



July 9, 2020

089/2020-PRE

## **C I R C U L A R   L E T T E R**

To: B3's Market Participants – BM&FBOVESPA Segment

Re: **Changes to Real Estate Investment Fund Index (IFIX), Unsponsored BDR Index – Global (BDRX) and Carbon Efficient Index (ICO2) Methodologies**

New methodologies for forming the theoretical portfolios of assets in the Real Estate Invest Fund Index (IFIX) and the Unsponsored BDR Index – Global (BDRX) will enter into force on **September 8, 2020**.

In the case of the IFIX, changes have been made to the asset inclusion criteria as described in items 4.1 and 4.2 of Annex I to this Circular Letter.

In the case of the BDRX, a new asset inclusion criterion has been introduced as described in 4.3 of Annex II to this Circular Letter. In addition, asset inclusion and exclusion are now effected in accordance with the four-monthly rebalancing of B3's other indices, as per the procedures and rules established by 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, Indices for segments and sector, Unsponsored BDR Index – Global (BDRX).

This free translation is not legally binding. Any questions arising from the text should be clarified by consulting the original in Portuguese. In the event of any discrepancy, the original in Portuguese shall prevail.



089/2020-PRE

A new methodology for forming the theoretical portfolio of assets in the Carbon Efficient Index (ICO2) will enter into force on **January 4, 2021**, in which the objective of the index has been extended to tracking the entire portfolio of the IBrX 100, as described in items 1 and 4.1 of Annex III to this Circular Letter.

The new methodologies are attached in full as Annexes I, II and III to this Circular Letter.

The September 2020 previews for the IFIX and BDRX will be calculated using the new methodologies. Similarly, the January 2021 preview for the ICO2 will be calculated using the new methodology for this index.

Further clarification can be obtained from Equities by calling +55 11 2565-7249/5338; or from Securities Registration, Special Auctions and Indices by calling +55 11 2565-5180/7464 or emailing [instrumentoseindices@b3.com.br](mailto:instrumentoseindices@b3.com.br).

Gilson Finkelsztain  
Chief Executive Officer

José Ribeiro de Andrade  
Chief Product and Client Officer

This free translation is not legally binding. Any questions arising from the text should be clarified by consulting the original in Portuguese. In the event of any discrepancy, the original in Portuguese shall prevail.



089/2020-PRE

## **Annex I to Circular Letter 089/2020-PRE**

### **Real Estate Investment Fund Index (IFIX) Methodology**

The IFIX is the result of a theoretical portfolio of assets constructed in accordance with the criteria established 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, Indices for segments and sectors, Real Estate Investment Fund Index (IFIX).

#### **1. Objective**

The IFIX tracks the average performance of the real estate investment funds traded on B3's exchange market and organized over-the-counter (OTC) market.

#### **2. Index type**

The IFIX is a total return index (see Concepts and Practices).

#### **3. Eligible assets**

The IFIX tracks shares in the real estate investment funds listed on B3's exchange and OTC markets.

This free translation is not legally binding. Any questions arising from the text should be clarified by consulting the original in Portuguese. In the event of any discrepancy, the original in Portuguese shall prevail.

#### **4. Inclusion criteria**

To be selected for inclusion in the IFIX, real investment fund shares must comply with all these criteria:

- 4.1** They must be among the eligible shares that account in aggregate for 95% of the sum total of tradability ratios (TRs) for the three previous portfolio cycles (see Concepts and Practices);
- 4.2** They must have traded in 95% or more of the trading sessions held in the three previous portfolio cycles;
- 4.3** They must not be classified as "penny stocks" (see Concepts and Practices);
- 4.4** They may have been sold in offerings completed during the three portfolio cycles that precede a rebalancing even if not listed throughout the period, provided:
  - a)** The fund share offering in question took place before the last rebalancing;
  - b)** The fund shares in question have traded in at least 95% of the trading sessions held since the fund was admitted for trading;
  - c)** They comply fully with criteria 4.1 and 4.3.

## **5. Exclusion criteria**

Real estate investment fund shares will be excluded from the portfolio:

- 5.1** If they cease to comply with any of the above inclusion criteria;
- 5.2** If they are completely redeemed by the issuing fund during the portfolio cycle.

## **6. Weighting criteria**

The assets in the IFIX portfolio are weighted by the market value of all the shares issued by each real estate investment fund tracked by the index.

No fund may have a weight exceeding 20% at the time of its inclusion or in subsequent rebalancings. If this ceiling is breached, adjustments will be made to cap the weight of the fund in question and the excess will be proportionally redistributed among the other assets in the portfolio.



089/2020-PRE

## **Annex II to Circular Letter 089/2020-PRE**

### **Un-sponsored BDR Index – Global (BDRX) Methodology**

The BDRX is the result of a theoretical portfolio of assets constructed in accordance with the criteria established 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, Indices for segments and sectors, Un-sponsored BDR Index – Global (BDRX).

#### **1. Objective**

The BDRX tracks the average performance of the un-sponsored BDRs that are authorized to trade on B3 and comply with the criteria established herein.

#### **2. Index type**

The BDRX is a total return index (see Concepts and Practices).

#### **3. Eligible assets**

The BDRX tracks un-sponsored BDRs that are traded on B3 and have market makers.

This free translation is not legally binding. Any questions arising from the text should be clarified by consulting the original in Portuguese. In the event of any discrepancy, the original in Portuguese shall prevail.

#### **4. Inclusion criteria**

To be selected for inclusion in the BDRX, unsponsored BDRs must comply with all these criteria:

- 4.1** They must be listed on B3;
- 4.2** They must have market makers;
- 4.3** They must have traded in 30% or more of the trading sessions held in the three previous portfolio cycles;
- 4.4** They must not be classified as "penny stocks" (see Concepts and Practices).

#### **5. Exclusion criteria**

Unsponsored BDRs will be excluded from the theoretical portfolio if:

- 5.1** They cease to comply with any of the above inclusion criteria;
- 5.2** Their issuer or depository files for bankruptcy or in-court reorganization, initiates dissolution or liquidation proceedings or is extinguished during the portfolio cycle.

#### **6. Weighting criteria**

Each unsponsored BDR in the BDRX portfolio is weighted by its market value in Brazilian Real (BRL), i.e. the total quantity of shares issued by the underlying company, adjusted for the number of shares per BDR, times the price per BDR.

This free translation is not legally binding. Any questions arising from the text should be clarified by consulting the original in Portuguese. In the event of any discrepancy, the original in Portuguese shall prevail.



089/2020-PRE

No BDR may have a weight exceeding 20% at the time of its inclusion or in subsequent rebalancings. If this ceiling is breached, adjustments will be made to cap the weight of the BDR in question and the excess will be proportionally redistributed among the other assets in the portfolio.

## **7. Calculation method**

The theoretical portfolio is recalculated at each calculation point by multiplying the theoretical quantity of each BDR by the price of the last trade registered since the previous recalculation or, in the absence of a last price, by the reference price of the underlying stock, which is the arithmetic mean of the top-of-book bid and ask registered at the time of recalculation.

This free translation is not legally binding. Any questions arising from the text should be clarified by consulting the original in Portuguese. In the event of any discrepancy, the original in Portuguese shall prevail.



**Annex III to Circular Letter 089/2020-PRE****Carbon Efficient Index (ICO2) Methodology**

The ICO2 is the result of a theoretical portfolio of assets constructed in accordance with the criteria established 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, Sustainability indices, Carbon Efficient Index (ICO2).

**1. Objective**

The ICO2 tracks the average performance of the stocks in the theoretical portfolio of the IBrX 100, taking into account the greenhouse gas emissions of the issuing companies.

**2. Index type**

The ICO2 is a total return index (see Concepts and Practices).

**3. Eligible assets**

The ICO2 tracks only stocks that are issued by companies listed on B3 and comply with the inclusion criteria described below.

This universe does not include securities issued by companies involved in court-supervised or out-of-court reorganization, special temporary administration or

intervention proceedings, or traded under a special listing status (see Concepts and Practices).

#### **4. Inclusion criteria**

To be selected for inclusion in the ICO2, securities must comply with all these criteria:

- 4.1** They must be included in the theoretical portfolio of the IBrX 100;
- 4.2** They must have formally joined the ICO2 initiative;
- 4.3** They must report annual greenhouse gas emission inventories in accordance with the scope and timetable determined by B3.

#### **5. Exclusion criteria**

Securities will be excluded from the ICO2's theoretical portfolio if:

- 5.1** They cease to comply with any of the above inclusion criteria;
- 5.2** Their listing status is classified as "special" at any time during the portfolio cycle (see Concepts and Practices), in which case they will be excluded at the end of the first trading day with this status.

#### **6. Weighting criteria**

The weight of each security in the ICO2 will take into account:

- Participation in the IBrX 100, a free float market capitalization weighted index (see Concepts and Practices);

This free translation is not legally binding. Any questions arising from the text should be clarified by consulting the original in Portuguese. In the event of any discrepancy, the original in Portuguese shall prevail.



089/2020-PRE

- The ratio of greenhouse gas emissions (in tons of CO<sub>2</sub> equivalent) to gross revenue reported in the issuer's annual financial statements ("emissions-revenue coefficient" or "coefficient"), as per the annex to the ICO<sub>2</sub> methodology available at [http://www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Market data and indices, Sustainability indices, Carbon Efficient Index (ICO<sub>2</sub>).

This free translation is not legally binding. Any questions arising from the text should be clarified by consulting the original in Portuguese. In the event of any discrepancy, the original in Portuguese shall prevail.