If at the adjournment of the meeting the Chairman or in his absence such other person nominated by the Directors or in their absence a Director is not willing to act as chairman, or if no Director is present within thirty (30) minutes after the time appointed for holding the meeting, then such meeting shall be cancelled. For the avoidance of doubt, only a Director or a person nominated by the Directors may serve as the chairman of the meeting.
- 18.5. The order of business at each such meeting shall be as determined by the chairman of the meeting. The chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Company, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the polls. The chairman of the meeting shall announce at each such meeting the date and time of the opening and the closing of the polls for each matter upon which the Members will vote at such meeting.
- 18.6. A Director shall, notwithstanding that he is not a Member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the Company.
- 18.7. The chairman of the meeting may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen (14) days or more, at least seven (7) clear days' notice shall be given in the manner herein provided, including, but not limited to, as described in Article 36, specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any such notice.
- 18.8. At each meeting of the Members, all corporate actions, including the election of Directors, to be taken by vote of the Members (except as otherwise required by applicable law and except as otherwise provided in these Articles) shall be authorised by Ordinary Resolution. Where a separate vote by a class or classes or series is required, save as provided in Article 4.6(a), the affirmative vote of the majority of Shares of such class or classes or series present in person or represented by proxy at the meeting and voting shall be the act of such class or series (unless provided otherwise in the resolutions providing for the issuance of such class or series).
- 18.9. At any general meeting a resolution put to the vote of the meeting shall be decided on a poll.
- 18.10. A poll shall be taken in such manner as the chairman directs and he may appoint scrutineers (who need not be Members) and fix a place and time for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken.
- 18.11. In the case of equality of votes, the chairman of the meeting shall be entitled to a casting vote in addition to any other vote he may have.
- 18.12. If for so long as the Company has only one Member:
- (a) in relation to a general meeting, the sole Member or a proxy for that Member or (if the Member is a corporation) a duly authorised representative of that Member is a quorum and Article 18.1 is modified accordingly;



- (b) the sole Member may agree that any general meeting be called by shorter notice than that provided for by the Articles; and
- (c) all other provisions of the Articles apply with any necessary modification (unless the provision expressly provides otherwise).

## 19. VOTES OF MEMBERS

- 19.1. Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting (including without limitation the enhanced voting rights attaching to Class B Common Shares provided for in Article 5): (a) on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his or her name in the Register of Members (and for the avoidance of doubt each Class B Common Share shall entitle the holder to 10 votes on all matters subject to a vote at general meetings of the Company), provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every Member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a Member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a Member entitled to more than one vote need not use all his or her votes or cast all the votes he or her does use in the same way.
- 19.2. At any general meeting, a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the listing rules of any Designated Stock Exchange, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by Members present in person or by proxy or by a duly authorized corporate representative):
- (a) at least 2 Members;
  - (b) any Member or Members representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the meeting; or
  - (c) a Member or Members holding shares conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.
- 19.3. In the case of joint holders, the vote of the senior joint holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and seniority shall be determined by the order in which the names of the holders stand in the Register of Members.
- 19.4. A Member in respect of whom an order has been made by any court having jurisdiction (whether in the Islands or elsewhere) in matters concerning mental disorder may vote, by his receiver, curator bonis or other person authorised in that behalf appointed by that court, and any such receiver, curator bonis or other person may vote by proxy. Evidence to the satisfaction of the Directors of the authority of the person claiming to exercise the right to vote shall be received at the registered office of the Company, or at such other place as is specified in accordance with these Articles for the deposit or delivery of forms of appointment of a proxy, or in any other manner specified in these Articles for the appointment of a proxy, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable.
- 19.5. Where the Company has knowledge that any Member is, under the listing rules of any Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

- 19.6. No Member shall, unless the Directors otherwise determine, be entitled to vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy or by a corporate representative, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid.
- 19.7. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairman of the meeting whose decision shall be final and conclusive.
- 19.8. Votes may be given either personally or by proxy. Deposit or delivery of a form of appointment of a proxy does not preclude a Member from attending and voting at the meeting or at any adjournment of it, save that only the Member or his proxy may cast a vote.
- 19.9. A Member entitled to more than one vote need not, if he votes, use all his votes or cast all votes he uses the same way.
- 19.10. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his or her attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a Member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the Member, according to his or her intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his or her discretion in respect of) each resolution dealing with any such business.
- 19.11. Subject to the Act, the Directors may accept the appointment of a proxy received in an electronic communication at an address specified for such purpose, on such terms and subject to such conditions as they consider fit. The Directors may require the production of any evidence which they consider necessary to determine the validity of any appointment pursuant to Article 19.10.
- 19.12. Subject to Article 19.13 below, the form of appointment of a proxy and any authority under which it is executed or a copy of such authority certified notarially or in some other way approved by the Directors may:
- (a) in the case of an instrument in writing, be left at or sent by post to the registered office of the Company or such other place within the Islands or elsewhere as is specified in the notice convening the meeting or in any form of appointment of proxy sent out by the Company in relation to the meeting at any time before the time for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote;
  - (b) in the case of an appointment of a proxy contained in an electronic communication, where an address has been specified by or on behalf of the Company for the purpose of receiving electronic communications:
    - (i) in the notice convening the meeting; or
    - (ii) in any form of appointment of a proxy sent out by the Company in relation to the meeting; or
    - (iii) in any invitation contained in an electronic communication to appoint a proxy issued by the Company in relation to the meeting;

be received at such address at any time before the time for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote;

- (c) in the case of a poll taken more than forty-eight (48) hours after it is demanded, be deposited or delivered as required by paragraphs (a) or (b) of this Article after the poll has been demanded and at any time before the time appointed for the taking of the poll; or
- (d) where the poll is taken immediately but is taken not more than forty-eight (48) hours after it was demanded, be delivered at the meeting at which the poll was demanded to the chairman of the meeting or to the secretary or to any Director;

and a form of appointment of proxy which is not deposited or delivered in accordance with this Article or Article 19.13 is invalid.

19.13. Notwithstanding Article 19.12 above, the Directors may by way of note to or in any document accompanying the notice of a general meeting (or adjourned meeting) fix the latest time by which the appointment of a proxy must be communicated to or received by the Company (being not more than 48 hours before the relevant meeting).

19.14. A vote or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous determination of the authority of the person voting or demanding a poll unless notice of the determination was received by the Company at the registered office of the Company or, in the case of a proxy, any other place specified for delivery or receipt of the form of appointment of proxy or, where the appointment of a proxy was contained in an electronic communication, at the address at which the form of appointment was received, before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll.

19.15. Any corporation or other non-natural person which is a Member of the Company may in accordance with its constitutional documents, or, in the absence of such provision, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Member.

19.16. Should a Clearing House or its nominee(s) or depositary or its nominee(s) be a Member, such person or persons may be authorized as it thinks fit to act as its representative(s) at any general meeting or at any meeting of any class of Members provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this Article shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) or depositary or its nominee(s) as if such person were an individual Member including the right to vote individually on a show of hands.

## **20. NUMBER OF DIRECTORS AND CHAIRMAN**

20.1. Subject to Article 21.6, the Board will be composed of 5 to 11 Directors, with the number being determined by a majority of the Directors then in office may determine from time to time, provided that, unless otherwise determined by the Members acting by Special Resolution, the Board shall consist of not less than 5 Directors and not more than 11 Directors.

20.2. The Board shall have a Chairman elected and appointed by the Founding Shareholders to act as the chairman at Board meetings as long as the Founding Shareholders hold at least 25% of all voting powers of the Members. Where the Founding Shareholders do not have such voting power then the Board shall have a Chairman elected and appointed by a majority of the Directors to act as the chairman at Board meetings. The Board may also have a Vice-Chairman elected and appointed by a majority of the Directors to act in the absence of the Chairman at Board meetings.

20.3. The period for which the Chairman and/or the Vice-Chairman shall hold office shall be determined by the majority of the Board. The Chairman shall preside as chairman at every meeting of the Board at which he is present. Where the Chairman is not present at a meeting of the Board, the Vice-Chairman (if any) shall act as chairman, or in his absence, the attending Directors may choose one Director to be the chairman of the meeting.

## **21. APPOINTMENT, DISQUALIFICATION AND REMOVAL OF DIRECTORS**

20.1. Save as provided in Article 21.5, Directors shall be elected by an Ordinary Resolution of Members.

20.2. [intentionally left blank]

20.3. Every Director shall be appointed for a term ending at the next annual general meeting of Members following such appointment, unless they resign or their office is vacated earlier pursuant to Articles 21.4 and 21.11, provided, however, that such term shall be extended in the event that no successor is appointed (in which case such term shall be extended to the date on which such successor has been appointed).

20.4. Before the expiration of his or her term of office as a Director, a Director may only be removed for Cause by Ordinary Resolution in accordance with Article 21.10 below. Cause shall mean, in relation to a Director, the occurrence of any of the following events:

- (a) the person's conviction by final judgment issued by a competent court or declaration of guilt before a competent court with respect to any offense considered an intentional crime or punishable by detention, or a torpid act, intentional fraud, improbity, theft or anti-ethic business conduct in the jurisdiction involved;
- (b) fraud, theft, financial dishonesty, misappropriation or embezzlement of funds by the person, whether before or after the date of his/her election, that adversely affects the Company;
- (c) breach or wilful misconduct by the person in the performance of its obligations, including, among others, (i) uninterrupted or repeated omission or refusal to perform the obligations and duties established in the Articles of Association or in the applicable laws, (ii) incapacity, by the person, to comply with the obligations and duties as a result of an alcohol or drug addiction; or
- (d) wilful misconduct that causes material damages to or that adversely affects the financial situation or commercial reputation of the Company.

20.5. Any additions to the Board or any vacancies on the Board arising other than upon the removal of a Director in accordance with Article 21.10 can be filled by the remaining Director(s) (notwithstanding that the remaining Director(s) may constitute fewer than the number of Directors required by Article 20.1 or fewer than is required for a quorum pursuant to Article 28.1). Any such appointment shall be as an interim Director to fill such vacancy until the appointment of a new Director or at the next annual general meeting of Members (and such appointment shall terminate at the commencement of the annual general meeting) whichever takes effect first.

20.6. Additional Board members may be appointed to the existing Board (subject to the maximum provided for in Article 20.1 above) by Ordinary Resolution.

20.7. There is no age limit for Directors of the Company. Directors are eligible for re-election.

20.8. No shareholding qualification shall be required for a Director. A Director who is not a Member shall nevertheless be entitled to receive notice of and to attend and speak at general meetings of the Company.

- 20.9. While any shares of the Company are admitted to trading on a Designated Stock Exchange, the Board must at all times comply with the residency and citizenship requirements of securities laws of the United States applicable to foreign private issuers and shall at no time have a majority of Directors who are U.S. Persons. Notwithstanding any other provision in these Articles, no appointment or election of a U.S. Person as a Director shall be permitted if such appointment or election would have the effect of creating a majority of Directors who are U.S. Persons, and any such appointment or election shall be disregarded for all purposes.
- 20.10. Directors may be removed (with Cause) by Ordinary Resolution. The notice of general meeting must contain a statement of the intention to remove the Director and must be served on the Director not less than ten (10) calendar days before the meeting. The director is entitled to attend the meeting and be heard on the motion for his removal.
- 20.11. The office of a Director shall be vacated automatically if:
- (a) he or she becomes prohibited by law from being a Director;
  - (b) he or she becomes bankrupt or makes any arrangement or composition with his creditors generally;
  - (c) he or she dies or is, in the opinion of all his co-Directors, incapable by reason of mental disorder of discharging his duties as Director;
  - (d) he or she resigns his or her office by notice to the Company; or
  - (e) he or she has for more than six (6) months been absent without permission of the Directors from meetings of Directors held during that period and the remaining Directors resolve that his or her office be vacated.

## **22. ALTERNATE DIRECTORS**

- 22.1. Any Director (but not an alternate Director) may by writing appoint any other Director, or any other person willing to act, to be an alternate Director and by writing may remove from office an alternate Director so appointed by him.
- 22.2. An alternate Director shall be entitled to receive notice of all meetings of Directors and of all meetings of committees of Directors of which his appointor is a member, to attend and vote at every such meeting at which the Director appointing him is not personally present, to sign any written resolution of the Directors (in place of his appointor) and generally to perform all the functions of his appointor as a Director in his absence.
- 22.3. An alternate Director shall cease to be an alternate Director if his appointor ceases to be a Director.
- 22.4. Any appointment or removal of an alternate Director shall be by written notice to the Company at its registered office, signed by the Director making or revoking the appointment, or in any other manner approved by the Directors.
- 22.5. Subject to the provisions of these Articles, an alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and shall not be deemed to be the agent of the Director appointing him.

## **23. POWERS OF DIRECTORS**

- 23.1. Subject to the provisions of the Act, to the Memorandum and the Articles, to any directions given by Ordinary Resolution or Special Resolution and to the listing rules of any Designated Stock Exchange, the business and affairs of the Company will be managed by, or under the direction or supervision of, the Board. The Directors may exercise all the powers of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this Article shall not be limited by any special power given to the Directors by the Articles and a meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.
- 23.2. The Board may exercise all the powers of the Company to raise capital or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

## **24. DELEGATION OF DIRECTORS' POWERS**

- 24.1. Subject to these Articles, the Directors may from time to time appoint any Person, whether or not a director of the Company, to hold such office in the Company as the Directors may think necessary for the administration of the Company, including without prejudice to the foregoing generality, the offices of chief executive officer, chief operating officer and chief financial officer, one or more vice presidents, managers or controllers, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another) and with such powers and duties as the Directors may think fit.
- 24.2. Without limiting the generality of Article 24.1, the Directors may appoint one or more of their body to the office of managing Director or to any other executive office under the Company, and the Company may enter into an agreement or arrangement with any Director for his/her employment, subject to applicable law and any listing rules of the SEC or any Designated Stock Exchange, or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made upon such terms as the Directors determine and they may remunerate any such Director for his services as they think fit. Any appointment of a Director to an executive office shall terminate automatically if he ceases to be a Director but without prejudice to any claim to damages for breach of the contract of service between the Director and the Company.
- 24.3. The Directors may, by power of attorney or otherwise, appoint any person to be the agent of the Company for such purposes and on such conditions as they determine, including authority for the agent to delegate all or any of his powers.
- 24.4. Subject to applicable law and the listing rules of any Designated Stock Exchange, the Directors may delegate any of their powers to any committee (including, without limitation, an Audit Committee, Finance Committee, Risk Committee and People and Compensation Committee), consisting of one or more persons. They may also delegate to any executive officer or committee of executive officers such of their powers as they consider desirable to be exercised by him or them. Any such delegation may be made subject to any conditions the Directors may impose, and either collaterally with or to the exclusion of its own powers and may be revoked or altered. Subject to any such conditions, the proceedings of a committee with two or more members shall be governed by the provisions of the Articles regulating the proceedings of Directors so far as they are capable of applying. Where a provision of the Articles refers to the exercise of a power, authority or discretion by the Directors and that power, authority or discretion has been delegated by the Directors to a committee, the provision shall be construed as permitting the exercise of the power, authority or discretion by the committee.

## **25. REMUNERATION AND EXPENSES OF DIRECTORS**

- 25.1. The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or in general meeting by the Members, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office with the Company may be entitled by reason of such employment or office.
- 25.2. Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing Director, joint managing Director, deputy managing Director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board of Directors may from time to time decide. Such remuneration shall be in addition to his or her ordinary remuneration as a Director.

## **26. DIRECTORS' GRATUITIES AND PENSIONS**

- 26.1. The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries or companies with which the Company is associated in business, or may make contributions out of Company monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.
- 26.2. The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his or her actual retirement.

## **27. DIRECTORS' INTERESTS**

- 27.1. With the exception of the office of auditor, a Director may hold any other office or place of profit with the Company in conjunction with his or her office of Director for such period and upon such terms as may determine in accordance with these Articles, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to these Articles. A Director may be or become a director, officer or member of any other company in which Company may be interested, and shall not be liable to account to Company or the Members for any remuneration or other benefits received by him as a director, officer or member of such other company.
- 27.2. No Director or intended Director shall be disqualified by his or her office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his or her interest at the earliest meeting of the Board at which he or she may practically do so.

- 27.3. A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or she or any of his or her close associate(s) has/have a material interest, and if such Director shall do so, his or her vote shall not be counted nor shall such Director be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:
- (a) the giving of any security or indemnity to the Director or his or her close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the Company's request of or for the Company's benefit or any of the Company's subsidiaries;
  - (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company's or any of the Company's subsidiaries for which the Director or his or her close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
  - (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his or her close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (d) any proposal or arrangement concerning the benefit of the Company's employees or any of the Company's subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his or her close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of the Company's subsidiaries and does not provide in respect of any Director or his or her close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
  - (e) any contract or arrangement in which the Director or his or her close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company's by virtue only of his or her/their interest in those shares, debentures or other securities.
- 27.4. Subject to the Act and Articles 27.1, 27.2 and 27.3 above and listing rules of any Designated Stock Exchange, if a Director has disclosed to the other Directors the nature and extent of any direct or indirect interest which the Director has in any transaction or arrangement with the Company, a Director notwithstanding his office:
- (a) may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;
  - (b) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and
  - (c) shall not by reason of his office be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.
- 27.5. For the purposes of Article 27.4:
- (a) a general notice given to the Directors to the effect that (1) a Director is a member or officer of a specified company or firm and is to be regarded as having an interest in any transaction or arrangement which may after the date of the notice be made with that company or firm; or (2) a Director is to be regarded as interested in any transaction or arrangement which may after the date of the notice be made with a specified person who is connected with him or her shall be deemed to be a sufficient disclosure that the Director has an interest of the nature and extent so specified; and



(b) an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

27.6. A Director must disclose any direct or indirect interest in any transaction or arrangement with the Company, and following a declaration being made pursuant to the Articles, subject to Articles 27.1, 27.2 and 27.3 above and any separate requirement for Audit Committee approval under applicable law or the listing rules of any Designated Stock Exchange, and unless disqualified by the chairman of the relevant meeting, a Director may vote in respect of any such transaction or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

27.7. Notwithstanding the foregoing, no Independent Director and with respect of whom the Board has determined constitutes an Independent Director for purposes of compliance with applicable law or the Company's listing requirements, shall without the consent of the Audit Committee take any of the foregoing actions or any other action that would reasonably be likely to affect such Director's status as an Independent Director of the Company.

## **28. PROCEEDINGS OF DIRECTORS**

28.1. The quorum for the transaction of the business of the Directors shall be a simple majority of the Directors then in office (subject to there being a minimum of two (2) Directors present). A person who holds office as an alternate Director shall, if his appointor is not present, be counted in the quorum. A Director who also acts as an alternate Director shall, if his appointor is not present, count twice towards the quorum, but one such Director shall not constitute a quorum on his own.

28.2. Subject to the provisions of the Articles, the Directors may regulate their proceedings as they determine is appropriate. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote. In the absence of the Chairman, the Vice-Chairman shall have a second or casting vote. In the absence of both Chairman and Vice-Chairman, no director shall have a second or casting vote and in the event of a tie a new meeting shall be convened. A Director who is also an alternate Director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.

28.3. Meetings of the Directors shall be held at least once every calendar quarter and shall take place at such place as the Directors may determine from time to time.

28.4. A person may participate in a meeting of the Directors or any committee of Directors by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other at the same time. Participation by a person in a meeting in this manner is treated as presence in person at that meeting and is counted in a quorum and entitled to vote.

28.5. A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of the Directors (an alternate Director being entitled to sign such a resolution on behalf of his appointor and if such alternate Director is also a Director, being entitled to sign such resolution both on behalf of his appointor and in his capacity as a Director) shall be as valid and effective as if it had been passed at a meeting of the Directors, or committee of Directors as the case may be, duly convened and held. Unless otherwise provided by its terms, such a resolution shall be effective from the date and time of the last signature.

28.6. The Chairman or in his absence the Vice-Chairman (if any) or in their absence a Director or alternate Director may, and another officer of the Company on the direction of a Director or alternate Director shall, call a meeting of the Directors by at least five (5) clear days' notice in writing to every Director and alternate Director which notice shall set forth the general nature of the business to be considered unless notice is waived by all the Directors (or their alternates) either at, before or after the meeting is held. To any such notice of a meeting of the Directors all the provisions of the Articles relating to the giving of notices by the Company to the Members shall apply mutatis mutandis.

- 28.7. Notwithstanding Article 28.6, if all Directors so agree to the meeting, the Chairman or in his absence the Vice-Chairman (if any) or in their absence any Director or alternate Director may, or other officer of the Company on the direction of a Director or alternate Director may, call a meeting of the Directors on shorter notice than is provided for in Article 28.6 by notice in writing to every Director and alternate Director, which notice shall set forth the general nature of the business to be considered.
- 28.8. The continuing Directors (or a sole continuing Director, as the case may be) may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to the Articles as the necessary quorum of Directors, the continuing Directors or Director may act for the purpose of increasing the number of Directors to be equal to such fixed number, or of summoning a general meeting of the Company, but for no other purpose.
- 28.9. All acts done by any meeting of the Directors or of a committee of the Directors (including any person acting as an alternate Director) shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any Director or alternate Director, and/or that they or any of them were disqualified, and/or had vacated their office and/or were not entitled to vote, be as valid as if every such person had been duly appointed and/or not disqualified to be a Director or alternate Director and/or had not vacated their office and/or had been entitled to vote, as the case may be.
- 28.10. A Director who is present at a meeting of the Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by electronic mail to the Company immediately after the conclusion of the meeting and such notice to be received by the Company within twenty four hours. Such right to dissent shall not apply to a Director who voted in favour of such action.

## **29. SECRETARY AND OTHER OFFICERS**

- 29.1. The Directors may by resolution appoint a Secretary and may by resolution also appoint such other officers as may from time to time be required upon such terms as to the duration of office, remuneration and otherwise as they may think fit PROVIDED THAT, the Directors may only appoint persons as directors of the Company in accordance with Article 21.5. Such Secretary or other officers need not be Directors and in the case of the other officers may be ascribed such titles as the Directors may determine. The Directors may by resolution remove from that position any Secretary or other officer appointed pursuant to this Article.

## **30. MINUTES**

- 30.1. The Directors shall cause minutes to be made in books kept for the purposes of recording:
- (a) all appointments of officers made by the Directors; and
  - (b) all resolutions and proceedings of meetings of the Company, of the holders of any class of shares in the Company and of the Directors and of committees of Directors, including the names of the Directors present at each such meeting.

## **31. SEAL**

- 31.1. The Company may, if the Directors so determine, have a Seal. The Seal shall only be used by the authority of the Directors or of a committee of Directors authorised by the Directors. The Directors may determine who shall sign any instrument to which the Seal is affixed, and unless otherwise so determined every such instrument shall be signed by a Director or by such other person as the Directors may authorise.
- 31.2. The Company may have for use in any place or places outside the Islands a duplicate Seal or Seals, each of which shall be a reproduction of the Seal of the Company and, if the Directors so determine, shall have added on its face the name of every place where it is to be used.

- 31.3. The Directors may by resolution determine (i) that any signature required by this Article need not be manual but may be affixed by some other method or system of reproduction or mechanical or electronic signature and/or (ii) that any document may bear a printed reproduction of the Seal in lieu of affixing the Seal thereto.
- 31.4. No document or deed otherwise duly executed and delivered by or on behalf of the Company shall be regarded as invalid merely because at the date of the delivery of the deed or document, the Director, Secretary or other officer or person who shall have executed the same or affixed the Seal thereto, as the case may be, for and on behalf of the Company shall have ceased to hold such office and authority on behalf of the Company.

## **32. DIVIDENDS**

- 32.1. Subject to any rights and restrictions for the time being attached to any shares, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorize payment of the same out of the funds of the Company lawfully available therefor.
- 32.2. Subject to any rights and restrictions for the time being attached to any shares, the Company by Ordinary Resolution may declare dividends, but no dividend shall exceed the amount recommended by the Directors.
- 32.3. Subject to the provisions of the Act, the Directors may declare dividends in accordance with the respective rights of the Members and authorise payment of the same out of the funds of the Company lawfully available therefor. If at any time the share capital is divided into different classes of shares, the Directors may pay dividends on shares which confer deferred or non-preferred rights with regard to dividends as well as on shares which confer preferential rights with regard to dividends, but no dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The Directors may also pay at intervals settled by them any dividend payable at a fixed rate if it appears that there are sufficient funds of the Company lawfully available for distribution to justify the payment. Provided the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of a dividend on any shares having deferred or non-preferred rights.
- 32.4. The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds may be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares in the capital of the Company) as the Directors may from time to time think fit.
- 32.5. Except as otherwise provided by the rights attached to shares and subject to Article 15, all dividends shall be paid in proportion to the number of shares a Member holds as of the date the dividend is declared; save that (a) if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly; and (b) where the Company has shares in issue which are not fully paid up (as to par value) the Company may pay dividends in proportion to the amount paid up on each share.
- 32.6. The Directors may deduct from a dividend or other amounts payable to a person in respect of a share any amounts due from him to the Company on account of a call or otherwise in relation to a share.
- 32.7. Any Ordinary Resolution or Directors' resolution declaring a dividend may direct that it shall be satisfied wholly or partly by the distribution of assets and, where any difficulty arises in regard to such distribution, the Directors may settle the same and in particular may issue fractional certificates and fix the value for distribution of any assets and may determine that cash shall be paid to any Member upon the footing of the value so fixed in order to adjust the rights of Members and may vest any assets in trustees.

- 32.8. Any dividend or other moneys payable on or in respect of a share may be paid by cheque sent by post to the registered address of the person entitled or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder, to the registered address of that one of those persons who is first named in the Register of Members or to such person and to such address as the person or persons entitled may in writing direct. Subject to any applicable law or regulations, every cheque shall be made payable to the order of the person or persons entitled or to such other person as the person or persons entitled may in writing direct and payment of the cheque shall be a good discharge to the Company. Any joint holder or other person jointly entitled to a share as aforesaid may give receipts for any dividend or other moneys payable in respect of the share.
- 32.9. No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.
- 32.10. Any dividend which has remained unclaimed for six years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

### **33. FINANCIAL YEAR, ACCOUNTING RECORDS AND AUDIT**

- 33.1. Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31 December in each year and shall begin on 1 January each year.
- 33.2. The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the Company's assets and liabilities and of all other matters required by the Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain the Company's transactions.
- 33.3. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors. The books of account shall be kept at the registered office or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
- 33.4. No Member shall be entitled to require discovery of or any information with respect to any detail of the Company's trading or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interests of the Members of the Company to communicate to the public.
- 33.5. The Directors may from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books and corporate records of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by applicable law, the listing rules of any Designated Stock Exchange or authorised by the Directors.
- 33.6. Subject to Articles 33.5, and 33.7 a printed copy of the Directors' report, if any, accompanied by the consolidated statements of financial position, profit or loss, comprehensive income (loss), cash flows and changes in shareholders' equity, including every document required by the Act to be annexed thereto, made up to the end of the applicable financial year, shall be sent to the Members at least ten (10) days before the date of the general meeting and laid before the Company at the annual general meeting held in accordance with Article 16.2, provided that this Article 33.6 shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares.

33.7. The requirement to send to a person referred to in Article 33.6 the documents referred to in that Article shall be deemed satisfied where, in accordance with all applicable laws, rules and regulations, including, without limitation, the rules of any Designated Stock Exchange, the Company publishes copies of the documents referred to in Article 33.6 on the Company's Website, transmits it to SEC's website or in any other permitted manner (including by sending any other form of electronic communication), and that person has agreed or is deemed by the Company to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.

33.8. The Directors may from time to time determine that Auditors shall be appointed and that the accounts relating to the Company's affairs shall be audited in such manner as the Directors shall determine PROVIDED THAT nothing contained in this Article shall require Auditors to be appointed or the accounts relating to the Company's affairs to be audited. The appointment of and provisions relating to Auditors shall be in accordance with applicable law and the relevant code, rules and regulations applicable to the listing of the Shares on the Exchange.

#### **34. CAPITALISATION OF PROFITS**

34.1. The Directors may:

- (a) subject as provided in this Article, resolve to capitalize any undivided profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of the Company's share premium account or capital redemption reserve;
- (b) appropriate the sum resolved to be capitalised to the Members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to such sum, and allot the shares or debentures credited as fully paid to those Members, or as they may direct, in those proportions, or partly in one way and partly in the other, provided that on any such capitalization holders of Class A Common Shares shall receive Class A Common Shares (or rights to acquire Class A Common Shares, as the case may be) and holders of Class B Common Shares shall receive Class B Common Shares (or rights to acquire Class B Common Shares, as the case may be);
- (c) resolve that any shares so allotted to any Member in respect of a holding by him of any partly-paid shares rank for dividend, so long as such shares remain partly paid, only to the extent that such partly paid shares rank for dividend;
- (d) make such provision by the issue of fractional certificates or by payment in cash or otherwise as they determine in the case of shares or debentures becoming distributable under this Article in fractions; and
- (e) authorise any person to enter on behalf of all the Members concerned into an agreement with the Company providing for the allotment to them respectively, credited as fully paid, of any shares or debentures to which they may be entitled upon such capitalization, any agreement made under such authority being binding on all such Members.

#### **35. SHARE PREMIUM ACCOUNT**

35.1. The Directors shall in accordance with Section 34 of the Act establish a share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share or capital contributed as described in Article 4.7.

35.2. There shall be debited to any share premium account:

- (a) on the redemption or purchase of a share the difference between the nominal value of such share and the redemption or purchase price provided always that at the discretion of the Directors such sum may be paid out of the profits of the Company or, if permitted by Section 37 of the Act, out of capital; and

(b) any other amounts paid out of any share premium account as permitted by Section 34 of the Act.

### 36. NOTICES

- 36.1. Except where otherwise provided in these Articles and subject to the rules of any Designated Stock Exchange, any notice or document (including a share certificate) to be given or issued under these Articles shall be in writing, and may be served by the Company or by the person entitled to give notice to any Member either personally, or by posting it by airmail or by air courier service to such Member at his address as appearing in the Register of Members, or by electronic mail to any electronic mail address such Member may have specified in writing for the purposes of such service of notices, or (in the case of a notice) by advertisement in the newspapers, or by placing it on the Company's Website. The Company will give notice of each general meeting of the Members by publication on the Company's website and in any other manner that the Company may be required to follow in order to comply with Cayman Islands law, the listing rules of any Designated Stock Exchange and SEC requirements.
- 36.2. Subject to the Act and the listing rules of any Designated Stock Exchange, a notice or document may also be served or delivered by the Company to any Member by electronic means.
- 36.3. In the case of joint holders of a Share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.
- 36.4. Notices posted to addresses outside the Cayman Islands shall be forwarded by prepaid airmail or courier.
- 36.5. Any notice or other document, if served by:
- (a) post, shall be deemed to have been served five days after the time when the letter containing the same is posted;
  - (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient;
  - (c) recognized courier service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service;
  - (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail; or
  - (e) placing it on the Company's Website, shall be deemed to have been served one (1) hour after the notice or document is placed on the Company's Website.
- In proving service by post or courier service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.
- 36.6. A Member present, either in person or by proxy, at any meeting of the Company or of the holders of any class of shares in the Company shall be deemed to have received notice of the meeting, and, where requisite, of the purpose for which it was called.
- 36.7. Any notice or document delivered or sent by post to or left at the registered address of any Member in accordance with the terms of these Articles shall notwithstanding that such Member be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Member as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register of Members as the holder of the Share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all Persons interested (whether jointly with or as claiming through or under him) in the Share.

36.8. Notice of every general meeting of the Company shall be given to:

- (a) all Members holding Shares with the right to receive notice and who have supplied to the Company an address, facsimile number or email address for the giving of notices to them; and
- (b) every Person entitled to a Share in consequence of the death or bankruptcy of a Member, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other Person shall be entitled to receive notices of general meetings.

### **37. WINDING UP**

37.1. The Board shall have the power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

37.2. If the Company is wound up, the liquidator may, with the sanction of a Special Resolution and any other sanction required by the Act, divide among the Members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Members as he with the like sanction determines, but no Member shall be compelled to accept any assets upon which there is a liability.

37.3. If the Company shall be wound up and the assets available for distribution amongst the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them respectively. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst the Members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. This Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

### **38. INDEMNITY**

38.1. Every Indemnified Person for the time being and from time to time of the Company and the personal representatives of the same shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages, liabilities, judgments, fines, settlements and other amounts (including reasonable attorneys' fees and expenses and amounts paid in settlement and costs of investigation (collectively Losses) incurred or sustained by him otherwise than by reason of his own dishonesty, wilful default or fraud in or about the conduct of the Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any Losses incurred by him in defending or investigating (whether successfully or otherwise) any civil, criminal, investigative and administrative proceedings concerning or in any way related to the Company or its affairs in any court whether in the Islands or elsewhere. Such Losses incurred in defending or investigating any such proceeding shall be paid by the Company as they are incurred upon receipt, in each case, of an undertaking by or on behalf of the Indemnified Person to repay such amounts if it is ultimately determined by a non-appealable order of a court of competent jurisdiction that such Indemnified Person is not entitled to indemnification hereunder with respect thereto.

- 38.2. No such Indemnified Person of the Company and the personal representatives of the same shall be liable (i) for the acts, receipts, neglects, defaults or omissions of any other Director or officer or agent of the Company or (ii) by reason of his having joined in any receipt for money not received by him personally or in any other act to which he was not a direct party for conformity or (iii) for any loss on account of defect of title to any property of the Company or (iv) on account of the insufficiency of any security in or upon which any money of the Company shall be invested or (v) for any loss incurred through any bank, broker or other agent or any other party with whom any of the Company's property may be deposited or (vi) for any loss, damage or misfortune whatsoever which may happen in or arise from the execution or discharge of the duties, powers, authorities or discretions of his office or in relation thereto or (vii) for any loss occasioned by any negligence, default, breach of duty, breach of trust, error of judgement or oversight on such Person's part, unless he has acted dishonestly, with wilful default or through fraud.
- 38.3. The Company hereby acknowledges that certain Indemnified Persons may have certain rights to indemnification, advancement of expenses and/or insurance from or against (other than directors' and officers' or similar insurance obtained or maintained by or on behalf of the Company or any of its subsidiaries, including any such insurance obtained or maintained pursuant to Article 38.4 hereof) Other Indemnitors. The Company hereby agrees that: (i) it is the indemnitor of first resort (i.e., its obligations to an Indemnified Person are primary and any obligation of any Other Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Indemnified Person are secondary); (ii) it shall be required to advance the full amount of expenses incurred by an Indemnified Person and shall be liable for the full amount of all Losses to the extent legally permitted and as required by the terms of these Articles (or any other agreement between the Company and an Indemnified Person) without regard to any rights an Indemnified Person may have against any Other Indemnitors; and (iii) it irrevocably waives, relinquishes and releases any Other Indemnitors from any and all claims against the Other Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by any Other Indemnitors on behalf of an Indemnified Person with respect to any claim for which such Indemnified Person has sought indemnification from the Company shall affect the foregoing, and without prejudice to Article 39 below, Other Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Indemnified Person against the Company. For the avoidance of doubt, no Person or entity providing Directors' or officers' or similar insurance obtained or maintained by or on behalf of the Company or any of its subsidiaries, including any Person providing such insurance obtained or maintained pursuant to Article 38.4 hereof, shall be an Other Indemnitor.
- 38.4. The Directors may exercise all the powers of the Company to purchase and maintain insurance for the benefit of a Person who is or was (whether or not the Company would have the power to indemnify such Person against such liability under the provisions of this Article 38 or under applicable law): (a) a Director, alternate Director, Secretary or auditor of the Company or of a company which is or was a subsidiary of the Company or in which the Company has or had an interest (whether direct or indirect); or (b) the trustee of a retirement benefits scheme or other trust in which a person referred to in Article 38.1 is or has been interested, indemnifying him against any liability which may lawfully be insured against by the Company.

### 39. CLAIMS AGAINST THE COMPANY

- 39.1. Notwithstanding Article 38.3, unless otherwise determined by a majority of the Board, in the event that (i) any Member (the *Claiming Party*) initiates or asserts any claim or counterclaim (*Claim*) or joins, offers substantial assistance to or has a direct financial interest in any Claim against the Company and (ii) the Claiming Party (or the third party that received substantial assistance from the Claiming Party or in whose Claim the Claiming Party had a direct financial interest) does not obtain a judgment on the merits in which the Claiming Party prevails, then each Claiming Party shall, to the fullest extent permissible by law, be obligated jointly and severally to reimburse the Company for all fees, costs and expenses (including, but not limited to, all reasonable attorneys' fees and other litigation expenses) that the Company may incur in connection with such Claim.



#### **40. UNTRACEABLE MEMBERS**

- 40.1. Without prejudice to the rights of the Company under Article 40.2, the Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two (2) consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.
- 40.2. The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless:
- (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three (3) in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles of the Company have remained uncashed;
  - (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and
  - (c) the Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers to be made in accordance with the requirements of, the Designated Stock Exchange of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purposes of the foregoing, the relevant period means the period commencing twelve (12) years before the date of publication of the advertisement referred to in this Article 40.2 and ending at the expiry of the period referred to in that paragraph.

- 40.3. To give effect to any such sale the Board may authorise some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such persons shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former Member for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Article shall be valid and effective notwithstanding that the Member holding the shares sold is dead, bankruptcy or otherwise under any legal disability or incapacity.

#### **41. AMENDMENT OF MEMORANDUM AND ARTICLES**

- 41.1. Subject to the Act, the Company may by Special Resolution change its name or change the provisions of the Memorandum with respect to its objects, powers or any other matter specified therein.
- 41.2. Subject to the Act and as provided in these Articles, the Company may at any time and from time to time by Special Resolution alter or amend these Articles in whole or in part.

#### **42. TRANSFER BY WAY OF CONTINUATION**

- 42.1. The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

#### **43. MERGER AND CONSOLIDATION**

- 43.1. Subject to the Act and the rules of any Designated Stock Exchange, the Company shall, with the approval of a Special Resolution, have the power to merge or consolidate with one or more constituent companies (as defined in the Act), upon such terms as the Directors may determine, provided that any such merger or consolidation shall require the written consent of the Founding Shareholders.
- 43.2. For the avoidance of doubt: a) statutory mergers and consolidations have the specific meaning as set out in the Act, b) no additional requirements are imposed by the Articles, and c) transactions which are not deemed by the Directors, in their sole discretion following due deliberations and advice, to be a merger or consolidation as set out in the Act, do not require a Special Resolution and may be carried out by the Company with the approval of Directors and shall not (unless otherwise set out in these Articles or the Act) require separate shareholder approval.

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

As of December 31, 2023 StoneCo Ltd. (“we,” “us,” and “our”) had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common shares, par value US\$0.000079365 per share	STNE	The Nasdaq Global Select Market

StoneCo Ltd. is a Cayman Islands exempted company with limited liability duly registered with the Cayman Islands Registrar of Companies. Our corporate purposes are unrestricted and we have the authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Cayman Companies Act, or the Companies Act generally.

Our affairs are governed principally by: (1) Articles of Association; (2) the Companies Act; and (3) the common law of the Cayman Islands. As provided in our Amended and Restated Memorandum and Articles of Association, subject to Cayman Islands law, we have full capacity to carry on or undertake any business or activity, do any act or enter into any transaction, and, for such purposes, full rights, powers and privileges. Our registered office is at Harneys Fiduciary (Cayman) Limited, Fourth Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

For the avoidance of doubt, our Amended and Restated Memorandum and Articles of Association are collectively referred to below as the “Articles of Association.”

**CLASS A COMMON SHARES**

**Item 9. General**

**9.A.3 Preemptive rights**

See “-Item 10.B Memorandum and articles of association-Preemptive or Similar Rights” below.

**9.A.5 Type and class of securities**

As of December 31, 2023, our authorized share capital is US\$50,000 divided into 630,000,000 shares of a par value of US\$0.000079365 each. All of our outstanding share capital is fully paid. Our Class A common shares are in book-entry form, registered in the name of each shareholder or its nominee. The authorized but unissued shares are presently undesignated and may be issued by the board of directors as common shares of any class or as shares with preferred, deferred or other special rights or restrictions.

Our Articles of Association authorize two classes of common shares: Class A common shares, and Class B common shares. Any holder of Class B common shares may convert his or her shares at any time into Class A common shares on a share-for-share basis. The rights of the two classes of common shares are otherwise identical, except as described below.

As of December 31, 2023, 295,498,750 Class A common shares and 18,748,770 Class B common shares were issued, fully paid and outstanding, and the Company holds 5,311,421 Class A common shares in treasury.

**Item 9.A.6. Limitations or qualifications**

Not applicable.

**Item 9.A.7. Other rights**

Not applicable.

**Item 10.B Memorandum and articles of association**

The following information describes our Class A common shares and provisions set forth by our Articles of Association, the Companies Act; and the common law of the Cayman Islands. This description is only a summary. You should read and refer to our Articles of Association included as Exhibit 1.1 hereto.

**Description of Our Memorandum and Articles of Association**

***History of Share Capital***

On October 24, 2018, the registration statement on Form F-1 (File No 333-227634) relating to our initial public offering of our class A common shares was declared effective by the SEC. On October 25, 2018, we commenced our initial public offering and on October 29, 2018, we closed our initial public offering.

**General**

Our shareholders adopted the Articles of Association at the 2023 Annual General Meeting on August 29, 2023. The following summary is subject to and qualified in its entirety by the Articles of Association. This is not a summary of all the significant provisions of our Articles of Association, of the Companies Act or of the common law of the Cayman Islands and does not purport to be complete. Capitalized terms used but not defined herein have the meanings given to them in our annual report on Form 20-F for the fiscal year ended December 31, 2023.

**Corporate Purposes**

Our corporate purposes are unrestricted and we have the authority to carry out any object not prohibited by any law as provided by Section 7(4) of Cayman Companies Act, or the Companies Act generally.

**Class A and Class B Common Shares**

Holders of our Class A and Class B common shares who are nonresidents of the Cayman Islands may freely hold and vote their shares.

The following summarizes the rights of holders of our Class A and Class B common shares:

Each holder of Class A common shares is entitled to one vote per share on all matters to be voted on by shareholders generally, including the election of directors;

Each holder of Class B common shares is entitled to 10 votes per share on all matters to be voted on by shareholders generally, including the election of directors;

Each holder of our Class A common shares and Class B common shares are entitled to dividends and other distributions as may be recommended and declared from time to time by our board of directors out of funds legally available for that purpose, if any; and

Upon our liquidation, dissolution or winding up, each holder of Class A common shares and Class B common shares will be entitled to share equally on a pro rata basis in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities.

The Articles of Association provide that at any time when there are Class A common shares in issue, Class B common shares may only be issued pursuant to: (a) a share split, subdivision or similar transaction or as contemplated in the Articles of Association; or (b) a business combination involving the issuance of Class B common shares as full or partial consideration. A business combination, as defined in the Articles of Association, would include, amongst other things, a statutory amalgamation, merger, consolidation, arrangement or other reorganization.

**Share Repurchase**

The Cayman Companies Act and the Articles of Association permit us to purchase our own shares, subject to certain restrictions. The board of directors may only exercise this power on behalf of us, subject to the Cayman Companies Act, the Articles of Association and to any applicable requirements imposed from time to time by the SEC, the applicable stock exchange on which our securities are listed.

**Preemptive or Similar Rights**

The Class A common shares and Class B common shares are not entitled to preemptive rights upon transfer and are not subject to conversion (except as described below under “-Conversion”), redemption or sinking fund provisions.

**Conversion**

At the option of the holder, a Class B common share may be converted at any time into one Class A common share. In addition, each Class B common share will convert automatically into one Class A common share upon any transfer, whether or not for value, except for certain transfers described in the Articles of Association, including transfers to affiliates, one or more trustees of a trust established for the benefit of the shareholder or their affiliates, and partnerships, corporations and other entities owned or controlled by the shareholder or their affiliates. Furthermore, each Class B common share will convert automatically into one Class A common share and no Class B common shares will be issued thereafter if, at any time, the voting power of outstanding Class B common shares represents less than 10% of the aggregate voting power of the Class A common shares and Class B common shares then outstanding.

No class of our common shares may be subdivided or combined unless the other class of common shares is concurrently subdivided or combined in the same proportion and in the same manner.

***Transfer of Shares***

Subject to any applicable restrictions set forth in the Articles of Association, any shareholder of ours may transfer all or any of his or her common shares by an instrument of transfer in the usual or common form or in the form prescribed by Nasdaq or any other form approved by our board of directors.

The Class A common shares are traded on the Nasdaq stock exchange in book-entry form and may be transferred in accordance with the Articles of Association and rules and regulations of Nasdaq or of any recognized stock exchange on which our securities are listed.

However, our board of directors may, in its absolute discretion, decline to register any transfer of any common share which is either not fully paid up to a person of whom it does not approve or is issued under any share incentive scheme for employees which contains a transfer restriction that is still applicable to such common share. The board of directors may also decline to register any transfer of any ordinary share unless:

fee of such maximum sum as Nasdaq may determine to be payable or such lesser sum as the board of directors may from time to time require is paid to us in respect thereof;

the instrument of transfer is lodged with us, accompanied by the certificate (if any) for the common shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;

the instrument of transfer is in respect of only one class of shares;

the instrument of transfer is properly stamped, if required;

the common shares transferred are free of any lien in favor of us; and

in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If the directors refuse to register a transfer they are required, within two months after the date on which the instrument of transfer was lodged, to send to the transferee notice of such refusal.

***Transmission of Shares***

Our Articles of Association provide provisions for the transmission of shares where a person becomes entitled to a share in consequence of the death or bankruptcy of a shareholder. These provisions include, amongst other things, provisions relating to Class B common shares and that no conversion is applicable upon transmission of such shares to a new holder who must be an affiliate (as defined in the Articles of Association) of the previous holder.

***Limitations on the Rights to Own Securities***

As provided in our Articles of Association, our Class A common shares may be issued to individuals, corporations, trusts, estates of deceased individuals, partnerships and unincorporated associations of persons. Our Articles of Association contain no limitation on the rights to own our shares and no limitation on the rights of non-Cayman Islands residents or foreign shareholders to hold or exercise voting rights.

***Directors***

We are managed by our board of directors. The Articles of Association provide that, unless otherwise determined by a special resolution of shareholders, the board of directors will be composed of five to 11 directors, with the number being determined by a majority of the directors then in office. There are no provisions relating to the retirement of directors upon reaching an age limit.

Each director shall be appointed and elected for a term ending at the next annual general meeting of the shareholders or until his or her death, resignation or removal, subject to any applicable provision set forth in the Articles of Association.

A Director is not required to hold any shares in us by way of qualification nor is there any specified upper or lower age limit for directors either for accession to or retirement from the board.

The board of directors may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the board of directors thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the board of directors.

***Appointment, Disqualification and Removal of Directors***

Subject to our Articles of Association, directors shall be elected by an ordinary resolution of the shareholders.

Before the expiration of his or her term of office, a director may only be removed for cause by ordinary resolution in accordance with the provisions of our Articles of Association and as subject to specific provisions in respect of founding directors. Cause shall mean, in relation to a director, the occurrence of any of the following events: (a) the person's conviction by final judgment issued by a competent court or declaration of guilt before a competent court with respect to any offense considered an intentional crime or punishable by detention, or a torpid act, intentional fraud, improbity, theft or anti-ethical business conduct in the jurisdiction involved; (b) fraud, theft, financial dishonesty, misappropriation or embezzlement of funds by the person, whether before or after the date of his or her election, that adversely affects us; (c) breach or wilful misconduct by the person in the performance of its obligations, including, among others, (i) uninterrupted or repeated omission or refusal to perform the obligations and duties established in our Articles of Association or in the applicable laws, (ii) incapacity, by the person, to comply with the obligations and duties as a result of an alcohol or drug addiction; or (d) willful misconduct that causes material damages to or that adversely affects the our financial situation or commercial reputation.

***Executive Officers***

Our executive officers are primarily responsible for the day-to-day management of our business and for implementing the general policies and directives established by our board of directors. Our board of directors is responsible for establishing the roles of each executive officer.

The Articles of Association provide that the board of directors may appoint such officers as they consider necessary on such terms, at such compensation and to perform such duties, and subject to such provisions as to disqualification and removal as the board of directors may think fit. Unless otherwise specified in the terms of his or her appointment an officer may be removed by the board of directors.

***Power to Allot and Issue Shares and Warrants***

Subject to the provisions of the Cayman Companies Act, the Articles of Association and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the board of directors may determine. Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at our option or the option of the holder of the share, it is liable to be redeemed.

The board of directors may issue warrants to subscribe for any class of shares or other securities of ours on such terms as we may from time to time determine.

We will not issue shares or warrants to bearer.

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Subject to the provisions of the Cayman Companies Act, the Articles of Association and, where applicable, the rules of Nasdaq or any recognized stock exchange on which our securities are listed and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all of our unissued shares shall be at the disposal of the board of directors, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount below par value.

Neither we nor the board of directors shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the board of directors, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***Power to Dispose of our Assets of or any of our Subsidiaries***

While there are no specific provisions in the Articles of Association relating to the disposal of our assets or any of our subsidiaries, the board of directors may exercise all powers and do all acts and things which may be exercised or done or approved by us and which are not required by the Articles of Association or the Cayman Companies Act to be exercised or done by us in general meeting, but if such power or act is regulated by us in general meeting, such regulation shall not invalidate any prior act of the board of directors which would have been valid if such regulation had not been made.

***Borrowing Powers***

The board of directors may exercise all of our powers to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of ours and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of ours, whether outright or as collateral security for any debt, liability or obligation of ours or of any third party.

***Compensation***

The Directors shall be entitled to receive, as ordinary compensation for their services, such sums as shall from time to time be determined by the board of directors or us in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the compensation is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any board of directors meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such compensation shall be in addition to any other compensation to which a Director who holds any salaried employment or office with us may be entitled by reason of such employment or office.

Any Director who, at our request, performs services which in the opinion of the board of directors go beyond the ordinary duties of a Director may be paid such special or extra compensation as the board of directors may determine, in addition to or in substitution for any ordinary compensation as a Director. An executive director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such compensation and such other benefits and allowances as the board of directors may from time to time decide. Such compensation shall be in addition to his or her ordinary compensation as a director.

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The board of directors may establish, either on its own or jointly in concurrence or agreement with our subsidiaries or companies with which we are associated in business, or may make contributions out of our monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with us or any of our subsidiaries) and former employees of ours and their dependents or any class or classes of such persons.

The board of directors may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the board of directors, be granted to an employee either before and in anticipation of, or upon or at any time after, his or her actual retirement.

***Loans and Provision of Security for Loans to Directors***

We shall not directly or indirectly make a loan to a Director or a director of any holding company of ours or any of our respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of ours or any of our respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

***Disclosure of Interest in Contracts with us or any of our Subsidiaries***

With the exception of our office of auditor, a Director may hold any other office or place of profit with us in conjunction with his or her office of Director for such period and upon such terms as the board of directors may determine, and may be paid such extra compensation for that other office or place of profit, in whatever form, in addition to any compensation provided for by or pursuant to the Articles of Association. A Director may be or become a director, officer or member of any other company in which we may be interested, and shall not be liable to account to us or the members for any compensation or other benefits received by him as a director, officer or member of such other company. The board of directors may also cause the voting power conferred by the shares in any other company held or owned by us to be exercised in such manner in all respects as we think fit, including the exercise in favor of any resolution appointing the directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his or her office from contracting with us, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to us for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with us shall declare the nature of his or her interest at the earliest meeting of the board of directors at which he or she may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to us.

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A Director shall not vote or be counted in the quorum on any resolution of the board of directors in respect of any contract or arrangement or proposal in which he or she or any of his or her close associate(s) has/have a material interest, and if such Director shall do so, his or her vote shall not be counted nor shall such Director be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- e giving of any security or indemnity to the Director or his or her close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at our request of or for our benefit or any of our subsidiaries;
- e giving of any security or indemnity to a third party in respect of a debt or obligation of ours or any of our subsidiaries for which the Director or his or her close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- y proposal concerning an offer of shares, debentures or other securities of or by us or any other company which we may promote or be interested in for subscription or purchase, where the Director or his or her close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- y proposal or arrangement concerning the benefit of our employees or any of our subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his or her close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of ours or any of our subsidiaries and does not provide in respect of any Director or his or her close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- y contract or arrangement in which the Director or his or her close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of ours by virtue only of his or her/their interest in those shares, debentures or other securities.

***Proceedings of the Board of Directors***

The Articles of Association provide that subject to the provisions of the Cayman Companies Act, the Articles of Association, the applicable stock exchange rules and any directions given by Ordinary or Special Resolution, our business and affairs will be managed by, or under the direction or supervision of, the board of directors. The board of directors shall have all the powers necessary for managing, and for directing and supervising, our business and affairs. A duly convened meeting of the board of directors at which a quorum is present may exercise all powers exercisable by the board of directors. Subject to the provisions of the Articles of Association, the board of directors may regulate their proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote.

***Chairman and Vice-Chairman***

The board of directors will have a chairman who is elected and appointed by the founder shareholders to act as the chairman at board meetings as long as the founder shareholders hold at least 25% of all outstanding voting powers of the shareholders. Where the founder shareholders do not have such voting power then the board of directors shall have a chairman elected and appointed by the board of directors to act as the Chairman at board meetings. A Vice-Chairman may be elected to act in the absence of the Chairman at board meetings by the board of directors.

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The period for which the Chairman and/or the Vice-Chairman shall hold office shall be determined in accordance with the Articles of Association. The chairman shall preside as Chairman at every meeting of the board of directors at which he is present. Where the Chairman is not present at a meeting of the board of directors, the Vice-Chairman, if any, shall act as Chairman, or in his absence, the attending directors of the board of directors may choose one director to be the chairman of the meeting.

***Alterations to the Constitutional Documents and Our Name***

To the extent that the same is permissible under Cayman Islands law and subject to the Articles of Association, our Articles of Association may only be altered or amended, and our name may only be changed, with the sanction of a Special Resolution of ours together with the consent of the founder shareholders as set out in our Articles of Association.

***Liquidation Rights***

If we are voluntarily wound up, the liquidator, after taking into account and giving effect to the rights of preferred and secured creditors and to any agreement between us and any creditors that the claims of such creditors shall be subordinated or otherwise deferred to the claims of any other creditors and to any contractual rights of set-off or netting of claims between us and any person or persons (including without limitation any bilateral or any multilateral set-off or netting arrangements between us and any person or persons) and subject to any agreement between us and any person or persons to waive or limit the same, shall apply our property in satisfaction of its liabilities *pari passu* and subject thereto shall distribute the property amongst the shareholders according to their rights and interests in us.

***Changes to Capital***

Pursuant to the Articles of Association, we may from time to time by ordinary resolution:

- increase our authorized share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than its existing shares;
- convert all or any of our paid-up shares into common shares and reconvert those common shares into paid-up shares of any denomination;
- subdivide our existing shares or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

***Mergers and Consolidations***

Our Articles of Association provide that subject to the Cayman Companies Act and the rules of any applicable stock exchange, we will, with the approval of a special resolution, have the power to merge or consolidate with one or more constituent companies, upon such terms as the directors may determine, provided that any such merger or consolidation shall require the consent of the founder shareholders.

***Meetings of Shareholders***

***Special and Ordinary Resolutions***

Special resolutions must be passed in accordance with the Cayman Companies Act, which requires that resolutions must be passed by at least two-thirds of our shareholders who are entitled to vote in person or by proxy at a general meeting where notice specifying the intention to propose such resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of our members as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of ours duly convened and held, and where relevant as a special resolution so passed.

***Voting Rights and Right to Demand a Poll***

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his or her name in our register of members, (each Class B common share shall entitle the holder to 10 votes on all matters subject to a vote at our general meetings) provided that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his or her votes or cast all the votes he or she does use in the same way.

At any general meeting, a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the applicable stock exchange listing rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

least two members;

any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or  
 member or members holding shares in us conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of ours, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of ours or at any meeting of any class of members of ours provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where we have knowledge that any member is, under the applicable stock exchange rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Subject to any special rights or restrictions as to voting then attached to any shares, at any general meeting every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative not being himself or herself a shareholder entitled to vote) shall have one vote per Class A common share and 10 votes per Class B common share.

#### *Annual General Meetings*

As a Cayman Islands exempted company, we are not obligated by the Cayman Companies Act to call annual general meetings; however, our Articles of Association provide that we must hold an annual general meeting each year other than the year of adoption of our Articles of Association. Such meeting must be held at least once every calendar year and take place at such place as may be determined by the board of directors from time to time.

As a condition of admission to a shareholders' meeting, a shareholder must be duly registered as our shareholder at the applicable record date for that meeting and all calls or installments then payable by such shareholder to us in respect of our Class A common shares must have been paid.

#### *Members Requisition of Meetings*

No shareholder shall have the power to make a requisition to convene a meeting to directors, other than in circumstances where there are no directors.

#### *Notices of Meetings and Business to be Conducted*

An annual general meeting of ours shall be called by at least 20 clear business days' notice in writing, and any other general meeting of ours shall be called by at least 10 clear business days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must

specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles of Association shall be in writing, and may be served by us on any member personally, or by posting it by airmail or by air courier service to such member at his address as appearing in the Register of Members, or by electronic mail to any electronic mail address such member may have specified in writing for the purposes of such

service of notices, or (in the case of a notice) by advertisement in the newspapers, or by placing it on our website. We intend to give notice of each general meeting of shareholders by publication on our website and in any other manner that we may be required to follow in order to comply with Cayman Islands Law, the applicable stock exchange rules and SEC requirements.

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Although a general meeting of ours may be called by shorter notice than as specified above, every general meeting may be deemed to have been duly called if it is so agreed by all of our members entitled to attend and vote thereat.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*Quorum for meetings and separate class meetings*

The quorum for a general meeting shall be one or more shareholders holding not less than one-third in aggregate of the voting power of all shares in issue and entitled to vote, present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be persons holding or representing by proxy not less than two-thirds of the issued shares of the applicable class.

*Proceedings at General Meetings*

Our Articles of Association provide that no business shall be transacted at any meeting unless a quorum is present at the time when the meeting proceeds to business and continues to be present until the conclusion of the meeting. One or more shareholders holding not less than one-third in aggregate of the voting power of all shares in issue and entitled to vote, present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, shall represent a quorum.

*Proxies*

Any member of ours entitled to attend and vote at our meeting is entitled to appoint another person as his or her proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him or her and vote on his or her behalf at a general meeting of ours or at a class meeting. A proxy need not be a member of us and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he or her acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he or she acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his or her attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the board of directors may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his or her intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his or her discretion in respect of) each resolution dealing with any such business.

*Accounts and Audit*

The board of directors shall cause proper books of account to be kept of the sums of money received and expended by us, and of our assets and liabilities and of all other matters required by the Cayman Companies Act

(which include all sales and purchases of goods by us) necessary to give a true and fair view of the state of our affairs and to show and explain our transactions.

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Our books of accounts shall be kept at our head office or at such other place or places as the board of directors decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of ours except as conferred by the Cayman Companies Act, Nasdaq listing rules or ordered by a court of competent jurisdiction or authorized by the board of directors.

The board of directors shall from time to time cause to be prepared and laid before us at our annual general meeting the consolidated statements of financial position, profit or loss, comprehensive income (loss), cash flows and changes in shareholders' equity (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report. Copies of these documents shall be sent to every person entitled to receive notices our general meetings under the provisions of the Articles of Association together with the notice of annual general meeting, not less than 10 days before the date of the meeting.

We shall appoint auditor(s) to hold office from time to time and with such duties as may be agreed with the board of directors. The appointment of and provisions relating to auditors shall be in accordance with any applicable law and Nasdaq listing rules.

The auditors shall audit our financial statements in accordance with generally accepted accounting principles of IFRS or such other standards as may be permitted by Nasdaq.

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**FIRST AMENDMENT TO THE SHAREHOLDERS' AGREEMENT**

entered into by and among

**HR HOLDINGS LLC**

**VCK INVESTMENT FUND LIMITED SAC A**

**CAKUBRAN HOLDINGS LTD.**

and

**STONECO LTD.**

Dated April 23, 2024

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## FIRST AMENDMENT TO THE SHAREHOLDERS' AGREEMENT

This First Amendment to the Shareholders' Agreement ("**First Amendment**") is entered into by and between the parties below (individually referred to herein as "**Party**" and, jointly, as "**Parties**");

- (1) **HR HOLDINGS LLC**, a company incorporated in Delaware, United States of America, whose registered office is at 108 West 13th Street, Wilmington, Delaware 19801, New Castle ("**HR Holdings**");
- (2) **VCK INVESTMENT FUND LIMITED SAC A**, a company incorporated in Bahamas, whose registered office is at 2nd floor Bahamas Financial Centre, Shirley & Charlotte Streets, Nassau, Bahamas ("**VCK**");
- (3) **CAKUBRAN HOLDINGS LTD.**, an exempted company incorporated under the Laws of the Cayman Islands, whose registered office is at Campbells Corporate Services Limited, 4th Floor, Willow House, Cricket Square, George Town, Grand Cayman KY1-9010, Cayman Islands; ("**Cakubran**" and, jointly with HR Holdings and VCK, the "**Shareholders**"); and
- (4) **STONECO LTD.**, an exempted company incorporated under the Laws of the Cayman Islands, whose registered office is at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands ("**Company**").

### WHEREAS:

- 1) on October 29, 2018, the Shareholders and the Company entered into a Shareholders' Agreement in order to regulate their relationship as shareholders of the Company, establishing, among others, rules related to the corporate governance of the Company ("**Shareholders Agreement**");
- 2) on April 28, 2023, the Shareholders entered into a Deed Poll For Waiver of Director Nomination Rights Relating to the Company and Other Covenants ("**Deed**"), by means of which the Shareholders undertook to amend certain provisions of the Shareholders Agreement; and
- 3) section 4.03(b) of the Shareholders Agreement provides that the Shareholders Agreement may be amended, waived or otherwise modified only by a written instrument executed by the Parties,

**NOW THEREFORE**, the Parties have determined to enter into this First Amendment to reflect the provisions agreed among the Parties, and hereby agree to amend the Shareholders Agreement with effect from this date on the following terms and conditions:

### 1. DEFINITIONS AND INTERPRETATION

**1.a. Definitions.** All capitalized terms used in this First Amendment and not defined herein shall have the meanings ascribed to them in the Shareholders Agreement, save as otherwise amended herein.

**1.b. Interpretation.** This First Amendment shall be: (i) construed in accordance with the same rules applicable to the Shareholders Agreement; and (ii) interpreted in accordance with the rules of interpretation established in Section 1.02 of the Shareholders Agreement.

## **2. AMENDMENTS AND CONSOLIDATION**

**2.a. Amendments.** Notwithstanding the provisions of the Deed, the Parties have agreed to amend the Shareholders Agreement. Accordingly, the Parties hereby agree: (i) to delete former Section 2.02 (with the automatic renumbering of the following sections); and (ii) that Section 2.01 to Section 2.04 of the Shareholders Agreement shall be amended and restated to read as follows:

*“Section 2.01. Composition of the Board. From and after the date hereof, as long as the Shareholders’ and their Affiliates’ Aggregate Voting Power of Shares (as determined on a Common Equivalents basis) (A) hold at least 15% of the total voting powers of all Shares (as determined on a Common Equivalents basis), the Shareholders shall have the right, but not the obligation, to nominate at least one (1) designee (or if the size of the Board is increased for more than 11 (eleven) members, 10% of the total number of Directors, rounded upward to the nearest whole number) to be elected as a Director (“Shareholder Director”), and (B) hold at least 25% of the total voting powers of all Shares (as determined on a Common Equivalents basis), the Shareholders shall have the right, but not the obligation, to nominate a Director to act as the chairman at Board meetings (“Chairman of the Board”), each in accordance with the procedures set forth in Exhibit B. If the Shareholders do not have such voting power, then they will not be able to nominate a Shareholder Director and the Chairman of the Board shall be elected and appointed by a majority of the Directors (as applicable).*

*(a) If, for any reason other than a failure by the Shareholders to timely deliver a Nomination Notice (as defined in Exhibit B hereto), it is verified that the Shareholders have nominated less than the total number of designee(s) the Shareholders are entitled to nominate pursuant to this Section 2.01, the Shareholders shall have the right, at any time, to nominate such designee(s) to which they are entitled to, in which case the Shareholders and the Company shall take, or cause to be taken, all Necessary Action to (A) increase, if necessary, the size of the Board as required to enable the Shareholders to so nominate such designee(s) and (B) cause the election of such designee(s) nominated by the Shareholders to such newly created directorships.*

*(b) The Company agrees, to the fullest extent permitted by applicable law (including with respect to any applicable fiduciary duties under Cayman Islands law), to take all Necessary Action to effectuate the above, including by: (A) if necessary, calling a general meeting with purposes of approving the size of the*

*Board as required to enable the Shareholders to so nominate such designee(s) and taking all Necessary Action in order to such matter be approved in the general meeting; and (B) calling a general meeting with purposes of electing a Shareholder Director.*

*(c) For the avoidance of doubt, the rights granted under this Shareholders Agreement to the Shareholders to nominate members of the Board are additive to, and not intended to limit in any way, the rights that the Shareholders or any of their respective Affiliates may have to nominate, elect or remove directors under the Governing Documents or Cayman Islands law.*

*(d) The nomination of members to the Board pursuant to this Shareholders Agreement shall observe the terms and conditions of the Governing Documents. Except to election of interim members of the Board (which are only subject to the approval by the Board), the election of such members shall be approved at the Company's annual general meeting or any other general meeting called for such purpose, also in accordance with the Governing Documents. If André Street de Aguiar is elected as a member of the Board, he shall be deemed as a nomination made by the Shareholders and shall be considered a Shareholder Director.*

**Section 2.02. Vacancies.** *In the event that a vacancy is created on the Board at any time by the death, disability, resignation or removal (whether by the Shareholders or otherwise in accordance with the Governing Documents, as either may be amended or restated from time to time) of a Shareholder Director, the Shareholders entitled to nominate such Shareholder Director shall be entitled to designate an individual to fill the vacancy so long as the total number of persons that will serve on the Board as designees of such Shareholders immediately following the filling of such vacancy will not exceed the total number of persons such Shareholder is entitled to nominate pursuant to Section 2.01 on the date of such replacement designation. The Company and the Shareholders shall take all Necessary Action to cause the election of such replacement designee as a member of the Board. Subject to the provisions of this Agreement, the Board may nominate additional Directors to the Board, or fill any vacancy on the Board, pursuant to the terms of the Governing Documents.*

**Section 2.03. Board Expenses.** *The Company shall pay all reasonable out-of-pocket expenses incurred by each Director in connection with attending regular and special meetings of the Board and any committee thereof, and any such meetings of the board of directors of any Subsidiary of the Company and any committee thereof.*

**Section 2.04. Board Committees.** *For so long as the Shareholders have the right to designate at least one (1) Shareholder Director pursuant to Section 2.01, the Shareholders shall have the right, but not the obligation, to designate the pro rata share of the total number of members of each committee of the Board that is equal to the proportion that the total number of designee(s) the Shareholders are*



*entitled to nominate pursuant to this Section 2.01 bears to the Total Number of Directors of the Company; provided that the right of any Shareholder Director to serve on a committee shall be subject to applicable Law and the Company's obligation to comply with any applicable independence requirements of the Stock Exchange."*

**2.1.i.Actions Requiring Consent.** In accordance with item 2.3 of the Deed, the Parties hereby agree to remove the obligation of the Company to obtain the Shareholders' written approval prior to taking any action, or permitting any of its Subsidiaries to take any action, with respect to any transactions referred to in or contemplated by: (A) Section 2.05(b) of the Shareholders Agreement (former Section 2.06(b)) to the extent that such transaction is an intra-group transaction that does not involve the transfer of Shares and/or assets of the Company or any of its Subsidiaries to any third party other than the Company and/or any of its Affiliates; and (B) Section 2.05(g) (former Section 2.06(g)) of the Shareholders Agreement. Accordingly, Section 2.05(b) (former Section 2.06(b)) of the Shareholders Agreement shall be amended and restated with effect from 29 November 2022 to read as follows:

*"(b) any merger, consolidation, reorganization (including conversion) or any other business combination involving the Company or any of its Subsidiaries that involves the transfer of Shares and/or assets of the Company or any of its Subsidiaries to any third party not including the Company and/or any of its Affiliates on or after 29 November 2022;"*

**2.1.ii.**In accordance with the provisions set forth in Section 2.1.1. above, Section 2.05 of the Shareholders Agreement (former Section 2.06) shall be amended and restated with effect from 29 November 2022 to read as follows:

*"Section 2.05. Actions Requiring Consent. For so long as the Shareholders' and their respective Affiliates' Aggregate Voting Power of Shares (as determined on a Common Equivalents basis), continues to be at least 15% of the total voting power of all Shares (as determined on a Common Equivalents basis), the Company agrees that it will not take any action, nor shall it permit its Subsidiaries to take any action (including any action by the Board or any committee thereof), with respect to any of the following matters without the prior written approval of the Shareholders:*

- (1) entering into any transaction or series of transactions that would result in a Change of Control;*
- (2) any merger, consolidation, reorganization (including conversion) or any other business combination involving the Company or any of its Subsidiaries that involves the transfer of Shares and/or assets of the Company or any of its Subsidiaries to any third party not including the Company and/or any of its Affiliates on or after 29 November 2022;*

- (3) *any liquidation, dissolution, receivership, commencement of bankruptcy, insolvency or similar proceedings with respect to the Company or any of its Subsidiaries;*
- (4) *authorizing or issuing any capital stock of the Company or any security or obligation that, by its terms, directly or indirectly, is convertible into or exchangeable or exercisable for Common Equivalents or preferred shares of the Company and any option, warrant or other right to subscribe for, purchase or acquire Common Equivalents or preferred shares of the Company, other than (i) pursuant to the StoneCo Ltd. 2018 Omnibus Equity Plan approved by the Board on or prior to the IPO and (ii) in connection with the exchange or conversion of Class A Common Shares into Class B Common Shares, as contemplated by the Governing Documents;*
- (5) *the acquisition, sale, conveyance, transfer or other disposition of any asset or business of the Company and/or its Subsidiaries, in one transaction or a series of related transactions, the aggregate consideration or fair value of which is greater than or equal to 20% of the Company's fair market value on the date of such transaction, as determined by the Board in good faith;*
- (6) *the incurrence, creation, or assumption of any indebtedness of the Company or any of its subsidiaries in an amount greater than or equal to the Company's net equity in the aggregate on a consolidated basis; or*
- (7) *any determination or approval of the annual compensation of the senior executive officers and/or Directors of the Company."*

**2.1.iii.Notices.** The Parties have notified each other of their revised address details for the receipt of notices under this First Amendment. Accordingly, Section 4.02 of the Shareholders Agreement is hereby amended and restated to read as follows:

**"Section 4.02. Notices.** *All notices, requests and other communications to any party shall be in writing and shall be delivered in person, mailed by certified or registered mail, return receipt requested, or sent by facsimile transmission or email transmission so long as receipt of such email is requested and received:*

*if to the Company to:*

*StoneCo Ltd.*

*Avenida Doutora Ruth Cardoso, No. 7221, cj 1501, 14th floor, São Paulo, SP, Brazil, ZIP Code 05425-902  
Attention: Chief Executive Officer and Legal Department*

*with a copy to:*

*Davis Polk & Wardwell LLP 450 Lexington Avenue  
New York, NY 10017*

Attention: Byron B. Rooney Fax: (212) 701-5800  
Email: byron.rooney@davispolk.com

if to the Shareholders, to:

André Street  
Rua Dr. Renato Paes de Barros, 1.017 - 15º andar - Itaim Bibi - São Paulo - SP - CEP 04530-001  
Email:astreet@arpexcapital.com.br

with a copy to:

Gênova Consultoria e Participações Ltda.  
Rua Dr. Renato Paes de Barros, 1.017 - 15º andar - Itaim Bibi - São Paulo - SP - CEP 04530-001  
Attention: Legal Department  
Email: malencar@arp-bhs.com

**2.1.iv.Exhibit B.** The Parties hereby agree to add a new Exhibit B to the Shareholders Agreement as follows:

***“EXHIBIT B OF THE SHAREHOLDERS’ AGREEMENT***

***PROCEDURE FOR THE NOMINATION OF DIRECTORS BY SHAREHOLDERS***

***Nomination of Directors***

*(1) The Shareholders must be notified by the Company, within sixty (60) business days prior to the date on which the Company’s annual general meeting is expected to be called, to nominate their candidate for the position of at least one (1) member of the Board of Directors (“**Nomination Notice**”).*

*(2) The Shareholders shall nominate their candidate for the position of members of the Board of Directors until two (2) business days prior to the date on which the Company’s annual general meeting is expected to be called (“**AGM Nomination Letter**”).*

*(3) In case the Shareholders fail to timely send the AGM Nomination Letter and, therefore, do not nominate their candidates for the position of members of the Board of Directors within the deadline set forth in item “b” above, it will be understood that the Shareholders did not wish to exercise their right of nomination of members of the Board of Directors at that time. Nonetheless, the Shareholders are entitled to exercise their right to nominate the Shareholder Director under Section 2.01 of this Agreement at any time prior to the next Company’s annual general meeting. In this case, the Shareholders shall send to the Company a nomination request (“**Nomination Request**”) and the Board of*

Directors shall vote, within fifteen days (15), a resolution to elect, on an interim basis, the Board member nominated in the Nomination Request, who may be later confirmed by the Shareholders as their nominee in the AGM Nomination Letter.

### **Election and Dismissal of Chairman**

(1) The Shareholders may elect and/or dismiss, at any time, the chairman of the Board of Directors, by means of sending a written notice to the Board of Directors ("**Chairman Notice**") indicating:

(1) their intention to elect and/or dismiss the chairman of the Board of Directors; and, in case of dismissal, if they wish, nominating, within the members of the Board of Directors, their new candidate for the position of chairman of the Board of Directors.

(2) Within five (5) business days of the receipt of the Chairman Notice, the Board of Directors shall cause the Chairman indicated by the Shareholders to be elected and/or dismissed, as applicable.

(2) In case the Shareholders require the dismissal of the Chairman and/or do not nominate, in the Chairman Notice, a candidate or new candidate, as applicable, for the position of chairman of the Board of Directors, the Board of Directors shall appoint its new chairman in accordance with the Company's corporate documents."

**2.b. Definitions.** As a result of the amendments to the Shareholders Agreement contemplated herein, the Parties hereby agree to amend the definitions Section of the Shareholders Agreement.

(1) The following definitions are hereby added in alphabetical order to Section 1.01(a) of the Shareholders Agreement:

**"Director(s)"** means a member of the Board.

**"IPO"** means the initial public offering of Class A Common Shares.

**"IPO Date"** means the date of the completion of the IPO.

(2) The following definitions in Section 1.01(a) of the Shareholders Agreement are hereby amended and restated to read:

**"Shareholders"** means at any time, HR Holdings LLC, VCK Investment Fund Ltd. SAC A, and Cakubran Holdings Ltd., as long as they remain vehicles controlled by André Street de Aguiar, Eduardo Cunha Monnerat Solon de Pontes, collectively or individually, and any Person (other than the Company) affiliated with André Street or

Eduardo Pontes and any of their Permitted Assigns who in each case shall then be a party to or bound by this Agreement, so long as such Person shall “beneficially own” (as such term is defined in Rule 13d-3 of the Exchange Act) any Company Securities.

“**Subsidiary**” means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the Board or other persons performing similar functions are at the time directly or indirectly owned by such Person.

(3) The Section 1.01(b) of the Shareholders Agreement is hereby amended and restated to read:

*“(b) Each of the following terms is defined in the Section set forth opposite such term:*

<b><u>Term</u></b>	<b><u>Section</u></b>
<i>Company</i>	<i>Preamble</i>
<i>Chairman of the Board</i>	<i>2.01</i>
<i>Confidential Information</i>	<i>3.02(b)</i>
<i>Representatives</i>	<i>3.02(b)</i>
<i>Shareholder Director</i>	<i>2.01</i>
<i>Specified Party</i>	<i>3.04”</i>

**2.c. Consolidation.** The Parties hereby agree that the conformed Shareholders Agreement set forth in Schedule 1 to this First Amendment sets forth the agreement between the Parties as to the matters set out in the Shareholders Agreement as amended by this First Amendment with effect from the date hereof.

### **3. GENERAL PROVISIONS**

**3.a. Incorporation of Provisions.** The rules set forth in Section 3.02 (Confidentiality) and in Article 4 (Miscellaneous) of the Shareholders Agreement are incorporated by reference to this First Amendment and shall apply to this First Amendment as if they were set out in full in this First Amendment.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date set out below.

April 23, 2024.

*(the remainder of the page was intentionally left blank)*

*[Signature page of the First Amendment to the Shareholders' Agreement executed on April 23, 2024 by and among HR Holdings LLC, VCK Investment Fund Limited SAC A, Cakubran Holdings LTD. and StoneCo LTD.]*

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**HR HOLDINGS LLC**

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**CAKUBRAN HOLDINGS LTD.**

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**VCK INVESTMENT FUND LIMITED SAC A**

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**STONECO LTD.**

Witnesses:

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**SCHEDULE 1  
CONFORMED SHAREHOLDERS AGREEMENT**

\* \* \*

**SHAREHOLDERS AGREEMENT**

Executed on October 29, 2018 and amended on April 23,  
2024

among

**HR HOLDINGS LLC**

**VCK INVESTMENT FUND LIMITED SAC A**

**CAKUBRAN HOLDINGS LTD.**

and

**STONECO LTD.**

## SHAREHOLDERS AGREEMENT

This SHAREHOLDERS AGREEMENT (as the same may be amended from time to time in accordance with its terms, the “**Agreement**”) is entered into on October 29, 2018, as amended by the First Amendment to this Agreement dated April 23, 2024 by and among StoneCo Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “**Company**”), and each Shareholder.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, the parties hereto agree as follows:

### ARTICLE 1 Definitions

**Section 1.01. Definitions.** (a) As used in this Agreement, the following terms have the following meanings:

“**Affiliate**” means, in respect of a Person, means any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person, and (i) in the case of a natural person, shall include, without limitation, such person’s spouse, parents, children, siblings, mother-in-law and father-in-law and brothers and sisters-in-law, whether by blood, marriage or adoption or any relative up to the second degree, a trust for the benefit of any of the foregoing, a company, partnership or any natural person or entity wholly or jointly owned by any of the foregoing, and (ii) in the case of an entity, shall include a partnership, a corporation or any natural person or entity which directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such entity. For the purpose of this definition, the term “**control**” (including, with correlative meanings, the terms “**controlling**”, “**controlled by**” and “**under common control with**”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“**Aggregate Voting Power**” means, with respect to any Shareholder or group of Shareholders, the total voting power of the total number of Shares (as determined on a Common Equivalents basis) entitled to vote generally in the election of the Company’s Directors that are “beneficially owned” (as such term is defined in Rule 13d-3 of the Exchange Act) (without duplication) by such Shareholder or group of Shareholders as of the date of such calculation.

“**Articles of Association**” means the Amended and Restated Memorandum and Articles of Association of the Company, as the same may be amended from time to time.

“**Board**” means the board of directors of the Company.



**“Business Day”** means any day except a Saturday, Sunday or other day on which commercial banks in the Cayman Islands or New York City are authorized by law to close.

**“Change of Control”** means (i) the merger or consolidation of the Company or any of its Subsidiaries with or into another Person (other than the Company or any of its wholly-owned Subsidiaries) or the merger of another Person (other than the Company or any of its wholly-owned Subsidiaries) with or into the Company or any of its Subsidiaries, (ii) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to any Person other than a wholly-owned Subsidiary or (iii) any “person” or “group” (as such terms are used for purposes of Section 13(d) of the Exchange Act) is or becomes the a beneficial owner, directly or indirectly, of more than 50% of the total voting power of the capital stock of the Company entitled to vote generally in the election of the Company’s Directors or acquires the power to direct or cause the direction of the management and policies of the Company, whether through the ownership of voting securities, by contract or otherwise.

**“Common Equivalents”** means (i) with respect to Common Shares, the number of Shares, (ii) with respect to any Company Securities that are convertible into or exchangeable for Common Shares, the number of Shares issuable in respect of the conversion or exchange of such securities into Common Shares.

**“Class A Common Shares”** means the Class A common shares, par value \$0.000079365 per share, of the Company and any other security into which such Class A Common Shares may hereafter be converted or changed.

**“Class B Common Shares”** means the Class B common shares, par value \$0.000079365 per share, of the Company and any other security into which such Class B Common Shares may hereafter be converted or changed.

**“Common Shares”** means collectively, the Class A Common Shares and the Class B Common Shares (*provided* that in no circumstance shall such shares be counted twice).

**“Company Securities”** means (i) the Common Shares and (ii) securities that entitle the holder to vote in the election of directors to the Board that are convertible into or exchangeable for Common Shares.

**“Director(s)”** means a member of the Board.

**“Exchange”** means the Nasdaq Global Market or such other stock exchange or securities market on which the Shares are listed.

**“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

**“Governing Documents”** means the Articles of Association, as amended or modified from time to time.

“**IPO**” means the initial public offering of shares of its Class A Common Shares.

“**IPO Date**” means the date of the completion of the IPO.

“**Necessary Action**” means, with respect to a specified result, all actions (to the extent such actions are permitted by law and by the Governing Documents) necessary to cause such result, including (i) voting or providing a written consent or proxy with respect to the Company Securities, (ii) causing the adoption of shareholders’ resolutions and amendments to the Governing Documents, (iii) executing agreements and instruments, and (iv) making, or causing to be made, with governmental, administrative or regulatory authorities, all filings, registrations or similar actions that are required to achieve such result.

“**Person**” means an individual, corporation, limited liability company, partnership, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“**Permitted Assigns**” means with respect to any of the Shareholders, their respective Affiliates who are a transferee of Shares (which are transferred other than pursuant to a widely distributed public sale) that agrees in writing to become party to, and be bound to the same extent as its transferor by the terms of, this Agreement, in the form of Exhibit A hereto; provided, that upon such Transfer, such Permitted Assign shall be deemed to be a “Shareholder” hereto for all purposes herein.

“**Shareholders**” means at any time, HR Holdings LLC, VCK Investment Fund Ltd. SAC A, and Cakubran Holdings Ltd., as long as they remain vehicles controlled by André Street de Aguiar, Eduardo Cunha Monnerat Solon de Pontes, collectively or individually, and any Person (other than the Company) affiliated with André Street or Eduardo Pontes and any of their Permitted Assigns who in each case shall then be a party to or bound by this Agreement, so long as such Person shall “beneficially own” (as such term is defined in Rule 13d-3 of the Exchange Act) any Company Securities.

“**Shares**” means the outstanding Common Shares.

“**Subsidiary**” means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the Board or other persons performing similar functions are at the time directly or indirectly owned by such Person.

(b) Each of the following terms is defined in the Section set forth opposite such term:

**Term**

Company

**Section**

Preamble

Chairman of the Board	2.01
Confidential Information	3.02(b)
Representatives	3.02(b)
Shareholder Director	2.01
Specified Party	3.04

**Section 1.02. Other Definitional and Interpretative Provisions.** The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule, but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. “Writing”, “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; *provided* that with respect to any agreement or contract listed on any schedules hereto, all such amendments, modifications or supplements must also be listed in the appropriate schedule. References to any law include all rules and regulations promulgated thereunder. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively.

## **ARTICLE 2**

### **Corporate Governance**

**Section 2.01. Composition of the Board.** From and after the date hereof, as long as the Shareholders’ and their Affiliates’ Aggregate Voting Power of Shares (as determined on a Common Equivalents basis) (A) hold at least 15% of the total voting powers of all Shares (as determined on a Common Equivalents basis), the Shareholders shall have the right, but not the obligation, to nominate at least one (1) designee (or if the size of the Board is increased for more than 11 (eleven) members, 10% of the total number of Directors, rounded upward to the nearest whole number) to be elected as a Director (“Shareholder Director”), and (B) hold at least 25% of the total voting powers of all Shares (as determined on a Common Equivalents basis), the Shareholders shall have the right, but not the obligation, to nominate a Director to act as the chairman at Board meetings (“Chairman of the Board”), each in accordance with the procedures set forth in Exhibit B. If the Shareholders do not have such voting power, then they will not be able to nominate a

Shareholder Director and the Chairman of the Board shall be elected and appointed by a majority of the Directors (as applicable).

(a) If, for any reason other than a failure by the Shareholders to timely deliver a Nomination Notice (as defined in Exhibit B hereto), it is verified that the Shareholders have nominated less than the total number of designee(s) the Shareholders are entitled to nominate pursuant to this Section 2.01, the Shareholders shall have the right, at any time, to nominate such designee(s) to which they are entitled to, in which case the Shareholders and the Company shall take, or cause to be taken, all Necessary Action to (A) increase, if necessary, the size of the Board as required to enable the Shareholders to so nominate such designee(s) and (B) cause the election of such designee(s) nominated by the Shareholders to such newly created directorships.

(b) The Company agrees, to the fullest extent permitted by applicable law (including with respect to any applicable fiduciary duties under Cayman Islands law), to take all Necessary Action to effectuate the above, including by: (A) if necessary, calling a general meeting with purposes of approving the size of the Board as required to enable the Shareholders to so nominate such designee(s) and taking all Necessary Action in order to such matter be approved in the general meeting; and (B) calling a general meeting with purposes of electing a Shareholder Director.

(c) For the avoidance of doubt, the rights granted under this Shareholders Agreement to the Shareholders to nominate members of the Board are additive to, and not intended to limit in any way, the rights that the Shareholders or any of their respective Affiliates may have to nominate, elect or remove directors under the Governing Documents or Cayman Islands law.

(d) The nomination of members to the Board pursuant to this Shareholders Agreement shall observe the terms and conditions of the Governing Documents. Except to election of interim members of the Board (which are only subject to the approval by the Board), the election of such members shall be approved at the Company's annual general meeting or any other general meeting called for such purpose, also in accordance with the Governing Documents. If André Street de Aguiar is elected as a member of the Board, he shall be deemed as a nomination made by the Shareholders and shall be considered a Shareholder Director.

**Section 2.02. Vacancies.** In the event that a vacancy is created on the Board at any time by the death, disability, resignation or removal (whether by the Shareholders or otherwise in accordance with the Governing Documents, as either may be amended or restated from time to time) of a Shareholder Director, the Shareholders entitled to nominate such Shareholder Director shall be entitled to designate an individual to fill the vacancy so long as the total number of persons that will serve on the Board as designees of such Shareholders immediately following the filling of such vacancy will not exceed the total number of persons such Shareholder is entitled to nominate pursuant to Section 2.01 on the date of such replacement designation. The Company and the Shareholders shall take all Necessary Action to cause the election of such replacement designee as a member of the

Board. Subject to the provisions of this Agreement, the Board may nominate additional Directors to the Board, or fill any vacancy on the Board, pursuant to the terms of the Governing Documents.

**Section 2.03. Board Expenses.** The Company shall pay all reasonable out-of-pocket expenses incurred by each Director in connection with attending regular and special meetings of the Board and any committee thereof, and any such meetings of the board of directors of any Subsidiary of the Company and any committee thereof.

**Section 2.04. Board Committees.** For so long as the Shareholders have the right to designate at least one (1) Shareholder Director pursuant to Section 2.01, the Shareholders shall have the right, but not the obligation, to designate the pro rata share of the total number of members of each committee of the Board that is equal to the proportion that the total number of designee(s) the Shareholders are entitled to nominate pursuant to this Section 2.01 bears to the Total Number of Directors of the Company; provided that the right of any Shareholder Director to serve on a committee shall be subject to applicable Law and the Company's obligation to comply with any applicable independence requirements of the Stock Exchange.

**Section 2.05. Actions Requiring Consent.** For so long as the Shareholders' and their respective Affiliates' Aggregate Voting Power of Shares (as determined on a Common Equivalents basis), continues to be at least 15% of the total voting power of all Shares (as determined on a Common Equivalents basis), the Company agrees that it will not take any action, nor shall it permit its Subsidiaries to take any action (including any action by the Board or any committee thereof), with respect to any of the following matters without the prior written approval of the Shareholders:

- (1) entering into any transaction or series of transactions that would result in a Change of Control;
- (8) any merger, consolidation, reorganization (including conversion) or any other business combination involving the Company or any of its Subsidiaries that involves the transfer of Shares and/or assets of the Company or any of its Subsidiaries to any third party not including the Company and/or any of its Affiliates on or after 29 November 2022;
- (9) any liquidation, dissolution, receivership, commencement of bankruptcy, insolvency or similar proceedings with respect to the Company or any of its Subsidiaries;
- (10) authorizing or issuing any capital stock of the Company or any security or obligation that, by its terms, directly or indirectly, is convertible into or exchangeable or exercisable for Common Equivalents or preferred shares of the Company and any option, warrant or other right to subscribe for, purchase or acquire Common Equivalents or preferred shares of the Company, other than (i) pursuant to the StoneCo Ltd. 2018 Omnibus Equity Plan approved by the Board on or prior to the IPO and (ii) in connection with the exchange or conversion of Class A Common Shares into Class B Common Shares, as contemplated by the Governing Documents;

- (11) the acquisition, sale, conveyance, transfer or other disposition of any asset or business of the Company and/or its Subsidiaries, in one transaction or a series of related transactions, the aggregate consideration or fair value of which is greater than or equal to 20% of the Company's fair market value on the date of such transaction, as determined by the Board in good faith;
- (12) the incurrence, creation, or assumption of any indebtedness of the Company or any of its subsidiaries in an amount greater than or equal to the Company's net equity in the aggregate on a consolidated basis; or
- (13) any determination or approval of the annual compensation of the senior executive officers and/or Directors of the Company.

**ARTICLE 3**  
**Certain Covenants and Agreements**

**Section 3.01. Access; Information.** For so long as the Shareholders' and their respective Affiliates' Aggregate Ownership of Shares (as determined on a Common Equivalents Basis) continues to be at least 5% of the total voting power of all Shares (as determined on a Common Equivalents Basis), the Company shall, and shall cause its Subsidiaries to, permit the Shareholders, and their designated representatives, at reasonable times and upon reasonable prior notice to the Company, to review the books and records of the Company or any of such Subsidiaries and to discuss the affairs, finances and condition of the Company or any of such Subsidiaries with the officers of the Company or any such Subsidiary; *provided, however*, that the Company shall not be required to disclose any privileged information of the Company so long as the Company has used its best efforts to provide such information to the Shareholder, as applicable, without the loss of any such privilege, and notified the Shareholder that such information has not been provided.

**Section 3.02. Confidentiality.** (a) Each Shareholder agrees that Confidential Information furnished and to be furnished to it has been and may in the future be made available in connection with such Shareholder's investment in the Company. Each Shareholder agrees that it shall use, and that it shall cause any Person to whom Confidential Information is disclosed pursuant to clause (i) below to use, the Confidential Information only in connection with its investment in the Company and not for any other purpose (including to disadvantage competitively the Company, any of its Affiliates or any other Shareholder). Each Shareholder further acknowledges and agrees that it shall not disclose any Confidential Information to any Person, except that Confidential Information may be disclosed:

- (1) to such Shareholder's Representatives in the normal course of the performance of their duties or to any financial institution providing credit to such Shareholder;
- (2) such information becomes known to the public through no fault of such Shareholder;

- (3) to the extent required by applicable law, rule or regulation (including complying with any oral or written questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process to which a Shareholder is subject; *provided* that such Shareholder agrees to give the Company prompt notice of such request(s), to the extent practicable, so that the Company may seek an appropriate protective order or similar relief (and the Shareholder shall cooperate with such efforts by the Company, and shall in any event make only the minimum disclosure required by such law, rule or regulation));
- (4) such information was available or becomes available to such Shareholder before, on or after the date hereof, without restriction, from a source (other than the Company) without any breach of duty to the Company;
- (5) to any regulatory authority to which the Shareholder or any of its Affiliates is subject; *provided* that such authority is advised of the confidential nature of such information;
- (6) to the extent related to the tax treatment and tax structure of the transactions contemplated by this Agreement (including all materials of any kind, such as opinions or other tax analyses that the Company, its Affiliates or its Representatives have provided to such Shareholder relating to such tax treatment and tax structure); *provided* that the foregoing does not constitute an authorization to disclose the identity of any existing or future party to the transactions contemplated by this Agreement or their Affiliates or Representatives, or, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information; or
- (7) if the prior written consent of the Board shall have been obtained.

Nothing contained herein shall prevent the use (subject, to the extent possible, to a protective order) of Confidential Information in connection with the assertion or defense of any claim by or against the Company or any Shareholder.

(b) **“Confidential Information”** means any information concerning the Company or any Persons that are or become its Subsidiaries or the financial condition, business, operations or prospects of the Company or any such Persons in the possession of or furnished to any Shareholder (including by virtue of its present or former right to designate a director of the Company); *provided* that the term “Confidential Information” does not include information that (i) is or becomes generally available to the public other than as a result of a disclosure by a Shareholder or its directors, officers, employees, stockholders, members, partners, agents, counsel, investment advisers or other representatives (all such persons being collectively referred to as **“Representatives”**) in violation of this Agreement, (ii) was available to such Shareholder on a non-confidential basis prior to its disclosure to such Shareholder or its Representatives by the Company, (iii) becomes available to such Shareholder on a non-confidential basis from a source other than the Company after the disclosure of such information to such Shareholder or its Representatives by the Company, which source is (at the time of receipt of the relevant information) not, to the best of such

Shareholder's knowledge, bound by a confidentiality agreement with (or other confidentiality obligation to) the Company or another Person or (iv) is independently developed by such Shareholder without violating any confidentiality agreement with, or other obligation of secrecy to, the Company.

**Section 3.03. *Conflicting Agreements.*** The Company and each Shareholder represents and agrees that it shall not grant any proxy or enter into or agree to be bound by any voting trust or agreement with respect to the Company Securities, or enter into any agreement or arrangement of any kind with any Person with respect to any Company Securities, in each case that is inconsistent with the provisions of this Agreement or for the purpose or with the effect of denying or reducing the rights of any other Shareholder under this Agreement.

**Section 3.04. *Corporate Opportunities.*** To the fullest extent permitted by applicable law, the Company, on behalf of itself and its Subsidiaries, waives and renounces any right, interest or expectancy of the Company and/or its Subsidiaries in, or in being offered an opportunity to participate in, business opportunities that are from time to time presented to or business opportunities of which any of the Shareholders or any of their respective officers, directors, agents, shareholders, members, partners, Affiliates and Subsidiaries (other than the Company and its Subsidiaries) (each, a "**Specified Party**") gain knowledge, even if the opportunity is competitive with the business of the Company or its Subsidiaries or one that the Company or its Subsidiaries might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so and each such Specified Party shall have no duty (statutory, fiduciary, contractual or otherwise) to communicate or offer such business opportunity to the Company and, to the fullest extent permitted by applicable law, shall not be liable to the Company or any of its Subsidiaries for breach of any statutory, fiduciary, contractual or other duty, as a director or otherwise, by reason of the fact that such Specified Party pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present or communicate such business opportunity, or information regarding such business opportunity, to the Company or its Subsidiaries. Notwithstanding anything in this Section 3.04 to the contrary, a Specified Party who is a director of the Company and who is offered a business opportunity for the Company or its Subsidiaries in his or her capacity solely as a director of the Company (a "**Directed Opportunity**") shall be obligated to communicate such Directed Opportunity to the Company; *provided, however*, that all of the protections of this Section 3.04 shall otherwise apply to the Specified Parties with respect to such Directed Opportunity, including the ability of the Specified Parties to pursue or acquire such Directed Opportunity, directly or indirectly, or to direct such Directed Opportunity to another person.

#### **ARTICLE 4 Miscellaneous**

**Section 4.01. *Binding Effect; Assignability; Benefit.*** (a) Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors, legal representatives and permitted assigns. Any



Shareholder that ceases to beneficially own any Company Securities shall cease to be bound by the terms hereof (other than Sections 3.02, 4.02, 4.05, 4.06, 4.07, 4.09 and 4.10).

(2) Neither the Company nor any of the Shareholders shall assign or transfer all or any part of this Agreement without the prior written consent of the other parties hereto; provided, however, that the Shareholders shall be entitled to assign, in whole or in part, to any of their Permitted Assigns without such prior written consent. Any such Permitted Assignee that shall become a party to this Agreement shall (unless already bound hereby) execute and deliver to the Company an agreement to be bound by this Agreement in the form of Exhibit A hereto and shall thenceforth be a "Shareholder."

(3) Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

**Section 4.02. Notices.** All notices, requests and other communications to any party shall be in writing and shall be delivered in person, mailed by certified or registered mail, return receipt requested, or sent by facsimile transmission or email transmission so long as receipt of such email is requested and received:

if to the Company to:

StoneCo Ltd.  
Avenida Doutora Ruth Cardoso, No. 7221, cj 1501, 14th floor, São Paulo, SP, Brazil, ZIP Code 05425-902  
Attention: Chief Executive Officer and Legal Department

with a copy to:

Davis Polk & Wardwell LLP 450 Lexington Avenue  
New York, NY 10017 Attention: Byron B. Rooney Fax: (212) 701-5800  
Email: byron.rooney@davispolk.com

if to the Shareholders, to:

André Street  
Rua Dr. Renato Paes de Barros, 1.017 - 15º andar - Itaim Bibi - São Paulo - SP - CEP 04530-001  
Email: astreet@arpexcapital.com.br

with a copy to:

Gênova Consultoria e Participações Ltda.

Rua Dr. Renato Paes de Barros, 1.017 - 15º andar - Itaim Bibi - São Paulo - SP - CEP 04530-001  
Attention: Legal Department  
Email: malencar@arp-bhs.com

All notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. in the place of receipt and such day is a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding Business Day in the place of receipt. Any notice, request or other written communication sent by facsimile transmission shall be confirmed by certified or registered mail, return receipt requested, posted within one Business Day, or by personal delivery, whether courier or otherwise, made within two Business Days after the date of such facsimile transmissions.

Any Permitted Assignee that becomes a Shareholder shall provide its address, fax number and email address to the Company.

**Section 4.03. Term; Waiver; Amendment.** (a) This Agreement shall terminate as it relates to each Shareholder on the earlier to occur of: (i) such time as the Shareholders' and their respective Affiliates' Aggregate Ownership of Shares (as determined on a Common Equivalents Basis) cease to be at least 5% of the total voting power of all Shares (as determined on a Common Equivalents Basis) (ii) any Shareholder ceases to beneficially own any Company Securities, and (iii) upon the delivery of a written notice by such Shareholder to the Company requesting that this Agreement terminate as it relates to such Shareholder (in each case, other than Sections 3.02, 4.02, 4.05, 4.06, 4.07, 4.09 and 4.10).

(b) This Agreement may be amended, waived or otherwise modified only by a written instrument executed by the parties hereto. In addition, any party may waive any provision of this Agreement with respect to itself by an instrument in writing executed by the party against whom the waiver is to be effective. Except as provided in the preceding sentences, no action taken pursuant to this Agreement, including any investigation by or on behalf of any party, will be deemed to constitute a waiver by the party taking such action of compliance with any covenants or agreements contained herein. The waiver by any party hereto of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach.

**Section 4.04. Fees and Expenses.** All costs and expenses incurred in connection with the preparation of this Agreement, or any amendment or waiver hereof, and the transactions contemplated hereby shall be paid by the party incurring such costs or expenses.

**Section 4.05. Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the Cayman Islands.

**Section 4.06. Jurisdiction.** Each party hereto submits to the non-exclusive jurisdiction of the Cayman Islands courts for the purpose of any action arising out of or in relation to this

Agreement. Each party agrees that, in any such action, it will not contest jurisdiction on the grounds that the Cayman Islands courts are an inconvenient forum or otherwise.

**Section 4.07. *Specific Enforcement.*** Each party hereto acknowledges that the remedies at law of the other parties for a breach or threatened breach of this Agreement would be inadequate and, in recognition of this fact, any party to this Agreement, without posting any bond, and in addition to all other remedies that may be available, shall be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy that may then be available.

**Section 4.08. *Counterparts; Effectiveness.*** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective upon completion of the IPO on the IPO Date; *provided*, that this Agreement shall be of no force and effect (i) prior to the completion of the IPO and (ii) if the IPO has not been consummated within thirty (30) Business Days from the date of this Agreement. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication).

**Section 4.09. *Entire Agreement.*** This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof. There are no agreements, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein. This Agreement supersedes all other prior agreements and understandings between the parties with respect to such subject matter.

**Section 4.10. *Severability.*** If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner so that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

**EXHIBIT A OF THE SHAREHOLDERS' AGREEMENT**

**JOINDER TO SHAREHOLDERS AGREEMENT**

This Joinder Agreement (this "**Joinder Agreement**") is made as of the date written below by the undersigned (the "**Joining Party**") in accordance with the Shareholders Agreement dated October 29, 2018, as amended by the First Amendment to such Shareholders Agreement dated April 23, 2024(as amended, amended and restated or otherwise modified from time to time, the "**Shareholders Agreement**"). Capitalized terms used, but not defined, herein shall have the meaning ascribed to such terms in the Shareholders Agreement.

The Joining Party hereby acknowledges, agrees and confirms that, by its execution of this Joinder Agreement, the Joining Party shall be deemed to be a party to the Shareholders Agreement as of the date hereof and shall have all of the rights and obligations of a "Shareholder" thereunder as if it had executed the Shareholders Agreement. The Joining Party hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Shareholders Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Joinder Agreement as of the date written below.

Date: \_\_, \_\_

[NAME OF JOINING PARTY]

By: \_\_

Name:

Title:

Address for Notices:

Acknowledged by:

STONECO LTD.

By:

Name:

Title:

## EXHIBIT B OF THE SHAREHOLDERS' AGREEMENT

### PROCEDURE FOR THE NOMINATION OF DIRECTORS BY SHAREHOLDERS

#### Nomination of Directors

- (1) The Shareholders must be notified by the Company, within sixty (60) business days prior to the date on which the Company's annual general meeting is expected to be called, to nominate their candidate for the position of at least one (1) member of the Board of Directors ("**Nomination Notice**").
- (2) The Shareholders shall nominate their candidate for the position of members of the Board of Directors until two (2) business days prior to the date on which the Company's annual general meeting is expected to be called ("**AGM Nomination Letter**").
- (3) In case the Shareholders fail to timely send the AGM Nomination Letter and, therefore, do not nominate their candidates for the position of members of the Board of Directors within the deadline set forth in item "b" above, it will be understood that the Shareholders did not wish to exercise their right of nomination of members of the Board of Directors at that time. Nonetheless, the Shareholders are entitled to exercise their right to nominate the Shareholder Director under Section 2.01 of this Agreement at any time prior to the next Company's annual general meeting. In this case, the Shareholders shall send to the Company a nomination request ("**Nomination Request**") and the Board of Directors shall vote, within fifteen days (15), a resolution to elect, on an interim basis, the Board member nominated in the Nomination Request, who may be later confirmed by the Shareholders as their nominee in the AGM Nomination Letter.

#### Election and Dismissal of Chairman

- (1) The Shareholders may elect and/or dismiss, at any time, the chairman of the Board of Directors, by means of sending a written notice to the Board of Directors ("**Chairman Notice**") indicating:
  - (3) their intention to elect and/or dismiss the chairman of the Board of Directors; and, in case of dismissal, if they wish, nominating, within the members of the Board of Directors, their new candidate for the position of chairman of the Board of Directors.
  - (4) Within five (5) business days of the receipt of the Chairman Notice, the Board of Directors shall cause the Chairman indicated by the Shareholders to be elected and/or dismissed, as applicable.
- (2) In case the Shareholders require the dismissal of the Chairman and/or do not nominate, in the Chairman Notice, a candidate or new candidate, as applicable, for the position of chairman of the Board of Directors, the Board of Directors shall appoint its new chairman in accordance with the Company's corporate documents.

### Subsidiaries of the Registrant

The following are the subsidiaries of the Registrant:

1	DLP Capital LLC (USA - Delaware)
2	MPB Capital LLC (USA - Texas)
3	DLPPar Participações S.A. (Brazil)
4	Stone Instituição de Pagamento S.A. (formerly Stone Pagamentos S.A.) (Brazil)
5	STNE Participações S.A. (Brazil)
6	STNE Participações em Tecnologia S.A. (Brazil)
7	MNLT S.A. (formerly MNLT Soluções de Pagamento S.A.) (Brazil)
8	Pagar.me Instituição de Pagamento S.A. (formerly Pagar.me Pagamentos S.A.) (Brazil)
9	Stone Sociedade de Crédito Direto S.A. (Brazil)
10	TAG Tecnologia para o Sistema Financeiro S.A. (Brazil)
11	Buy4 Processamento de Pagamentos S.A. (Brazil)
12	Buy4 Sub LLC (Subsidiary of Buy4 Processamento de Pagamentos S.A.) (USA - Texas)
13	Stone Franchising Ltda. (Brazil)
14	Stone Logística Ltda. (Brazil)
15	VHSYS Sistemas de Gestão S.A. (Brazil)
16	Alpha-Logo Serviços de Informática S.A. (Brazil)
17	Trinks Serviços de Internet S.A. (Brazil)
18	Vitta Tecnologia em Saúde S.A. (Brazil)
19	VittaPar LLC (USA - Delaware)

20	Vitta Corretora de Seguros Ltda. (Brazil)
21	Vitta Serviços em Saúde Ltda. (Brazil)
22	Vitta Saúde Administradora de Benefícios Ltda. (Brazil)
23	MLabs Software S.A. (Brazil)
24	Questor Sistemas S.A. (Brazil)
25	Stone Seguros S.A. (Brazil)
26	Delivery Much Tecnologia S.A. (Brazil)
27	Tapso Fundo de Investimento em Direitos Creditórios (Brazil)
28	SOMA I Fundo de Investimentos em Direitos Creditórios Não Padronizados (Brazil)
29	SOMA III Fundo de Investimentos em Direitos Creditórios Não Padronizados (Brazil)
30	StoneCo exclusivo Fundo de Investimento em Cotas de Fundo de InvestimentoMultimercado Crédito Privado (Brazil)
31	Linx Pay Meios de Pagamento Ltda. (Brazil)
32	SimplesVet Tecnologia S.A. (Brazil)
33	Linx S.A. (Brazil)
34	Linx Sistemas e Consultoria Ltda. (Brazil)
35	Linx Telecomunicações Ltda. (Brazil)
36	Napse S.R.L. (Argentina)
37	Sociedad Ingeniería de Sistemas Napse I.T. de Chile Limitada (Chile)
38	Napse IT Peru S.R.L. (Peru)
39	Synthesis Holding LLC. (USA - Florida)
40	Synthesis US LLC (USA - Florida)

41	Retail Americas Sociedad de Responsabilidad Limitada de Capital Variable (Mexico)
42	Synthesis IT de México Sociedad de Responsabilidad Limitada de Capital Variable (Mexico)
43	Hiper Software S.A. (Brazil)
44	Ametista Serviços Digitais Ltda. (Brazil) - On February 7, 2024, our equity interest in this company was sold, thus, the Group ceased to hold equity interest in such company.
45	Esmeralda Serviços Digitais Ltda. (Brazil) - On February 7, 2024, our equity interest in this company was sold, thus, the Group ceased to hold equity interest in such company.
46	Diamante Serviços Digitais Ltda. (Brazil) - On February 7, 2024, our equity interest in this company was sold, thus, the Group ceased to hold equity interest in such company.
47	Safira Serviços Digitais Ltda. (Brazil) - On February 7, 2024, our equity interest in this company was sold, thus, the Group ceased to hold equity interest in such company.
48	Tapso II Fundo de Investimento em Direitos Creditórios (Brazil)
49	StoneCo Pagamentos UK Ltd. (United Kingdom)
50	Stone Cartões Instituição de Pagamento S.A. (formerly STN Benefícios S.A.) (Brazil)
51	Neostore Desenvolvimento de Programas de Computador S.A. (Brazil)
52	Napse Uruguay SAS (Uruguay)
53	Óbvio Brasil Software e Serviços S.A. (Brazil)
54	Reclame Aqui Holding Ltd. (Cayman Islands)
55	O Mediador Tecnologia da Informação S/S Ltda. (Brazil)
56	Reclame Aqui Marcas e Serviços Ltda. (Brazil)
57	Reclame Aqui LLC (USA - Delaware)
58	Dental Office S.A. (Brazil)
59	Agilize Tecnologia S.A. (Brazil)
60	STEF S.A. (Brazil)
61	Fundo de Investimento em Direitos Creditórios ACR I - The Group owns 100% of the subordinated quotas in connection with the incorporation of the funds. (Brazil)
62	Fundo de Investimento em Direitos Creditórios ACR III - The Group owns 100% of the subordinated quotas in connection with the incorporation of the funds. (Brazil)
63	Fundo de Investimento em Direitos Creditórios ACR V - The Group owns 100% of the subordinated quotas in connection with the incorporation of the funds. (Brazil)
64	Fundo de Investimento em Direitos Creditórios ACR VI - The Group owns 100% of the subordinated quotas in connection with the incorporation of the funds. (Brazil)



65	Fundo de Investimento em Direitos Creditórios ACR FAST - The Group owns 100% of the subordinated quotas in connection with the incorporation of the funds. (Brazil)
66	STNE Investimentos S.A. (Brazil)
67	Equals Software Participações S.A. (Brazil)
68	Stone Holding Instituições S.A. (Brazil)



STONECO LTD.

## POLICY ON TRADING OF SECURITIES

ISSUED BY STONECO LTD. (INSIDER TRADING POLICY)

INFORMATION CATEGORY	AREA RESPONSIBLE	APPLICABLE SUBSIDIARIES
Public	Investor Relations	StoneCo Group

## APPROVAL

Date of Approval	Approvers
March 7, 2024	Board of Directors of StoneCo Ltd.

## REVISION HISTORY

Revision No.	Description	Date	Responsible / Area
01	Policy Review	February 22, 2024	Corporate Governance

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## 1. TERMS AND DEFINITIONS

**Management:** means the members of the Board of Directors, the advisory committees to the Board of Directors and the Company's statutory Executive Officers.

**Employee:** means any employee of the Company, in accordance with CLT (Brazilian Consolidation of Labor Laws) or internship regime, including the Company's statutory and non-statutory officers, regardless of where they are based.

**Company:** means StoneCo, and the companies directly or indirectly controlled by it, as applicable.

**Board of Directors:** means the Board of Directors of the Company.

**Executive Officers:** means the Officers of StoneCo, elected by the Board of Directors, and the statutory Officers of the companies controlled by it, as applicable.

**Material Non-Public Information:** has the meaning assigned to it in item 7.1. hereof.

**NASDAQ:** means NASDAQ Stock Market, located in New York City, USA.

**Subject Person(s):** means, for the purposes of this Policy, (i) the Employees, including their Related Persons; (ii) members of the Company's Board of Directors and of the advisory committees to the Board of Directors, as well as their Related Persons; (iii) Executive Officers, as well as their Related Persons; (iv) any person who, by virtue of a position, function or position in the Company, is aware of Material Non-Public Information, including their Related Persons; (v) other persons that the Company, at its discretion, considers relevant for the purposes of this Policy and that have undertaken the duty to comply with it; and/or (vi) other third parties who may be identified as potential subject persons by the Company, from time to time.

**Related Person(s):** means, for the purposes of this Policy, a family member of a person or entity that may influence or be influenced by such person in their negotiations with the Company, including, but not limited to (i) the spouse or partner; (ii) child(ren) and stepchild(ren); (iii) any person who is economically dependent on such person and/or their spouse or partner, including dependents listed in their annual income tax adjustment return; and (iv) companies directly or indirectly controlled by the specific person or persons mentioned in the items above.

**Policy:** means this Policy on Trading of Securities Issued By StoneCo Ltd. (Insider Trading Policy).

**SEC:** means the United States Securities and Exchange Commission.

**StoneCo:** company incorporated and validly existing under the laws of the Cayman Islands, with its registered office at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 Church St., PO Box 10240 KY1-1002, Georgetown, Cayman Islands, registered with CNPJ/MF (Brazilian Taxpayers' Registry) under No. 31.752.270/0001-82.

**Security(ies):** means the common shares, common stock options, debt securities and any other securities that the Company may issue from time to time, such as preferred shares, warrants, bonds and convertible debentures, as well as derivatives related to the Company's securities, including securities exchangeable for securities of the Company, depository receipts representing securities of the Company, whether or not issued by the Company, such as exchange traded options, and also shares of investment funds that invest predominantly in securities of the Company.

## 2. PURPOSE

2.1. This Policy aims to determine the principles and guidelines to ensure that trading of the Company's Securities is carried out in accordance with the legislation in force and applicable to the Company, with the purpose of preventing the improper use of any Material Non-Public Information by Subject Persons, preventing the practice of insider trading.

- 2.2. This Policy does not, in any way, exempt the Subject Persons from complying with the regulations that are in force on the subject, including, but not limited to, federal and state laws of the United States, the Cayman Islands, rules issued by the SEC, as well as Brazilian legislation and legislation from other foreign jurisdictions on the subject, with said persons being subject to the applicable penalties in case of non-compliance with such rules.

### **3. SCOPE AND APPLICABILITY**

- 3.1. This Policy applies to negotiations carried out with the Company's Securities, and shall be complied with by the Subject Persons.
- 3.2. This Policy applies to any person indicated above, including his/hers Related Persons, that terminates his/hers relationship with the Company and who is aware of Material Non-Public Information, until said information is disclosed, in accordance with this Policy, or for the period of 120 (one hundred and twenty) days from the end of the relationship, whichever occurs first.
- 3.3. Subject Persons are fully responsible for communicating the terms of this Policy to their Related Persons and for ensuring compliance by such persons in the best possible way, with such Related Persons also being subject to applicable penalties.

### **4. APPROVAL**

This Policy and any amendments thereto shall be evaluated and recommended by the Executive Officers of StoneCo and approved by the Board of Directors of StoneCo.

### **5. EFFECTIVENESS**

This Policy takes effect on the date of its approval and shall be updated to the extent that the actions or topics described herein are changed, or in the event of an amendment or applicable regulatory requirement.

### **6. PRINCIPLES AND GUIDELINES**

- 6.1. The actions of each Subject Person must be guided by the duty of loyalty, veracity and good faith, as well as by the principles determined by the Company's Code of Ethics.
- 6.2. The disclosure of Material Non-Public Information to anyone is prohibited, except for those people in the Company who, due to their positions, must have access to such information. All Subject Persons have the duty to ensure the confidentiality of Material Non-Public Information and to adopt security measures with respect to the discussion and proper storage of such information.
- 6.3. Subject Persons are prohibited from providing, commenting, sharing, photographing or filming, through any means of communication, including the internet and social networks, any Material Non-Public Information.
- 6.4. The responsibility of the Subject Persons will extend to acts carried out by third parties, whenever such third parties act under the influence, guidance or delegation of the Subject Person. Nevertheless, this Policy does not exempt liability arising from legal and regulatory provisions attributed to third parties not directly linked to the Company and who are aware of Material Non-Public Information.
- 6.5. Subject Persons must adhere to the terms of this Policy by signing a Commitment Term at the time of their hiring, election of positions, promotion or transfer, in which they will declare that they know and agree with all the terms of this Policy, as well as they undertake the obligation to observe them.

## 7. GUIDELINES FOR SECURITIES TRADING

### 7.1. Material Non-Public Information

- 7.1.1. In general, there is no exhaustive definition of what is Material Information, and its relevance must be analyzed on a case-by-case basis. A piece of information can be considered relevant when there is a probability that it is considered relevant to the decision-making process of buying, holding or selling securities – that is, it may influence the share price of a company. Any information that could affect a company's share price, whether positively or negatively, regardless of whether the change is large or small, may be considered material. The information does not need to be consummated or definitive to be considered material.
- 7.1.2. Although it may be difficult to determine whether information is material, there is a range of information that is extremely sensitive and should therefore always be considered "Material Information". Examples of such information include:
- (i) financial results or related information;
  - (ii) accounting or net equity changes;
  - (iii) projections of future revenues, gains, or losses;
  - (iv) any spin-off, consolidation, substantial disposal of assets, joint venture, merger or any corporate restructuring (even if not implemented);
  - (v) creation of a relevant direct or contingent financial obligation and/or the possible failure to comply with such obligation;
  - (vi) entering into, changing or terminating relevant agreements and/or contracts;
  - (vii) impending bankruptcy or financial liquidity problems;
  - (viii) gain or loss of a relevant client, customer or supplier;
  - (ix) launch, resumption or interruption of the offer or sale of a product or service, representing present or future material revenues or expenses;
  - (x) regulatory issues and strategies inherent to the Company's activity;
  - (xi) issuance of shares or structuring of operations in the capital market;
  - (xii) changes in pricing strategies;
  - (xiii) changes/modifications in the Management;
  - (xiv) material litigation, investigation or regulatory exposure;
  - (xv) change of control of the Company;
  - (xvi) security incidents; and
  - (xvii) the Company's strategic plan.
- 7.1.3. Information is not considered public until it has been widely disclosed to the market (through an official statement from the Company or through filing of a document containing said information with the SEC) and the public has had a reasonable time to absorb said information.

## **7.2. Prohibition of Use of Material Non-public Information**

7.2.1. The use of Material Non-Public Information for any purpose harmful to the Company is prohibited, including but not limited to:

- (i) buy, sell or, in any way, engage in any operations of this nature, or assist any person in this regard, directly or indirectly, related to the Company's Securities;
- (ii) make recommendations, give guidance or express opinions on trading of the Company's Securities, based on such information (Tipping);
- (iii) disclose such information to any third party; and/or
- (iv) help anyone in the activities listed above.

7.2.2. The above restrictions also apply to the trading of securities of another company, by any person who has material and non-public information relating to that other company, when such information is obtained in the course of a relationship of any nature on behalf of the Company and/ or involving the Company.

## **7.3. Blackout Period**

7.3.1. The Company has established quarterly blackout periods, therefore, Subject Persons will not be able to conduct any operation with Company's Securities during the period that begins 35 (thirty-five) calendar days before the date of the quarterly disclosure of the Company's results and lasts until the beginning of the first business day (in New York City, United States of America) following the first full day available for trading of the Company's Securities following the quarterly disclosure of the Company's results ("Blackout Period").

7.3.2. The Investor Relations area may establish an additional period of prohibition and will communicate the Subject Persons, as well as other persons they consider relevant. The imposition of an additional period of prohibition is, in itself, a confidential information, and the fact that it has been imposed may not be disclosed to any other persons.

7.3.3. The Company may not, during a Blackout Period, trade its own Securities and/or execute/implement repurchase programs for its own Securities.

7.3.4. Subject to the provisions above, trading of the Company's Securities is permitted during periods that are not considered Blackout Periods. The trading of Company's Securities by Subject Persons listed in Exhibit I hereto must be previously approved by the Investor Relations Officer of StoneCo and the Legal Officer of StoneCo. The trading of Company's Securities by the Investor Relations Officer must be previously approved by the Chief Executive Officer of StoneCo.

## **7.4. Restriction Periods ad hoc**

7.4.1. The Investor Relations area may impose special restriction periods during which certain Subject Persons will be prohibited from buying, selling or carrying out transactions with any Company's Securities or derivative securities ("Restriction Period ad hoc"). If a Restriction Period ad hoc is imposed, the Investor Relations team will notify certain Subject Persons, who thereafter shall not engage in any covered transaction involving the Company's Securities and shall not disclose the existence of the Restriction Period ad hoc to others.

## 7.5. Other Applicable Specific Restrictions

7.5.1. The following transactions are considered high risk and are prohibited as indicated below, even if the Subject Person is not in possession of Material Non-Public Information:

- (i) **Short Sale.** Short sale represents the trading of a security with the expectation that it will decline in value. Short selling may create a false perception regarding the Company's securities and harm the Company's reliability and image. In this sense, the carrying out of short sales by any Subject Persons is prohibited.
- (ii) **Rental of Securities.** The rental of any Security of the Company is prohibited.
- (iii) **Options.** A put option gives the investor the right to sell the security at a certain future date at a fixed price, and a call option the right to buy the security at a specific fixed price until a pre-established date. Put options are usually bought when a person believes the price of a security will fall, and call options are bought when a person believes the price of a security will rise. Carrying out transaction with options may create a perception of trading with the Company's Material Non-Public Information. In this sense, carrying out any transactions with options (put or call) or other derivative operations related to the Company's Securities on a stock exchange or any other organized market, as well as on the over-the-counter market, is prohibited.
- (iv) **Hedging Transactions.** A hedging transaction aims to protect a financial operation from possible price changes. Given its nature, it is prohibited to carry out hedging transactions, including swaps, collars, exchange funds and fixed-term sales contracts. Such transactions give a shareholder the chance to lock in a large portion of the value of their shares, often in exchange for all or part of the shares' expected potential appreciation. These transactions allow the shareholder to continue to hold the securities covered by these transaction, but without the risks and full rewards that accompany ownership. As participation in these transactions may cause a person of the Company to no longer have the same objectives as the other shareholders of the Company, no Subject Person of the Company may engage in such operations.
- (v) **Speculation.** Short-range speculation based on market fluctuations puts the personal gain of Subject Persons in conflict with the best interests of the Company and its shareholders, thus, the acquisition or disposal of the Company's Securities is prohibited before 180 (one hundred and eighty) days have elapsed, respectively, from the last sale or acquisition of the Company's Securities on the stock exchange or over-the-counter market.

## 8. EXCEPTIONS

8.1. **Incentive Plans.** This Policy does not apply to the acquisition of shares by an applicable Subject Person or through the Company's stock-based incentive plans, including, but not limited to, the Restricted Stock Units and Performance Share Units ("Incentive Plans"). However, this Policy applies to the sale of shares eventually acquired by an applicable Employee or Subject Person under the Incentive Plans.



- 8.2. **Pledge.** The use of Company's shares as collateral in transactions must be carried out with care, since the shares may be sold by the creditor without the consent of the applicable Employee or Subject Person, including during a Blackout Period. The use of the Company's shares as collateral by Employees or an applicable Subject Person is permitted, provided that said transaction (i) is previously approved, in writing, by the Company's Investor Relations area, and (ii) does not exceed the average weekly reported trading volume of the Company's Securities on the Nasdaq during the 4 (four) weeks prior to the date of such transaction. Although the use of Company's Securities as collateral may be permitted, Subject Persons must be aware of the associated risks. Specifically, the Company's Securities eventually used as a collateral may be disposed by the creditor without the consent of the Subject Person under certain conditions. For example, securities held in a margin account can be sold by a broker without the client's consent if the client does not answer a margin call. Since such a sale may occur at a time when a Subject Person has Material Non-Public Information or is otherwise not authorized to trade Company's Securities, Subject Persons should be aware of the risks associated with securing Securities of the Company, including purchasing Company's securities on margin or holding Company's Securities in a margin account.
- 8.3. **Purchase Option.** This Policy does not apply to the acquisition of shares, through private negotiation, resulting from the exercise of options under the stock option program, and the granting of shares under the Company's stock compensation programs.

## 9. ADDITIONAL GUIDELINES

- 9.1. **Designated Brokers.** Upon disclosure by the Company of the list of pre-approved brokers, which shall happen within 12 (twelve) months from the date of approval of this Policy ("Designated Brokers"), Subject Persons must use a Designated Broker to trade Company's Securities. The Investor Relations area may, on a case-by-case basis, make an exception to the list of Designated Brokers. After the disclosure of the list of Designated Brokers by the Company, trading the Company's Securities outside the Designated Brokers will be considered a violation of this Policy, unless previously approved by the Investor Relations area.
- 9.2. **Trading Plans (SEC Rule 10b5-1).** Stock trading plans under SEC Rule 10b5-1 permit a person to place a standing order with a broker to buy or sell shares of the Company, provided that certain requirements are met, such as specifying schedule and number of shares to be traded ("Trading Plan"). Trading Plans may be entered into by Employees or members of the Company's Board of Directors, within the scope of Rule 10b5-1, and allow the participants to negotiate, through third parties on their behalf, even if the person is in possession of Material Non-Public Information. Trading Plans must be subject to prior approval by the Company and be structured in accordance with the guidelines established here, observing the applicable legislation on the subject.
- 9.2.1. The approval of a Trading Plan must observe the following guidelines:
- (i) the Trading Plan must be in writing and concluded only outside a Blackout Period and when the Subject Person is not in possession of Material Non-Public Information;
  - (ii) the Subject Person may not have more than one Trading Plan in place at any given time, unless (i) there is a previous and a subsequent trading plan, designed to operate in sequence, such that one starts after the other ends, or (ii) the Trading Plan provides for only eligible sell-to-cover trades. A Rule 10b-5 trading plan provides for an eligible sell-to-cover transaction where the plan authorizes the sale of only those securities necessary to satisfy withholding income tax obligations arising solely from the acquisition of share-based compensation and the person establishing the Rule 10b-5 plan does not otherwise exercise control over the timing of sales;
  - (iii) the Trading Plan, in the absence of special circumstances, will be for a period of no less than 12 (twelve) months;
  - (iv) the Trading Plan shall provide for relatively simple pricing parameters (e.g., limit orders) rather than complex formulas to determine when trading based on the plan may occur and at what price;

- (v) the Trading Plan must allow its termination by the Company at any time, when it believes that trading in accordance with its terms may present any material risk to the Company;
- (vi) with respect to the Company's Executive Officers and members of the Company's Board of Directors, transactions based on Trading Plan cannot be initiated until the last of the following events has occurred: (i) 90 (ninety) days after signing the Trading Plan, or (ii) 2 (two) business days after the disclosure of the Company's financial results for the fiscal quarter in which the Trading Plan was adopted;
- (vii) in relation to Employees who are not the Company's Executive Officers or members of the Company's Board of Directors, transactions based on the Trading Plan may only be initiated after a period of 30 (thirty) days after the adoption of the Trading Plan;
- (viii) any amendment to the Trading Plan must only be made during a period other than a Blackout Period, when the person is not in possession of Material Non-Public Information, and said periods must be observed;
- (ix) Executive Officers of the Company or members of the Company's Board of Directors shall include a statement in their Trading Plan that, when adopting a new or modified plan: (i) they are not aware of any Material Non-Public Information about the Company or the Company's Securities, and (ii) they are adopting the plan in good faith and not as part of a plan or scheme to circumvent the prohibitions of Rule 10b-5; and
- (x) Trading Plans do not exempt the completion of Form 144 and the fact that a reported transaction has been made or will be made in accordance with a Trading Plan must be informed in the Form.

9.3. **Affiliates (Rule 144).** The following persons will be considered an "Affiliate" of the Company (i) members of the Company's Board of Directors and of the advisory committees to the Board of Directors, (ii) Executive Officers of the Company, (iii) other officers (statutory or not) or members of the Company's statutory committees who have influence over the Company's policies and strategies, (v) shareholders who hold 10% (ten percent) or more of the Company's share capital, and (vi) Related Persons of the people mentioned in items "i" to "iv" above ("Affiliate").

9.3.1. An Affiliate wishing to sell Company Securities, subject to the terms of applicable regulations, may have to file a Form 144 ("F-144") with the SEC on the same day of the sale. The quantity of Company's Securities sold by an Affiliate during any 3 (three) month period shall not exceed (i) in the case of debt securities, 10% (ten percent) of the tranche, considering the total amount of Securities to be sold by the Affiliate, and (ii) in the case of equity securities, the greater of (a) 1% (one percent) of the outstanding securities of the class being sold; and (b) the reported average weekly trading volume of the Company's Securities on Nasdaq during the 4 (four) weeks preceding the filing of Form F-144.

9.3.2. Each Subject Person has an individual responsibility to comply with this Policy and the regulations applicable to his/hers jurisdiction. It is important to note that a Subject Person may eventually have to give up on doing a transaction with Company's Securities, even if he/she planned to execute the transaction before having access to Material Non-Public Information, and even if the Subject Person believes that he/she may suffer an economic loss and/or forego an anticipated profit by doing so.

## 10. APPLICABLE LIABILITIES AND PENALTIES

- 10.1. Under U.S. law, engaging in transactions with a company's securities when a person is in possession of material non-public information about the company, or disclosing material non-public information, including giving advice or expressing opinions based on material non-public information of a company to another person who engages in transactions with that company's securities (tipping), may subject that person to significant monetary fines and imprisonment. The earning of gain or profit from the transaction is not necessary for the criminal liability of the person, being judged only the use of material non-public information.
- 10.2. Subject Persons who violate this Policy will be subject to disciplinary action by the Company, which may include, among other penalties, termination of the employment contract.

## 11. REPORTING AND CONTACT CHANNELS

The Investor Relations area will be responsible for handling questions related to the topics set forth in this Policy or possible matters not covered herein, through the email [investors@stone.com.br](mailto:investors@stone.com.br). Any violations of this Policy must be reported to the Company through Orelhão, available at:

- [canalconfidencial.com.br/orelhaostone](http://canalconfidencial.com.br/orelhaostone)
- Telephone: 0800-591-0579

The Company guarantees the confidentiality and anonymity of the reported information, as well as non-retaliation to whistleblowers who are acting in good faith.

## 12. LEGISLATION AND RELATED DOCUMENTATION

- Company Code of Ethics
- Corporate Documentation Guidelines
- United States federal and state laws relating to insider trading
- Brazilian legislation regarding the use of privileged information
- Applicable SEC rules

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**STONECO LTD.**  
**TRADING POLICY ON SECURITIES ISSUED BY STONECO LTD.**  
***(INSIDER TRADING POLICY)***

**Annex I | List of Subject Persons**

- members of the Company's Board of Directors and members of the advisory committees to the Board of Directors and their Related Persons;
- Executive Officers of the Company and their Related Persons;
- Company Employees who work in the following areas: team of people responsible for the Company's Incentive Plans, Legal, Financial (includes FP&A; Accounting, Reporting and Treasury), Risks, Investor Relations, Regulatory, M&A, Information Security, HR (attraction/talent), Internal Audit, Strategy and Management;
- Employees in leadership positions (N2) in all areas of the Company and their Related Persons; and
- Employees who have access to any information related to the Company's results, regardless of their area of activity and/or position.

**CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER**

I, Pedro Zinner, certify that:

I have reviewed this annual report on Form 20-F of StoneCo Ltd.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 24, 2024

By: /s/ Pedro Zinner  
Name: Pedro Zinner  
Title: Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION BY THE PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER**

I, Mateus Scherer Schwening, certify that:

I have reviewed this annual report on Form 20-F of StoneCo Ltd.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 24, 2024

By: /s/ Mateus Scherer Schwening

Name: Mateus Scherer Schwening  
 Title: Chief Financial Officer and Investor Relations Officer

**CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of StoneCo Ltd., or the "Company" for the fiscal year ended December 31, 2023, or the "Report." I, Pedro Zinner, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and  
the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 24, 2024

By: /s/ Pedro Zinner

Name: Pedro Zinner  
Title: Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of StoneCo Ltd., or the “Company” for the fiscal year ended December 31, 2023, or the “Report.” I, Mateus Scherer Schwening, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and  
the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 24, 2024

By: /s/ Mateus Scherer Schwening  
Name: Mateus Scherer Schwening  
Title: Chief Financial Officer and Investor Relations Officer



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-265382) pertaining to the Long-Term Incentive Plan of StoneCo Ltd. of our reports dated March 15, 2024, with respect to the consolidated financial statements of StoneCo Ltd., and the effectiveness of internal control over financial reporting of StoneCo Ltd., included in this Annual Report (Form 20-F) for the year ended December 31, 2023.

/s/ ERNST & YOUNG Auditores Independentes S/S Ltda

São Paulo, Brazil  
April 23, 2024

**STONECO LTD.**  
**COMPENSATION RECOURPMENT POLICY**

This StoneCo Ltd. Compensation Recoupment Policy (the “**Policy**”) has been adopted by the Board of Directors (the “**Board**”) of StoneCo Ltd. (the “**Company**”), effective on the Effective Date. This Policy provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under U.S. federal securities laws in accordance with the terms and conditions set forth herein. This Policy is intended to comply with the requirements of Section 10D of the Exchange Act (as defined below) and Section 5608 of the Nasdaq Listing Rules.

1. **Definitions.** For the purposes of this Policy, the following terms shall have the meanings set forth below. Capitalized terms used but not defined in this Policy shall have the meanings set forth in the Company’s Long-Term Incentive Plan (“LTIP”) (as may be amended from time to time).

(1) “**Committee**” means the People and Compensation Committee of the Board or any successor committee thereof. If the Committee is no longer in place, or there is no other compensation committee of the Board, references herein to the “Committee” shall refer to the Company’s committee that is responsible for executive compensation decisions, or in the absence of such a compensation committee, the independent members of the Board.

(2) “**Covered Compensation**” means any Incentive-based Compensation “received” (as defined below) by a Covered Executive during the applicable Recoupment Period; *provided that*:

(i) such Incentive-Based Compensation was received by such Covered Executive (A) on or after the Effective Date, (B) after he or she commenced service as an Executive Officer and (C) while the Company had a class of securities publicly listed on a United States national securities exchange; and

(ii) such Covered Executive served as an Executive Officer at any time during the performance period applicable to such Incentive-based Compensation.

For purposes of this Policy, Incentive-based Compensation is “received” by a Covered Executive during or based on the fiscal period in which the Financial Reporting Measure applicable to such Incentive-based Compensation (or portion thereof) is attained, even if the payment or grant of such Incentive-based Compensation is made thereafter.

(3) “**Covered Executive**” means any current or former Executive Officer.

(4) “**Effective Date**” means the date on which Section 5608 of the Nasdaq Listing Rules becomes effective.

(5) “**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

(6) “**Executive Officer**” means, with respect to the Company, (i) its chief executive officer, chief financial officer and all executive officers appointed and elected by the Board, (ii) its principal accounting officer and/or its controller, (iii) any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), (v) any other officer who performs a policy-making function for the Company (including any officer of the Company’s parent(s) or subsidiaries if they perform policy-making functions for the Company or its subsidiaries) and (vi) any other person who performs similar policy-making functions for the Company and/or its subsidiaries. Policy-making function is not intended to include policy-making functions that are not significant. The determination as to an individual’s status as an Executive Officer shall be made by the Committee and such determination shall be final, conclusive and binding on such individual and all other interested persons. The Exhibit I attached herein provides an illustrative and non-exhaustive list of Executive Officers. For the avoidance of doubt, Board members shall not be deemed as Executive Officers.

(7) “**Financial Reporting Measure**” means any (i) measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, (ii) share price measure or (iii) total shareholder return measure (and any measures that are derived wholly or in part from any measure referenced in clause (i), (ii) or (iii) above). For the avoidance of doubt, any such measure does not need to be presented within the Company’s financial statements or included in a filing with the U.S. Securities and Exchange Commission to constitute a Financial Reporting Measure.

(8) “**Financial Restatement**” means a restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under U.S. federal securities laws that is required in order to correct:

(9) an error in previously issued financial statements that is material to the previously issued financial statements; or

(ii) an error that would result in a material misstatement if (A) the error was corrected in the current period or (B) left uncorrected in the current period.

For purposes of this Policy, a Financial Restatement shall not be deemed to occur in the event of a restatement of the Company’s financial statements due to an out-of-period adjustment (i.e., when the error is immaterial to the previously issued financial statements and the correction of the error is also immaterial to the current period) or a retrospective (1) application of a change in accounting principles; (2) revision to reportable segment information due to a change in the structure of the Company’s internal organization; (3) reclassification due to a discontinued operation; (4) application of a change in reporting entity, such as from a reorganization of entities under common control; (5) revision for share splits, reverse share splits, share dividends or other changes in capital structure; or (6) adjustment to provisional amounts in connection with a prior business combination.

(10) “**Incentive-based Compensation**” means any compensation (including, for the avoidance of doubt, any cash or equity or equity-based compensation, whether deferred or current) that is granted, earned and/or vested based wholly or in part upon the achievement of a Financial Reporting Measure. For purposes of this Policy, “Incentive-based Compensation” shall also be deemed to include any amounts which were determined based on (or were otherwise calculated by reference to) Incentive-based Compensation (including, without limitation, any amounts under any long-term disability, life insurance or supplemental retirement or severance plan or agreement or any notional account that is based on Incentive-based Compensation, as well as any earnings accrued thereon).

(11) “**Nasdaq**” means the Nasdaq Global Select Market, or any successor thereof.

(12) “**Recoupment Period**” means the three fiscal years completed immediately preceding the date of any applicable Recoupment Trigger Date. Notwithstanding the foregoing, the Recoupment Period additionally includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years, provided that a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months shall be deemed a completed fiscal year.

(13) “**Recoupment Trigger Date**” means the earlier of (i) the date that the Board (or a committee thereof or the officer(s) of the Company authorized to take such action if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement, and (ii) the date on which a court, regulator or other legally authorized body directs the Company to prepare a Financial Restatement.

## 2. Recoupment of Erroneously Awarded Compensation.

(1) In the event of a Financial Restatement, if the amount of any Covered Compensation received by a Covered Executive (the “**Awarded Compensation**”) exceeds the amount of such Covered Compensation that would have otherwise been received by such Covered Executive if calculated based on the Financial Restatement (the

“**Adjusted Compensation**”), the Company shall reasonably promptly recover from such Covered Executive an amount equal to the excess of the Awarded Compensation over the Adjusted Compensation, each calculated on a pre-tax basis (such excess amount, the “**Erroneously Awarded Compensation**”), subject to Section(2)(b) hereof.

(2) If (i) the Financial Reporting Measure applicable to the relevant Covered Compensation is share price or total shareholder return (or any measure derived wholly or in part from either of such measures) and (ii) the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the amount of Erroneously Awarded Compensation shall be determined (on a pre-tax basis) based on the Company’s reasonable estimate of the effect of the Financial Restatement on the Company’s share price or total shareholder return (or the derivative measure thereof) upon which such Covered Compensation was received.

(3) For the avoidance of doubt, the Company’s obligation to recover Erroneously Awarded Compensation is not dependent on (i) if or when the restated financial statements are filed or (ii) any fault of any Covered Executive for the accounting errors or other actions leading to a Financial Restatement.

(4) Notwithstanding anything to the contrary in Sections 2(a) through (c) hereof, the Company shall not be required to recover any Erroneously Awarded Compensation if both (x) the conditions set forth in either of the following clauses (i), (ii), or (iii) are satisfied and (y) the Committee (or a majority of the independent directors serving on the Board) has determined that recovery of the Erroneously Awarded Compensation would be impracticable:

(a) the direct expense paid to a third party to assist in enforcing the recovery of the Erroneously Awarded Compensation under this Policy would exceed the amount of such Erroneously Awarded Compensation to be recovered; *provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d), the Company shall have first made a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to make such recovery and provide that documentation to the Nasdaq;

(b) recovery of the Erroneously Awarded Compensation would violate the laws of the Cayman Islands to the extent such law was adopted prior to November 28, 2022 (*provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d)), the Company shall have first obtained an opinion of home country counsel of the Cayman Islands, that is acceptable to the Nasdaq, that recovery would result in such a violation, and the Company must provide such opinion to the Nasdaq; or

(c) recovery of the Erroneously Awarded Compensation would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”).

(5) The Company shall not indemnify any Covered Executive, directly or indirectly, for any losses that such Covered Executive may incur in connection with the recovery of Erroneously Awarded Compensation pursuant to this Policy, including through the payment of insurance premiums or gross-up payments.

(6) The Committee shall determine, in its sole discretion, the manner and timing in which any Erroneously Awarded Compensation shall be recovered from a Covered Executive in accordance with applicable law, including, without limitation, by: (i) requiring reimbursement of Covered Compensation previously paid in cash; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity or equity-based awards; (iii) offsetting the Erroneously Awarded Compensation amount from any compensation otherwise owed by the Company or any of its affiliates to the Covered Executive; (iv) cancelling outstanding vested or unvested equity or equity-based awards; and/or (v) taking any other remedial and recovery action permitted by applicable law. For the avoidance of doubt, except as set forth in Section 2(d), in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation;

*provided* that, to the extent necessary to avoid any adverse tax consequences to the Covered Executive pursuant to Section 409A of the Code (or any other applicable tax law), to the extent practicable, any offsets against amounts under any nonqualified deferred compensation plans (as defined under Section 409A of the Code) (or any compensation deferred pursuant to any other applicable tax law) shall be made in compliance with Section 409A of the Code or such other applicable tax law.

3. Administration. This Policy shall be administered by the Committee. All decisions of the Committee shall be final, conclusive and binding upon the Company and the Covered Executives, their beneficiaries, executors, administrators and any other legal representative. The Committee shall have full power and authority to: (i) administer and interpret this Policy; (ii) correct any defect, supply any omission and reconcile any inconsistency in this Policy; and (iii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of this Policy and to comply with applicable law (including Section 10D of the Exchange Act) and applicable stock market or exchange rules and regulations. Notwithstanding anything to the contrary contained herein, to the extent permitted by Section 10D of the Exchange Act and Section 5608 of the Nasdaq Listing Rules, the Board may, in its sole discretion, at any time and from time to time, administer this Policy in the same manner as the Committee.

4. Amendment/Termination. Subject to Section 10D of the Exchange Act and Section 5608 of the Nasdaq Listing Rules, this Policy may be amended or terminated by the Committee at any time. To the extent that any applicable law, or stock market or exchange rules or regulations require recovery of Erroneously Awarded Compensation in circumstances in addition to those specified herein, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Erroneously Awarded Compensation to the fullest extent required by such applicable law, stock market or exchange rules and regulations. Unless otherwise required by applicable law, this Policy shall no longer be effective from and after the date that the Company no longer has a class of securities publicly listed on a United States national securities exchange.

5. Interpretation. Notwithstanding anything to the contrary herein, this Policy is intended to comply with the requirements of Section 10D of the Exchange Act and Section 5608 of the Nasdaq Listing Rules (and any applicable regulations, administrative interpretations or stock market or exchange rules and regulations adopted in connection therewith). The provisions of this Policy shall be interpreted in a manner that satisfies such requirements and this Policy shall be operated accordingly. If any provision of this Policy would otherwise frustrate or conflict with this intent, the provision shall be interpreted and deemed amended so as to avoid such conflict.

6. Other Compensation Clawback/Recoupment Rights. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies, rights or requirements with respect to the clawback or recoupment of any compensation that may be available to the Company pursuant to the terms of any other recoupment or clawback policy of the Company (or any of its affiliates) that may be in effect from time to time, any provisions in any employment agreement, offer letter, equity plan, equity award agreement or similar plan or agreement, and any other legal remedies available to the Company, as well as applicable law, stock market or exchange rules, listing standards or regulations; *provided, however*, that any amounts recouped or clawed back under any other policy that would be recoupable under this Policy shall count toward any required clawback or recoupment under this Policy and vice versa.

7. Exempt Compensation. Notwithstanding anything to the contrary herein, the Company has no obligation under this Policy to seek recoupment of amounts paid to a Covered Executive which are granted, vested or earned based solely upon the occurrence or non-occurrence of nonfinancial events. Such exempt compensation includes, without limitation, base salary, time-vesting awards, retention plans, compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures or compensation awarded solely at the discretion of the Committee or the Board, *provided* that such amounts are in no way contingent on, and were not in any way granted on the basis of, the achievement of any Financial Reporting Measure performance goal.

8. Miscellaneous.

(1) Any applicable award agreement or other document setting forth the terms and conditions of any compensation covered by this Policy shall be deemed to include the restrictions imposed herein and incorporate this Policy by reference and, in the event of any inconsistency, the terms of this Policy will govern. For the avoidance of doubt, this Policy applies to all compensation that is received on or after the Effective Date, regardless of the date on which the award agreement or other document setting forth the terms and conditions of the Covered Executive's compensation became effective, including, without limitation, compensation received under the LTIP of the Company and any successor plan(s) thereto.

(2) This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

(3) All issues concerning the construction, validity, enforcement and interpretation of this Policy and all related documents, including, without limitation, any employment agreement, offer letter, equity award agreement or similar agreement, shall be governed by, and construed in accordance with, the laws of the Cayman Islands, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than the Cayman Islands.

(4) The Covered Executives, their beneficiaries, executors, administrators and any other legal representative and the Company shall initially attempt to resolve all claims, disputes or controversies arising under, out of or in connection with this Policy by conducting good faith negotiations amongst themselves. To ensure the timely and economical resolution of disputes that arise in connection with this Policy, the Covered Executives, their beneficiaries, executors, administrators and any other legal representative and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Cayman Islands for any and all disputes, claims, or causes of action arising from or relating to the enforcement, performance or interpretation of this Policy. The Covered Executives, their beneficiaries, executors, administrators and any other legal representative and the Company, shall not commence any suit, action or other proceeding arising out of or based upon this Agreement except in the courts of the Cayman Islands, and hereby waive, and agree not to assert, by way of motion, as a defense or otherwise, in any such suit, action or proceeding, any claim that such party is not subject to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Policy or the subject matter hereof may not be enforced in or by such courts. To the fullest extent permitted by law, the Covered Executives, their beneficiaries, executors, administrators, and any other legal representative, and the Company, shall waive (and shall hereby be deemed to have waived) the right to resolve any such dispute through a trial by jury.

(5) If any provision of this Policy is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

## Exhibit I

The following positions represent an illustrative and non-exhaustive list of Executive Officers, subject to this Clawback Policy, regardless of any changes of titles.

- (1) Chief Executive Officer
- (2) Chief Risk Officer
- (3) Chief Impact & Sustainability Officer
- (4) Chief Treasury Officer
- (5) Chief People & Operating Officer
- (6) Chief Product & Innovation Officer
- (7) Chief Strategy & Marketing Officer
- (8) Chief Technology Officer
- (9) Chief Client Officer of Small and Medium Merchant Business
- (10) Chief Financial Officer & Investor Relations Officer
- (11) Chief Operating Officer of Software
- (12) Chief Legal & Compliance Officer
- (13) Chief Client Officer of Micro Merchants Business
- (14) Chief Economist & Regulatory Affairs Executive Officer
- (15) Controller
- (16) Head of Reporting and/or Accounting