BRAZILIAN EXCHANGE AND OTC.

BM&FBOVESPA DIVIDEND INDEX (IDIV) METHODOLOGY

SUMMARY

The IDIV tracks a theoretical portfolio of stocks constituted in accordance with the criteria established in this methodology.

The indices compiled by B3 are based on the procedures and rules set forth in the BM&FBOVESPA Indices Concepts & Practices Manual.

1 PURPOSE

The IDIV is designed to serve as an indicator of the average performance of stocks issued by listed companies that stand out in terms of investor remuneration, in the form of both dividends and interest on equity.

2 TYPE OF INDEX

The IDIV is a total return index (see the BM&FBOVESPA Indices Concepts & Practices Manual).

3 ELIGIBLE SECURITIES

The IDIV tracks only stocks and units issued by companies listed on B3 that meet the inclusion criteria described in item 4 below.

This universe of eligible securities include neither Brazilian Depositary Receipts (BDRs) nor stocks issued by companies in court-ordered or out-of-court reorganization or any other special regime governed by law (see the BM&FBOVESPA Indices Concepts & Practices Manual).

4 INCLUSION CRITERIA

Eligible securities selected for inclusion in the IDIV must meet all the criteria listed below.

4.1 They must be among the eligible securities that collectively represent ninety-nine percent (99%) of the sum total of this indicator measured in descending order by Tradability Ratio (TR) for the previous three portfolio cycles (see the BM&FBOVESPA Indices Concepts & Practices Manual).

4.2 They must have actively traded in ninety-five percent (95%) of the trading sessions held in the previous three portfolio cycles.

4.3 They must not be classified as penny stocks (see the BM&FBOVESPA Indices Concepts & Practices Manual).

4.4 They must be among the thirty-three percent (33%) of stocks with the highest dividend yields in the past 36 months (see Appendix on Calculating Dividend Yield).

4.5 The sum of their dividend yields for each period of 12 consecutive months in the past 36 months must be greater than zero.

Securities offered in public offerings during a period comprising the three portfolio cycles prior to a rebalancing are eligible even if they were not listed throughout the period, provided:

a) the public offering of the shares or units concerned took place before the last rebalancing;

b) they have traded actively in ninety-five per cent (95%) of trading sessions held since they were admitted to trading; and

c) they comply with all three criteria in 4.1, 4.3 and 4.4.

5 EXCLUSION CRITERIA

Securities will be excluded from the portfolio if:

5.1 they cease to comply with any or all of inclusion criteria 4.1, 4.2 and 4.3;

5.2 their dividend yield falls below forty-four percent (44%) of the dividend yield for all eligible securities ranked in descending order;

5.3 their dividend yield for the past four (4) periods of four months is equal to zero; or

5.4 they are listed as having “exceptional trading status” during the portfolio cycle (see the BM&FBOVESPA Indices Concepts & Practices Manual), in which case they will be excluded at the end of the first day of trading with this status.

6 WEIGHTING CRITERIA

6.1 The stocks in the portfolio are weighted by dividend yield (see the Appendix on Calculating Dividend Yield).

6.2 At each rebalancing, no stock’s percentage share of the total portfolio may exceed three times what it would be if the portfolio were weighted by the market value of free float.

It is important to note that a company’s contribution to the index (taking into account all types and classes of shares or units representing shares, as applicable) must not exceed ten percent (10%) at the time of inclusion or rebalancing.

If it does, adjustments will be made to reduce the weight of the company’s securities to 10%, and the surplus will be proportionally redistributed among the other portfolio constituents.

APPENDIX

Calculating Dividend Yield

For the purposes of selecting and weighting portfolio stocks, dividend yield is calculated for a period of thirty-six (36) months prior to the date of portfolio construction. The method consists of the following steps.

1. Divide the period observed into three equal periods of 12 months (*t* = 1, 2, 3)

2. Add up the dividend yields for each stock in each period *t*.

where:

$$dy_i^t = \sum_{j=1}^{k} dy_j$$

dy_i^t is the sum of dividend yields for stock *i* in period *t*

dy_j is dividend yield (amount distributed/last cum-rights price)

k is the total number of dividend yields in period *t*.

3. Find the median for the periods observed (*DYi*):

$$DY_i = med\,(dy_i^1; dy_i^2; dy_i^3)$$

The weight (*Pi*) of each stock *i* in the portfolio is given by the following equation:

$$P_i = \frac{DY_i}{\sum_{i=1}^{n} DY_i}$$

where:

n = number of stocks in the portfolio

For portfolio rebalancing purposes, the last day to be considered in calculating dividend yield is the day before publication of the third portfolio preview.