

# BOVESPA INDEX (IBOVESPA) METHODOLOGY

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The Ibovespa is compiled as a weighted average of a theoretical portfolio of stocks pursuant to criteria set forth in this methodology.

The procedures used to calculate the index are detailed in the Manual of Concepts and Practices for B3's Indices (Concepts and Practices), available at [http://www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Market data and indices, Broad Indexes, Bovespa Index (Ibovespa).

## 1 OBJECTIVE

The Ibovespa is designed to gauge the stock market's average performance tracking changes in the prices of the more actively traded and better representative stocks of the Brazilian stock market.

## 2 INDEX TYPE

The Ibovespa is a total return index (see the Concepts and Practices Manual for B3 Indices).

## 3 ELIGIBLE STOCKS

The Ibovespa is composed exclusively of shares and units representing shares of B3-listed issuers that meet the inclusion criteria set forth below.

The index universe excludes Brazilian Depositary Receipts (BDRs) and shares of issuers under judicial or extrajudicial reorganization, government- or court-ordered administration or intervention, as well as shares otherwise designated to be under exceptional trading status (see the Concepts and Practices Manual for B3 Indices).

## 4 INCLUSION CRITERIA

Eligible stocks which may be selected as index constituents are those that meet the following cumulative criteria:

**4.1** Being amongst the eligible stocks which, as measured in descending order by individual Tradability Ratio (IN) over a period comprising the three (3)

previous portfolio cycles, collectively account for eighty-five percent (85%) of the sum total of such metric (see the Concepts and Practices Manual for B3 Indices).

**4.2** Having actively traded in ninety-five percent (95%) of the trading sessions held over a period comprising the three (3) previous portfolio cycles.

**4.3** Having accounted for no less than zero point one percent (0.1%) of the overall value traded on the cash equity market (round lots) over a period comprising the three (3) previous portfolio cycles.

**4.4** Not constituting “penny stock” (see the Concepts and Practices Manual for B3 Indices).

Shares or units sold in equity offerings completed over the course of a period comprising the three (3) portfolio cycles that precede any given rebalancing will be deemed eligible to index membership even if not listed throughout such period, provided that:

- a)** The relevant equity offering (for sale of shares or units representing shares, as applicable) shall have been completed prior to the immediately preceding rebalancing;
- b)** Since the date of admission for trading, the relevant shares or units (as applicable) shall have actively traded in ninety-five percent (95%) of the trading sessions;
- c)** The criteria set forth under items 1, 3 and 4 above shall have been cumulatively met.

## **5 EXCLUSION CRITERIA**

A constituent shall be removed from the index theoretical portfolio in the event that:

**5.1** Any two of the inclusion criteria set forth above are no longer met;

**5.2** It moves to stand in the group of stocks which, measured in descending order by individual Tradability Ratio (IN) over a period comprising the three (3) previous portfolio cycles, collectively account for over ninety percent (90%) of the sum total of such metric (see the Concepts and Practices Manual for B3 Indices);

**5.3** It becomes characterized as “penny stock” (see the Concepts and Practices Manual for B3 Indices); or

**5.4** In the course of the portfolio cycle, it is designated to be under ‘exceptional trading status’ (see the Concepts and Practices Manual for B3 Indices). In this event, the removal will be implemented from the close as of the first trading day following recognition of such status.

## **6 WEIGHTING CRITERIA**

The index constituents are weighted by market value attributable to the free float per constituent (free float meaning shares or units outstanding and available for trading, as applicable) subject to a liquidity-based weight cap (see the Concepts and Practices Manual for B3 Indices).

As measured at the reference date of any rebalancing, a constituent’s relative importance within the index must not be greater than two times the hypothetical weight of that constituent had it been weighted by the relative importance (weight value) of its individual tradability ratio (IN) vis-à-vis the sum total of tradability ratio for all the index constituents.

If this limit is breached, adjustments will be made to cap the relative weight of the relevant constituent at the above limit, with the surplus being proportionally redistributed amongst the other constituents.

Additionally, as measured at the time of inclusion in the index theoretical portfolio and at any subsequent rebalancing, the relative weight of a company’s contribution to the index (taking into account all types and classes of constituent shares or units representing shares, as applicable) must not exceed twenty percent (20%) of the weighting.

If this limit is breached, adjustments will be made to cap the relative weight of the relevant constituent at the above limit, with the surplus being proportionally redistributed amongst the other constituents.