

Amendments to the JSE Listing Requirements

Item	Section	Proposed amendment	Nature of amendment and rationale
1	Section 1	Align the wording in par 1.20 with the FMA	<p>Insert the word “officer” into par 1.20 of the Requirements to ensure alignment with the FMA.</p> <p>Currently various parties (in addition to directors) are bound by the Requirements, and the JSE will take action against them for any breaches of those obligations that they make</p> <p>Refer to Annexure A item 1 for detailed amendments.</p>
2	Section 1 and 22 Accreditation of audit firms and individual auditors	Remove the wording dealing with actions against auditors from paragraph 1.20 of the Requirements	<p>The action that the JSE takes against auditors and their advisors is to be able to place them on the register and to remove them from the register. These requirements are currently contained in both section 1 and section 22. This change removes the wording in section 1, so that all of the provisions for action against auditors are only in section 22.</p> <p><u>Note:</u> Based on comments received during the consultation process for the proposals exposed in November 2016 (“11/2016”), the JSE has decided not to proceed with the original additions to section 1</p> <p>Refer to Annexure A item 1 for detailed amendments.</p>
3	Section 22 and Schedule 8: Accreditation of auditors, reporting accountant specialists and IFRS advisors	<p>A new accreditation model will be introduced for the accreditation of audit firms and individual auditors.</p> <p>Section 22 and Schedule 8 will be</p>	<p><u>Point 1</u></p> <p><u>Background</u></p> <p>The JSE introduced its auditor accreditation model in 2008. The</p>

		<p>merged and simplified to remove various duplications.</p>	<p>model has been running effectively over the past nine years and most importantly has delivered the desired regulatory effects for the JSE.</p> <p>The model relies heavily on the external inspections results of the Independent Regulatory Board for Auditors (“IRBA”) (the audit regulator) as an indicator that the audit quality of audit firms and individual partners is at an appropriate level given the public interest in listed entities. Changes by the IRBA in the inspections methodology together with an increased number of requests for inspections have led to challenges and congestions in the JSE accreditation system.</p> <p>The issue relates to Schedule 8.3(c)(i) of Requirements which requires an auditor to have a satisfactory or clean IRBA engagement inspection result (which is the review of the file for a specific audit) (“engagement inspection”) on initial application in order to be accredited. The IRBA has been faced with challenges through specific and urgent requests from auditors for these engagement inspections. The IRBA therefore issued a <u>communiqué in August 2014</u> setting out a new process for auditors to follow in order to ensure that their requests could be attended to. In line with this communication the Requirements were updated to indicate that the engagement inspection needed to be on an appropriate public interest engagement.</p> <p>Despite the new process introduced in 2014, the IRBA continues to face challenges in responding to the increasing number of requests from auditors to be inspected for the purposes of our accreditation system. The problem has become exacerbated by the JSE’s introduction of an accreditation model for debt issuers and the obligations under the Companies Act for audit partner rotation after 5 years (these rotations are beginning to occur). IRBA therefore issued a <u>communiqué in June 2016</u> indicating that they will no longer be able to accommodate any requests for JSE accreditation purposes. The result is that audit firms are faced with an increasing list of partners in need of accreditation that they are currently unable to accredit.</p>
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			<ul style="list-style-type: none">• The JSE will maintain a disqualified partner list which will be made available to each specific audit firm. In creating this list, the JSE will consider all relevant facts and information at its disposal, including, but not limited to whether facts and circumstances exist that will or may result in the inability of such individual to fulfil its obligations as set out in the Listings Requirements and/or whether these facts and circumstances may negatively impact on the integrity of the JSE's markets. Disciplinary and legal findings against an individual auditor will be of particular importance• The audit firm must provide the audit committee with certain information on audit quality as well as disciplinary findings, that the audit committee must consider when making its recommendations to shareholders for audit firm/ individual auditor appointment (also see item 3 below)• A reporting accountants exam has been introduced to supplement the current training course model in order to improve the quality of the work delivered by the RA specialist <p><u>Note:</u> Having given detailed consideration to the comments received on our proposed changes exposed for comment in 11/2016, together with further extensive reconsideration of the JSE auditor accreditation model, we have made the following amendments to the 11/2016 proposal</p> <ol style="list-style-type: none">1. Individual auditors will no longer be accredited. Instead the audit firm will recommend the appropriate partner for the audit committee to consider. BUT (i) the audit firm cannot allow a partner to do JSE work if they are on the JSE disqualified list and (ii) the audit committee must consider certain specific information;2. As a result, there will be no reliance on or consideration of the internal engagement reviews undertaken by audit firms (as proposed in 11/2016). Instead the audit
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			<p>committee will consider the process as a whole and any repetitive / systematic deficiencies</p> <ol style="list-style-type: none"> 3. A redacted version of engagement file reviews will be provided to the audit committee as opposed to the full version. 4. The timing obligations for the audit firm to provide information to the audit committees has been adjusted to ensure a more practical approach 5. Reporting accountants must pass an exam as opposed to merely completing a course <p><u>Point 2</u></p> <p>The drafting of the requirements relating to auditor accreditation is unnecessary complex and there are various duplications. This has been simplified with Schedule 8 being merged into Section 22 as well as various paragraphs in section 22 being merged/ duplications being removed. These changes are not marked up. Instead only where an existing requirement has been clarified/ expanded on/ or amended have we marked up the change.</p> <p>These requirements have been reduced to 12 pages in length from the previous 17 pages.</p> <p>Refer to Annexure B for the detailed amendments.</p>
4	Section 3: Continuing Obligations	As part of the amended accreditation model (discussed above), the audit committee is given greater responsibility to assess the audit firm and individual auditor to ensure that the parties are appropriate and less reliance can be placed by them on the JSE to perform this function	<p>The audit committee is tasked with specific items that they must consider when appointing their auditor. These matters were all previously considered by the JSE as part of the old accreditation model, going forward the JSE review is limited to certain specific items.</p> <p>The responsibilities of the audit committee are expanded. The amendments stipulate that the audit committee must request and consider in their assessment of the suitability for appointment of their current or a prospective audit firm and designated individual auditor:</p> <ol style="list-style-type: none"> (i) the decision letter and findings report of the

			<p>inspection performed by the audit regulator, on both the audit firm and their designated individual auditor. For the individual auditor only a redacted version of the findings (as opposed to the full detail) will be provided unless the review was for that specific issuer;</p> <ul style="list-style-type: none">(ii) a summary of the firms monitoring procedures; and(iii) the outcome and summary of any legal or disciplinary proceedings, unless compliance with the requests referred to in (i) or (ii) above are unlawful for the auditor in the jurisdiction in which they are regulated. <p><u>Note:</u> This change is similar to the one that was exposed for comment in 11/2016, with the following revisions:</p> <ul style="list-style-type: none">1. the removal of consideration of individual internal file reviews as these no longer form part of the model;2. the addition of consideration of the audit firms control policies as a whole and any repetitive/systematic deficiencies to ensure that individual file assessment are made within the context of the firm as a whole3. the full version of IRBA/ regulator file reviews will not be provided (unless it related to their specific entities audit) and instead the audit committee will consider a redacted version unless the review was for that specific issuer. A redacted version is necessary to ensure that there is no breach of confidentiality as it relates to the identity of the entity. <p>Refer to Annexure A item 2 for detailed amendments.</p>
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5	Section 3: Continuing Obligations	There are certain consequential wording changes to section 3 as a result of the amended model.	<p>Point 1 There are certain consequential wording changes that need to be made to paragraphs 3.86 to 3.89 due to the amended accreditation model</p> <p>Refer to Annexure A item 3 for the detailed amendments.</p>
5	Debt Listings requirements: Section 7	The listings requirements applicable to debt issuers needs to be aligned with the changes mentioned in items 2, 3 and 4 above	<p>The auditor accreditation model applies equally to debt issuers. Certain consequential changes from the change to the model must therefore flow into the debt Requirements</p> <ol style="list-style-type: none"> 1. The definition of applicant issuers has been expanded in section 22 to clarify that it includes debt issuers 2. The word “individual auditor” has been removed from Section of the Debt Listings requirements as individual auditors will no longer be accredited with the JSE 3. The wording in the debt requirements was identical to the equity requirements for item 3 above , and therefore consequential changes must be made to the debt requirements 4. The audit committee responsibilities of debt issuers has been expanded in line with amendments made the equity rules as discussed in item 4 above. In other words, the responsibilities of the audit committee are expanded. The amendments stipulate that the audit committee must request and consider in their assessment of the suitability for appointment of their current or a prospective audit firm and designated individual auditor: <ol style="list-style-type: none"> (i) the decision letter and findings report of the inspection performed by the audit regulator, on both the audit firm and their designated individual auditor. For the individual auditor only a redacted version of the findings (as opposed to the full detail) will be provided unless the review was for that specific issuer A redacted version is necessary to

			<p>ensure that there is no breach of confidentiality as it relates to the identity of the entity;</p> <ul style="list-style-type: none">(ii) a summary of the firms monitoring procedures; and(iii) the outcome and summary of any legal or disciplinary proceedings, unless compliance with the requests referred to in (i) or (ii) above are unlawful for the auditor in the jurisdiction in which they are regulated. <p>For detailed amendments please refer to Annexure A item 4 and Annexure B.</p>
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