

APPROVED
By ITS Ltd Senior Executive Officer order
№ 177/3 from «25» June 2024

**ITS INDICES
CORPORATE ACTION GUIDELINE**

June 2024

1. Terms and Definitions

1.1 For the purpose of this document, the defined terms used herein shall have the following meaning:

Business Day is every weekday from Monday to Friday except for public holidays in the Republic of Kazakhstan.

Buyback is a company offer to its shareholders which is the option to sell their shares to an agreed price or a fixed price with a moderate premium compared to the stock price to facilitate the Buyback of larger quantities.

Cash Pocket is an additional cash component of an Index where dividend and other payments with an ex-date on t paid by any Index Component are collected in.

Ex-date is the day, in which and after which the shares are sold without the influence of a Corporate Action.

Index is a number describing the average value of its Index Components and their development over a longer time period.

Index Administrator is Private Company 'ITS Limited'.

Index Component is a financial instrument, which is included into Index Composition.

Index Composition is a list of all Index Components.

Insolvency occurs with regard to an Index Component if it is bankrupt, files for bankruptcy, becomes insolvent or is being liquidated.

Non-cash dividend takes place when the shareholders receive shares pro rata by the company instead of cash.

Mergers & Acquisitions is a transaction in which the ownership of a company (or other business organizations) is transferred or consolidated with other entities, e.g. fusion of two or more separate companies into one entity.

Pro Rata distribution means the proportional allocation of weight to Index Components.

Respective Trading Facility is an exchange or an MTF where the Index Component is traded.

Reverse Stock Split describes a Corporate Action through which a company's present shares are reduced and therefore multiplied by a given factor and the value of a single share increased accordingly. Market Capitalization is not affected.

Rights Issue refers to actions raising the Market Capitalization of a company, often facilitated by issuing new shares. It has a diluting effect on the shareholder's existing shares as their individual number of shares remains the same while the total amount of stock increases.

Security is a financial instrument, may be an ordinary share, a global depositary receipt (GDR) or American depositary receipt (ADR).

Stock Split describes a Corporate Action through which a company's present shares are split and therefore multiplied by a given factor. The stock price decreases proportionally and Market Capitalization is not affected.

Spin-off is a procedure by which an existing company establishes a subsidiary or other company and confers some of its business activities to this newly established entity.

Transaction Terms is the relation between the number of shares before the corporate action and the number of shares that are received for each share held by an investor after the corporate action.

1.2 Terms that are not defined in the current Guideline are used in accordance with strict rules regarding the exercise of discretion or expert judgment of Index Administrator documents and legislation.

2. Rights Issue or Buyback

2.1 An adjustment for Rights Issue occurs if the subscription price is less than the Trading Price of Index Component $px_{i,subs} < px_{i,t}$ on the day before the corporate action takes place, when for Buyback an adjustment occurs if the repurchase price is greater than the Trading Price of Index Component $px_{i,subs} > px_{i,t}$.

2.2 The Index Component Trading Price $px_{i,t+1}$ and fraction of issued or redeemable Index Components in the Index $S_{i,t+1}$ is adjusted as:

$$px_{i,t+1}^{\alpha} = \frac{px_{i,t} \pm terms * px_{i,subs}}{1 \pm terms}$$
$$S_{i,t+1}^{\alpha} = S_{i,t} * \frac{px_{i,t} * (1 \pm terms)}{px_{i,t} \pm terms * px_{i,subs}}$$

where:

terms – the fraction of issued/redeemable securities specified in the corporate action parameters.

2.3 The values for the Indices with divisor D_t are adjusted as:

$$px_{i,t+1}^{\alpha} = \frac{px_{i,t} \pm terms * px_{i,subs}}{1 \pm terms}$$
$$S_{i,t+1}^{\alpha} = S_{i,t} * (1 \pm terms)$$
$$D_{t+1}^{\alpha} = \frac{\sum(px_{i,t+1}^{\alpha} * S_{i,t+1}^{\alpha})}{\sum(px_{i,t} * S_{i,t})} * D_t$$

If the divisor is changed according to Corporate Action Guideline, the new level is calculated by the formula below, in which $apx_{i,t+1}$ and $aS_{i,t+1}$ refer to theoretical price and fraction of the Index Components after adjustments:

$$D_{t+1} = \frac{1}{I_t} (D_t * I_t - \Delta), \text{ where:}$$
$$\Delta = \sum px_{i,t} * S_{i,t} - \sum apx_{i,t+1} * aS_{i,t+1}$$

3. Spin-off

3.1 If an Index Component (i.e. the parent company) distributes part of its business into a further company (i.e. the spin-off company), the spin-off company will be added to the Index Composition according to the Transaction terms on the Ex-date. The number of shares of the spin-off company $Q_{i,t,spin-off}^{\alpha}$ is determined as:

$$Q_{i,t,spin-off}^{\alpha} = Q_{i,t,parent} * terms$$

where:

$Q_{i,t,parent}$ - number of shares of the parent company;

terms - specified in the corporate action parameters ratio between the shares of the spin-off company and the shares of the parent company included in the Index Composition.

3.2 The spin-off company will be added to the Index Composition with the market price or other reliable price estimation. If the spin-off company does not start to trade on the effective date, a theoretical price for the spin-off company $px_{i,t,spin-off}^{\alpha}$ is determined based on the change in the Market Capitalization of the parent company after the corporate action is completed and is used until the spin-off company begins trading:

$$px_{i,t,spin-off}^{\alpha} = (px_{i,t-1,parent} - px_{i,t,parent}^{\alpha}) * terms$$

where:

$px_{i,t,parent}^{\alpha}$ - the opening price of the parent company's shares on the effective date of the corporate action;

$terms$ - specified in the corporate action parameters ratio between the shares of the spin-off company and the shares of the parent company included in the Index Composition.

3.3 The adjustment of the parent company's price is made as follows:

$$px_{i,t,parent}^{\alpha} = \frac{px_{i,t-1,parent} * Q_{i,t-1,parent} - px_{i,t,spin-off}^{\alpha} * Q_{i,t,spin-off}^{\alpha}}{Q_{i,t,parent}^{\alpha}}$$

where:

$px_{i,t-1,parent}$ - the closing price of the parent company's shares before the effective date of the corporate action;

$Q_{i,t-1,parent}$ - the number of shares of the parent company before the effective date of the corporate action;

$px_{i,t,parent}^{\alpha}$ - the opening price of the parent company's shares on the effective date of the corporate action;

$Q_{i,t,parent}^{\alpha}$ - the number of shares of the parent company on the effective date of the corporate action.

3.4 If a theoretical price cannot be defined, the spin-off company will be added to the Index with a price of zero.

4. Mergers & Acquisitions

4.1 The securities of the acquired company that are included in the Index Composition are excluded from the Index on the effective date of the corporate action. Subsequent adjustments to the Index are made according to the conditions of the corporate action.

4.2 Merger or Acquisition of an Index Component with/by another Index Component:

4.2.1.1 Exchange for cash: the weight of the target company based on its last available close price will be distributed Pro Rata across the remaining Index Components.

4.2.1.2 Exchange for shares: the shares of the acquiring company will be increased according to the stock terms.

4.2.1.3 Exchange for shares and cash: the cash portion is reinvested Pro Rata into the remaining Index Components. The number of shares of the acquiring/acquired company increases according to the stock terms.

4.3 Merger or Acquisition of an Index Component involving a non-component: regardless of the terms of the corporate action, the weight of the target company based on its last available close price will be distributed Pro Rata across the remaining Index Component.

5. Insolvency

5.1 If an Index Component is insolvent, the security will be removed from the Index Composition.

5.2 If the security has already been delisted from the Respective Trading Facility and/or no valid price for the security is available, Index Administrator tries to the best of its knowledge to track prices from alternative liquid markets. The determined price will then be used for index calculation until the Security will be removed from the Index based on the new price. The weight will be distributed Pro Rata across the remaining Index components.

5.3 If no appropriate price for the Index Component is available, the security will be removed from the Index with a price of zero.

6. Stock Split

In practice, the newly issued shares are distributed to existing shareholders pro rata. The theoretical close price $apx_{i,t+1}$ and fraction $S_{i,t+1}$ after a Stock Split implementation are calculated as follows:

$$apx_{i,t+1} = \frac{px_{i,t}}{terms}$$

$$S_{i,t+1} = S_{i,t} * terms$$

where:

$px_{i,t}$ - the current stock price;

$S_{i,t}$ - the fraction of stocks in the Index;

$terms$ - the stock split coefficient specified in the corporate action parameters.

7. Reverse Stock Split

Similar to a Stock Split, a Reverse Stock Split is a straightforward operation. The theoretical close price $apx_{i,t+1}$ and fraction $S_{i,t+1}$ after a Reverse Stock Split implementation are calculated as follows:

$$apx_{i,t+1} = px_{i,t} * terms$$

$$S_{i,t+1} = \frac{S_{i,t}}{terms}$$

where:

$px_{i,t}$ - the current stock price;

$S_{i,t}$ - the fraction of stocks in the Index;

$terms$ - the reverse stock split coefficient specified in the corporate action parameters.

8. Non-cash dividend

If a company issues a Non-cash dividend the total amount of shares is increased. However, at the same time, the value of a single share decreases proportionally because the Market Capitalization of the company as a whole remains the same, as does the value of the shareholder's portfolio. The theoretical close price $apx_{i,t+1}$ and fraction $S_{i,t+1}$ of shares in the Index after a Non-cash dividend implementation are calculated as follows:

$$apx_{i,t+1} = \frac{px_{i,t}}{(1 + terms)}$$

$$S_{i,t+1} = S_{i,t} * (1 + terms)$$

where:

$px_{i,t}$ - the current stock price;

$S_{i,t}$ - the fraction of stocks in the Index;

$terms$ - the coefficient for calculating changes specified in the corporate action parameters.

9. Miscellaneous

- 9.1 The Index Composition adjustment related to corporate actions is announced with a notice period of at least two Business Days, i.e. the Index adjustment will become effective on the opening on the third Business Day following the announcement (the effective date) at the earliest.
- 9.2 Any dividends or other distributions are reinvested across the entire basket of Index Components by means of a divisor at the opening of the ex-date of the payment.
- 9.3 Some indices can use a Cash Pocket for the dividend reinvestment and cash terms after any Corporate Action. The Cash Pocket remains in the Index until the next Index Rebalance and is included in the calculation of the Index level:

$$I_t = \frac{1}{D} \left(\sum p x_{i,t} * S_{i,t} + CP_t \right)$$
$$CP_t = \sum d_{i,t} * S_{i,t} * (1 - tax_{net})$$

9.4 In case an extraordinary event is not outlined as mentioned above, the Index Administrator reserves the right to make index adjustments in an appropriate way on a best-effort basis.

Appendix 1
Terms and definitions

$apx_{i,t+1}$	Theoretical Price of Index Component
$aS_{i,t+1}$	Theoretical Fraction of Shares of the Index Component
CP_t	Cash Pocket
d	Amount of Dividend
D_t	Divisor
I_t	Index Level
px_i	Price of an Index Component
Q_i	Number of shares
t	Moment of Index calculation
tax_i	Withholding Tax
$terms$	Transaction Terms
S_i	Fraction of Shares of the Index Component