

KAZAKHSTAN STOCK EXCHANGE JSC

Approved

by decision of the Board of Directors of
Kazakhstan Stock Exchange JSC

(dated 29 June 2023 No.17)

Effective

from 30 June 2023

POLICY

of formation of indices and indicators of Kazakhstan Stock Exchange JSC

Almaty City

2023

This Policy for Formation of Indices and Indicators of Kazakhstan Stock Exchange JSC (hereinafter referred to as the Policy) determines goals, objectives and basic principles for formation and distribution of indices and indicators.

Article 1. General Provisions

1. This Policy is an internal document of the Exchange that establishes basic principles and approaches to the process of formation of indices and indicators.
2. This Policy is subject to mandatory application and compliance with by all employees and officials of the Exchange.
3. In the text of this Policy, the following concepts, symbols and abbreviations shall apply:
 - 1) **Exchange** – Kazakhstan Stock Exchange JSC;
 - 2) **IOSCO** – International Organization of Securities Commissions;
 - 3) **internal documents of the Exchange** – internal documents of the Exchange as a subject of the securities market and the rules of the Exchange as an organizer of trades (as they are defined by the laws of the Republic of Kazakhstan on the securities market and joint-stock companies), decisions of bodies, officials of the Exchange adopted within their competence, and made in writing;
 - 4) **Stakeholders** – professional participants in the securities market and other financial organizations, self-regulatory organizations, individual and institutional investors, issuers of securities, information and rating agencies, infrastructure organizations, mass media, regulators, as well as other persons using index values and indicators for their own purposes;
 - 5) **Information systems of the Exchange** – a range of information systems of the Exchange that calculate, store and/or distribute indices and indicators of the Exchange;
 - 6) **Methods of formation of indices and indicators** – internal documents of the Exchange, approved by the Management Board of the Exchange and defining the list of indices and indicators, as well as the procedure for their calculation;
 - 7) **IOSCO's Principles** – IOSCO's Principles for Financial Benchmarks.
4. This Policy shall be considered in conjunction with other internal documents of the Exchange, including but not limited to, the Charter of the Exchange, Risk Management Policy, Conflict of Interest Management Policy, Compliance Risk Management Policy, Business Continuity Rules, as well as other processes and operations of the Exchange.

Article 2. Main goals and principles for formation of indices and indicators of the Exchange

1. Formation of indices and indicators shall involve:
 - compliance with the laws of the Republic of Kazakhstan and other internal documents of the Exchange, as well as the IOSCO's Principles;
 - transparency, regulation and continuity of the calculation;
 - liquidity of instruments used for settlement;
 - possibility of building derivative indices and indicators using indices and indicators as well as creating derivative financial instruments based on indices and indicators;
 - possibility of creating indices and indicators at the request of Stakeholders

on a commercial basis;

2. Formulas to calculate indices and indicators, procedure for formation/revision of calculation bases, composition of financial instruments included in the calculation, trading modes, periods, prices of transactions in which are used in the calculation of indices and indicators, initial values, weight limits for indices and indicators, and other calculation features shall be established by the Methods for calculation of indices and indicators, which are available on Internet resource of the Exchange in the public domain.
3. In order to reduce influence of securities of the same denomination on values of indices and indicators, Methodologies for Formation of Indices and Indicators can establish limiting or correction factors.
4. If during the trading day there are no transactions or orders for securities, parameters of which are necessary for calculation of the index or indicator, for the purpose of such calculation, data of the last successful day shall be used, by which such parameters can be determined, unless otherwise provided for by the Methodology for calculation of this index or indicator.
5. In case of errors and technical failures in the Information Systems of the Exchange, which entailed distortion of values of indices and indicators, it shall be allowed to recalculate values of indices and indicators for the period in which the corresponding violations took place. Information on recalculation of indices and indicators for a given period shall be disclosed on the Internet resource of the Exchange.
6. In case of circumstances that may adversely affect adequacy of reflection of the real market situation by indices and indicators (including in the absence of data for calculation of indices and indicators), the Exchange shall have the right to take any actions necessary to ensure adequacy of calculation of indices and indicators, including by excluding instruments from the calculation bases, changing values of parameters used to calculate indices and indicators, using market data from the previous trading day or the latest available trading data, as well as other necessary actions.

Article 3. Interaction of the Exchange with Stakeholders

1. Procedure for formation of indices and indicators as well as significant changes in the methodology for calculation of indices and indicators shall be agreed with the Stakeholders through the association of legal entities "Association of Financial Organizations."
2. If the Stakeholders have a need for additional indices and indicators, the Exchange shall consider offers, if necessary, discuss these offers through the association of legal entities "Association of Financial Organizations."
4. In case of absence of sufficient information necessary for calculation of one or another index of an indicator, lack of demand for indices and indicators on the part of the Stakeholders, the Exchange shall have the right to suspend or terminate calculation of corresponding indices or indicators.
5. Information about suspension or termination of calculation of indices or indicators shall be disclosed by the Exchange in advance on the Internet resource of the Exchange with publication of relevant news.

Article 4. Establishment of Powers

1. Structural subdivision of the Exchange responsible for collection and processing of exchange information shall be in charge of ensuring the processes of formation and dissemination of indices and indicators, with its functions including the following:

- 1) formation of representative lists for calculation of indices and indicators as well as lists of securities for calculation of capitalization of respective markets;
 - 2) preparation of information and analytical materials for meetings of the Indices and Indicators Committee;
 - 3) maintenance of information systems of the Exchange in order to fill in the lists of securities for calculation of indices and indicators and enter necessary parameters;
 - 4) development of functional tasks to make appropriate changes to the information systems of the Exchange when making changes to the procedure for calculation of this or that index or indicator;
 - 4) development of Methodologies for Formation of Indices and Indicators, as well as making changes and/or additions to them;
 - 5) calculation of auxiliary parameters for formation of indices and indicators;
 - 6) information content of the Internet resource of the Exchange according to the procedure for information content by structural subdivisions of the Exchange of the Exchange Internet resource as approved by the Exchange Board;
 - 7) implementation of a study of the global practice for calculation of indices and indicators for the purpose of its application in the exchange market of Kazakhstan;
 - 8) advising the Stakeholders on issues related to calculation of indices and indicators;
 - 8) ensuring study of complaints and claims of Stakeholders by the Management Board of the Exchange and/or the Indices and Indicators Committee.
2. Information technology division shall be responsible for technical support of information systems of the Exchange related to formation and distribution of indices and indicators by the Exchange, with its functions including the following:
 - 1) development, maintenance, support and refinement of relevant information systems of the Exchange;
 - 2) support and increase the level of fault tolerance of server of the Exchange and telecommunications equipment, databases and other system software of the Exchange;
 - 3) ensuring continuous and uninterrupted operation of relevant information systems of the Exchange.
 3. Legal subdivision of the Exchange shall be responsible for legal expertise of internal documents of the Exchange related to formation of indices and indicators, work of collegiate bodies of the Exchange related to formation of indices and indicators.
 4. The risk management division of the Exchange shall be responsible for development and maintenance of the integrated business continuity management system of the Exchange, as well as for identification, assessment, control and monitoring of risks of the Exchange.
 5. The Exchange Compliance Service shall be responsible for ensuring compliance of activities of the Exchange with requirements of the laws of the Republic of Kazakhstan, internal documents of the Exchange, as well as taking measures to prevent, identify, resolve and monitor conflicts of interest at the Exchange.

Article 5. Control Functions

1. Management body of the Exchange, which carries out general management of the Exchange, except for resolving issues which under the Law of the Republic of Kazakhstan "Joint Stock Companies" and/or the Charter of the Exchange fall within the exclusive competence of the general meeting of shareholders of the Exchange, shall be the Board of Directors of the Exchange.
2. Collegial executive body of the Exchange, accountable to the general meeting of shareholders of the Exchange and the Board of Directors of the Exchange, which shall have the right to make decisions on any issues of activities of the Exchange, which under the laws of the Republic of Kazakhstan and the charter of the Exchange fall within the exclusive competence of the general meeting of shareholders, the Board of Directors, shall be the Management Board of the Exchange.

Competence of the Management Board of the Exchange shall include, among other things, approval of the Methodologies for Calculation of indices and Indicators, as well as approval of the Regulations on the Indices and Indicators Committee.

3. Tasks of the Indices and Indicators Committee, a permanent collegial body under the Management Board of the Exchange, shall be to form lists and parameters for calculation of indices and indicators, as well as to form expert theses on improving methods for calculation of stock and money market indicators.
4. Comprehensive internal control of formation processes of indices and indicators for compliance with requirements of the laws of the Republic of Kazakhstan, as necessary, shall be implemented by examination by the legal division of the Exchange of compliance of the Methodologies with requirements of the laws of the Republic of Kazakhstan.
5. The Internal Audit Service of the Exchange shall perform internal verification of compliance of calculation of indices and indicators of the Exchange with requirements specified in the Methodologies, as well as verification of compliance with requirements for disclosing current values of indices and indicators by examining business process maps by the subdivision responsible for collection and processing of exchange information provided to the Internal Audit Service as required.
6. Prevention, detection, settlement and monitoring of conflicts of interest at the Exchange shall be determined by the internal document of the Exchange "Conflict of Interest Management Policy".
7. The Risk Management Division of the Exchange shall develop and maintain a comprehensive business continuity management system for the Exchange, and shall also carry out identification, assessment, control and monitoring of risks of the Exchange.
8. Practice and procedures for formation of indices and indicators, list of responsible subdivisions of the Exchange participating in formation of indices and indicators shall be determined by the business process map of the responsible subdivision.
9. As necessary, the Exchange shall have the right to conduct an external operational audit of the process of forming indices and indicators, including compliance with the IOSCO's Principles.

Article 6. Liability

In case of a failure to comply with the norms and provisions of this Policy, employees/officials of the Exchange shall be held liable subject to the laws of the Republic of Kazakhstan and internal documents of the Exchange.

Article 7. Final Provisions

1. The Exchange shall ensure storage, integrity and availability of values of indices and indicators, as well as all data used to calculate indices and indicators of information for at least the last five years of calculation. This information shall include trading data, bases for calculation of indices and indicators, changes in Methods for calculation of indices and indicators, decisions of the Indices and Indicators Committee.
2. Calculation of indices and indicators, as well as the entire amount of information on the basis of which indices and indicators shall be calculated, shall be subject to backup in line with the internal documents of the Exchange for at least the last five years of calculation.
3. Responsibility for timely introduction of changes to this Policy (updating) shall be borne by the structural subdivision that ensures calculation of indices and indicators on the Exchange.
4. This Policy shall be subject to updating as necessary but at least once every three years calculated after this Policy takes effect.

Acting Chairperson of the Management Board

Khoroshevskaya N.Yu.