

# JSE



**JSE LIMITED**

**#Invested**

Supporting information to the Integrated Annual Report  
FOR THE YEAR ENDED 31 DECEMBER 2016

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## About this report

The integrated report is our primary annual report to stakeholders. This online report contains additional information which supports the JSE's integrated annual report and the annual financial statements.

This publication combines our separate online reports into one document, as we continue our reporting journey to achieve a holistic, integrated approach to our annual disclosure. Information that has previously been comprehensively addressed has not been repeated in this report. Similarly, relevant information contained in the other publications is cross-referenced.

Through our reporting, we seek to facilitate inclusive and meaningful dialogue for the purpose of partnering with our stakeholders. We appreciate that certain stakeholders may require additional information, have further questions or wish to raise comments.

To this end, further reports are available on our website.

- Integrated Annual Report
- Audited consolidated annual financial statements
- AGM notice and proxy form
- Remuneration report
- Transformation report

If you have any views on issues described in this report, or on the report itself, please share your opinion with us by email to: [IR@jse.co.za](mailto:IR@jse.co.za)




# Material themes

The JSE's strategic journey and operational priorities are informed by a clear understanding of the key themes that are material to its operating context because of their possible effect on the JSE's ability to create value over time.

These material themes are closely interlinked and interdependent and likely to remain key to the JSE as it pursues its strategic path to 2017 and beyond. However, the JSE will continue to assess the relevance and particular content of each of them over time.

Please note that the icons provided for each material theme below appear throughout the document wherever the content has a particular bearing on the relevant theme.



**REMAINING COMPETITIVE THROUGH EFFICIENCY, INTEGRATION AND DIVERSIFICATION**

Within the context of technological advances, business model innovation, evolving customer needs and economic conditions, the JSE faces increasing competition from offshore exchanges, settlement and clearing venues, prospective local entrants and non-traditional trading venues.

The JSE has to continue building on its strong business model to offer a comprehensive range of products and services to a broad range of clients across the value chain, while consistently enhancing efficiency, improving service levels, diversifying its product and service offerings, upgrading its IT infrastructure and assessing costs to clients.

Integration of certain operational functions, such as trading, clearing and settlement, ensures that ease of access and economies of scale are achieved across asset classes and across related services.



**SUSTAINING GROWTH IN A CHALLENGING ENVIRONMENT**

The JSE's business model continues to be shaped by policy evolution and increasing competition, while the impact of structural barriers, a lack of local GDP growth and the enduring global economic slowdown increases uncertainty and volatility.




**REGULATORY READINESS**

The global capital markets regulatory environment keeps changing and major local changes are also imminent. Compliance and competitiveness compel the Exchange to stay ahead of these changes, to become involved in the development and discussion of new regulatory approaches and to know how to deal with their implications for the Group and the broader industry.



**TECHNOLOGICAL RELIABILITY, SECURITY AND GOVERNANCE**

The JSE is a technology-intensive business, with business areas from trading to post-trade and information services relying heavily on automated systems. The Exchange's surveillance and back office functions are also technology dependent. In this environment, the reliability of technology, as well as the JSE's ability to remain at the cutting edge of advances in the broader industry, have major cost, revenue and reputational impacts.



**STAKEHOLDER RESPONSIVENESS**

The JSE operates in an environment where a wide range of stakeholders is influenced or impacted by its regulatory, commercial and other activities. A number of stakeholders also impact on the Group's ability to meet its strategic objectives and operational priorities in a way that will create value for the organisation and its stakeholders. The JSE recognises that, to sustain the organisation, it is critical to understand and be responsive to the circumstances and needs of its stakeholders. Initiatives and internal structures are put in place to ensure that the requisite awareness and ability to react are established and exploited.



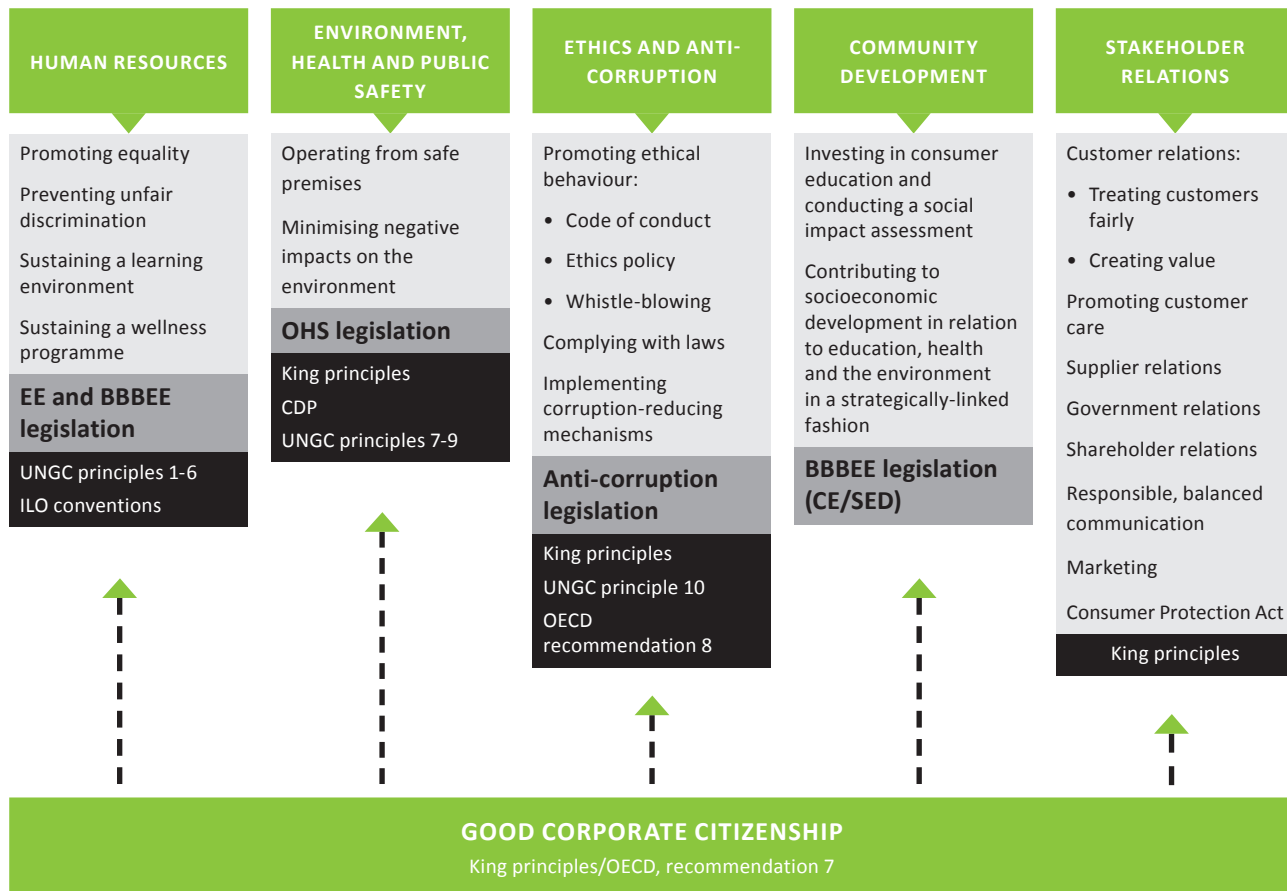
**OPTIMISING HUMAN CAPITAL**

The JSE is a highly specialised environment, with a particular reliance on financial market and technology expertise. It is necessary to attract, cultivate and retain scarce skills to run and grow the business.



# Scope of report

This stakeholder report is structured as follows:



In compliance with section 72 of the Companies Act, 71 of 2008 (Companies Act), read with Regulation 43, this report serves as the report-back to shareholders at the AGM on the execution of the statutory social and ethics mandate, which has been discharged by the Human Resources, Social and Ethics Committee during 2016.

# Human resources

Responsibilities		Core JSE response	JSE compliance
<b>United Nations Global Compact (UNGC) principle 1</b>	Support and respect the protection of internationally proclaimed human rights	<p>The JSE subscribes to the ambit and spirit of South Africa's Constitution, including the Bill of Rights which enshrines the rights of all people in our country and affirms the democratic values of human dignity, equality and freedom</p> <p>The JSE HR policies and procedures exceed the requirements of national labour legislation</p> <p>The JSE has long been a champion supporting and advancing responsible business and investment amongst our clients, and is recognised and highly regarded as such locally and globally, as is evidenced by the following:</p> <ul style="list-style-type: none"> <li>• The FTSE/JSE Responsible Investment Index Series uses the FTSE Russell environmental, social and governance (ESG) Ratings which specifically includes human rights as a theme.</li> <li>• It is a signatory to the United Nations-backed Principles for Responsible Investment (a global investor initiative that encourages consideration of the environment, society and governance in investment decisions)</li> <li>• It is a founding partner of the Sustainable Stock Exchanges Initiative</li> </ul> <p>The JSE is committed to investing in the community in a way that is linked to the business's strategy and which will have a positive impact on society.</p>	Applied
<b>UNGC principle 2</b>	Make sure not to be complicit in human rights abuses	<p>JSE provides a safe environment for its employees, tenants, clients and visitors.</p> <p>The Company does not tolerate any form of sexual or other harassment in the workplace</p> <p>The JSE's HR policies protect the human rights of workers in its employment</p> <p>The JSE strives to advance the spirit and comply in principle with all materially applicable national legislation</p>	Applied
<b>UNGC principle 3</b>	Uphold the freedom of association and the effective recognition of the right of collective bargaining	<p>The JSE operates in a non-unionised environment. However, it continues to promote good employee relations through detailed guidelines, policies and engagement</p> <p>There is no limitation on joining unions and there have been no strike days and no associated financial cost</p>	N/A
<b>UNGC principle 4</b>	Elimination of all forms of forced and compulsory labour	The South African Constitution as well as labour legislation do not permit forced and compulsory labour and the JSE employment/HR policies and practices comply	Applied
<b>UNGC principle 5</b>	Effective abolition of child labour	South African labour legislation does not permit the use of child labour, save for a few instances. The JSE employment/HR policies and practices do not permit the use of child labour	Applied
<b>UNGC principle 6</b>	Elimination of discrimination in respect of employment and occupation	<p>As a consequence of past discriminatory laws in South Africa, there are many inequities in employment, which need to be addressed in order to achieve Employment Equity. The JSE's HR policy on employment equity aims to eradicate all forms of unfair discrimination, and create opportunities for all employees with special emphasis on previously disadvantaged employees, through specific employment equity programmes, including affirmative action, performance management, learning and development plans, promotions and career planning</p> <p>The JSE believes that effective diversity management will result in more innovative solutions to problems, greater opportunities and service excellence</p> <p>The JSE has changed its Listings Requirements with effect from 9 November 2015 to state that the board of a listed company must have a policy on the promotion of gender diversity at board level and that this must be confirmed in its annual report</p>	Applied

Responsibilities		Core JSE response	JSE compliance
<b>Employment Equity Act</b>	Promotion of equal opportunity and fair treatment; prevention of unfair discrimination, and the implementation of affirmative action measures to redress disadvantages in employment	<p>The JSE has 461 permanent and 22 fixed-term contract (FTC) employees, made up as follows:</p> <ul style="list-style-type: none"> <li>62.53% are African, Coloured or Indian (ACI) employees, of which 36.65% are African</li> <li>48.48% are male and 50.52% are female</li> <li>ACI employees on grades 12-14 constitute 47.33% of the staff complement, with 13.25% on grade 15-16</li> <li>The average length of service across all categories is seven years, with the unskilled and defined decision-making categories having the longest average tenure of 21 years</li> <li>The average age of staff at the JSE is 39</li> </ul> <p>The HR department provides ongoing monitoring and quarterly compliance reporting to the HRSE Committee</p>	Applied
<b>Broad-based Black Economic Empowerment (BBBEE) Act</b>	Ensure that there is increased and fair participation of black people in the economy of South Africa	<p>The most significant improvements made during 2016 are the following:</p> <ul style="list-style-type: none"> <li>100% increase in number of black executives (2 African males were appointed to the JSE executive committee)</li> <li>90% of the 29 black learners completed the 12-month learnership. 77% of the external learners were either absorbed into permanent positions or offered fixed-term contracts of at least 12-months. These opportunities have provided the external learners with 24 months of invaluable on-the-job experience.</li> <li>Skills development spend increased by 122% to R15.6m.</li> <li>R11m was spent on black employees (representing an increase of more than 200%)</li> <li>R6m was spent on black female employees (representing an increase of 125%)</li> </ul> <p>The HR department provides ongoing monitoring and quarterly compliance reporting to the HRSE Committee</p>	Applied
<b>International Labour Organisation (ILO): Labour and employment</b>	Uphold the International Labour Organisation protocol on decent work and working conditions	<p>The JSE encourages an environment where people feel valued. This is achieved through people policies and team practices that continuously strive to enhance diversity in the interest of building a capable, respected workforce</p> <p>An Employee Wellness Committee chaired by the head of Human Resources addresses relevant employee wellness concerns. It seeks to implement the necessary improvements to address the specific needs of employees and the organisation. The goals of the employee wellness programme are to improve general health and wellbeing, productivity, collaboration, morale and attitude</p>	Applied
	Undertake initiatives to promote principled employment relationships and contribute towards the educational development of employees	<p>The JSE's culture is to encourage innovative self-starters by promoting on merit and rewarding performance</p> <p>This is achieved through people policies and team practices that enhance elements including the following:</p> <ul style="list-style-type: none"> <li>Empowerment of others and self, linked to accountability</li> <li>Investment in people and continuous learning</li> <li>A high performance culture achieved through diverse individuals and teams</li> <li>Equity and democracy in the workplace</li> </ul>	Applied

## Employees

**Employees:** Company strategy, values and policies, skills enhancement, talent retention and motivation

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> <li>• Development and training</li> <li>• Wellness programmes</li> <li>• Remuneration, benefits</li> <li>• The code of conduct</li> <li>• Employment equity</li> <li>• Employee engagement</li> <li>• Performance management</li> </ul>	<ul style="list-style-type: none"> <li>• Employees can access a variety of benefits and participate in wellness and social events throughout the year</li> <li>• The remuneration philosophy and annual salary appraisal process principles will be reviewed in 2017</li> <li>• The review of the JSE code of conduct will be finalised in 2017</li> <li>• Action is being taken to improve awareness of the JSE's employment equity position and diversity sensitivity</li> <li>• The results of an engagement survey were shared and action plans involving all employees were implemented</li> <li>• Full disclosure of the JSE's BBBEE status is available at <a href="http://www.jsereporting.co.za/ar2016/download_pdf/transformation-report-2016.pdf">http://www.jsereporting.co.za/ar2016/download_pdf/transformation-report-2016.pdf</a></li> </ul>

### Philosophy

The JSE uses its enhanced and formalised integrated human resources framework and processes to achieve results through people. These tools optimise its ability to effectively attract, engage, develop and reward talent to create a high performance culture.

### Culture

The JSE promotes a high performance culture and this permeates throughout the organisation; supports professional growth and development; and values diversity. The JSE treats each every employee as an individual and creates a working environment that promotes openness and trust, respect and dignity for all. The JSE's values are foundational to its culture and are significant to the JSE way of doing things. Therefore they are evaluated equitably, along with key performance areas, and are recognised and rewarded accordingly through the incentive and retention scheme.

## Potential employees

The JSE is a diverse and highly competitive organisation and its success depends on its ability to attract and retain the best talent, both internally and externally. Working at the JSE offers a unique opportunity to work not only in a diversified organisation, but also in an organisation that is small enough for every individual to make a difference. The power of the unique culture of the JSE is evident in the number of people returning to the JSE after venturing into other organisations. The JSE employs best-in-class and efficient recruitment practices that make it possible to recruit and select the best talent in order to continuously enhance its intellectual capital. JSE vacancies can be accessed at <http://jse.erecruit.co.za/candidateapp/jobs/browse.aspx>.

**Potential employees:** The JSE as an employer of choice

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> <li>• BBBEE</li> <li>• Career opportunities</li> <li>• JSE values</li> </ul>	<ul style="list-style-type: none"> <li>• Job family frameworks show all career options in the JSE and are used in career planning</li> <li>• JSE vacancies appear at <a href="http://jse.erecruit.co.za/candidateapp/jobs/Browse.aspx">http://jse.erecruit.co.za/candidateapp/jobs/Browse.aspx</a> on LinkedIn and on several other websites</li> <li>• The JSE values are explained at <a href="http://jse.co.za/careers/working-at-the-jse">http://jse.co.za/careers/working-at-the-jse</a></li> </ul>

## Staff profile

The employee complement of the JSE per division as at 31 December 2016 was as follows:

	PERMANENT	FIXED-TERM CONTRACT
Capital Markets	42	5
CEO's office	8	1
Finance	17	–
Governance, Risk and Compliance	14	1
Human Resources	15	1
Information Technology	144	10
Issuer Regulation	33	–
Market Regulation	32	1
Marketing and Corporate Affairs	30	1
Post-Trade Services	46	–
Trading and Market Services	34	1
Information Services	46	1
Total	461	22

The JSE's employment equity policy aims to eradicate all forms of discrimination and to create equal employment opportunities for all employees, as well as to seek to achieve equal representation, taking into account the composition of the country's economically active population.

## Staff turnover and recruitment

The number of JSE's staff who exited in 2016 was 76. Of these resignations 84% were regrettable losses, 5% were retirement, 5% were end of contract, 3% were dismissals and the balance were for various reasons.

## Training and development

The JSE promotes a culture of learning among its employees and is committed to supporting the development of its employees to ensure that they have the requisite knowledge and skills to deliver against the business strategy.

In the 2016 financial year, the JSE spent approximately R11 million on the training and development of employees; this includes employees studying through JSE-sponsored education assistance towards various qualifications.

To boost its leadership capability, the JSE, in partnership with the Wits Business School, launched three leadership development programmes in the 2016 financial year. These programmes were crafted to develop current and future leaders in the management levels. They will contribute towards the JSE's succession planning, building a strong leadership bench strength to ensure leadership continuity across the business. These programmes are highly rated by the Wits Business School and attendees alike and the initial feedback has been very positive.

## Employee wellness

The JSE's wellness initiatives seek to provide employees with the necessary psycho-social support in a variety of areas. For instance, there are wellness programmes focusing on financial wellness, legal advice, and HIV support. Programmes support employees in balanced work-life effectiveness, which supports high performance.

## Health and safety

The JSE has several services in place to enhance employee health and safety and to provide early warning signals in accordance with international standards for building infrastructure and safety. The Exchange adheres to the Occupational Health and Safety Act, 85 of 1993, and the relevant regulations. Safety issues are the responsibility of the building management team, which reports to the Group Company Secretary, a member of the JSE's executive management. There have been no fines, accidents or other health and safety incidents in the period under review.

The JSE commits itself to creating and maintaining an environment free from all forms of unfair discrimination, including discrimination against people living with HIV/Aids and other life-threatening illnesses. The JSE acknowledges that the HIV/Aids pandemic will affect its workplace. It has a policy in place for handling this pandemic.



# Environment, health and public safety

The JSE is aware of its interdependence with the natural environment. While its typical activities are unlikely to have a significant direct impact on the environment, the organisation takes responsibility for its impacts by better managing its direct environmental impacts such as its consumption of limited resources and its production of waste. The JSE also takes cognisance of the threat that global warming poses and humanity's shared responsibility to manage its carbon footprint.

Senior responsibility for management of the JSE's carbon footprint resides with the Group Company Secretary, who reports to the CEO. The carbon footprint is calculated by self-assessment for the JSE's business operations located in Sandton, including all its employees.

- The most material contribution to the JSE's carbon footprint continues to be its Scope 2 emissions, as is expected, considering its business activities and low impact classification.
- Only business air travel was reported for Scope 3 emissions.
- A baseline assessment of its carbon footprint was conducted in 2010, using an external service provider. The JSE's environmental policy can be found at <https://www.jse.co.za/about/sustainability>

Responsibilities		Core JSE response	JSE compliance
<b>UNGC principle 7</b>	Support a precautionary approach to environmental challenges	The JSE remains aware of its interdependence with the natural environment and, particularly at a time of growing concern about the environmental impact of non-sustainable social and business practices, of the need to play a role in nurturing its ecosystem	Applied
<b>UNGC principle 8</b>	Undertake initiatives to promote greater environmental responsibility	<p>The JSE is involved in a number of significant initiatives and developments. Through adoption of the FTSE Russell ESG rating process, eligible listed companies are assessed against a range of environmental themes including climate change, water use, pollution and resources. The Ratings are applied to determine the constituents of the FTSE/JSE Responsible Investment Index Series.</p> <p>The JSE qualified for inclusion in both indices</p> <p>The JSE annually participates in the CDP process (formerly called the Carbon Disclosure Project)</p>	Applied
<b>UNGC principle 9</b>	Awareness and appropriate protection of the environment, health and public safety issues	<p>Refer to UNGC principle 8 above and detail elsewhere in this report.</p> <p>Compliant with the Occupational Health and Safety Act 85, of 1993, and Regulations. Regular OHS reviews are conducted and issues addressed</p>	Applied

## Our contribution towards saving energy

### IT related

- Virtualisation of servers resulted in reduced infrastructure costs and decreased the associated cooling costs.
- Temperatures in the production environment are at 21°C. In consequence, less water and less energy are used to cool the sites.

### Building and maintenance

- The design of the JSE building facilitates the use of natural light to illuminate the front portion of the building and the ground floor as well as offices elsewhere.
- A proactive energy management system has sensors that detect a person's movement and automatically switch on the lighting necessary for the immediate area. When there is no motion in an area for ten minutes, the lights switch off. This also operates in the underground parking.
- Low-power lamps (36 watt) are used and external spotlights and floodlights located around the building are switched off after a certain time at night.
- Light fittings on the recently renovated floors are fitted with low brightness louvre LED fittings made from 100% recyclable materials that emit 40% less CO<sub>2</sub>.
- The air-conditioning units are on a timer switch. They switch off at night and during weekends and public holidays. Regular and ongoing maintenance is carried out on these units.

### Assessment

The JSE's Scope 2 indirect emissions contribute approximately 89% towards its total carbon footprint.

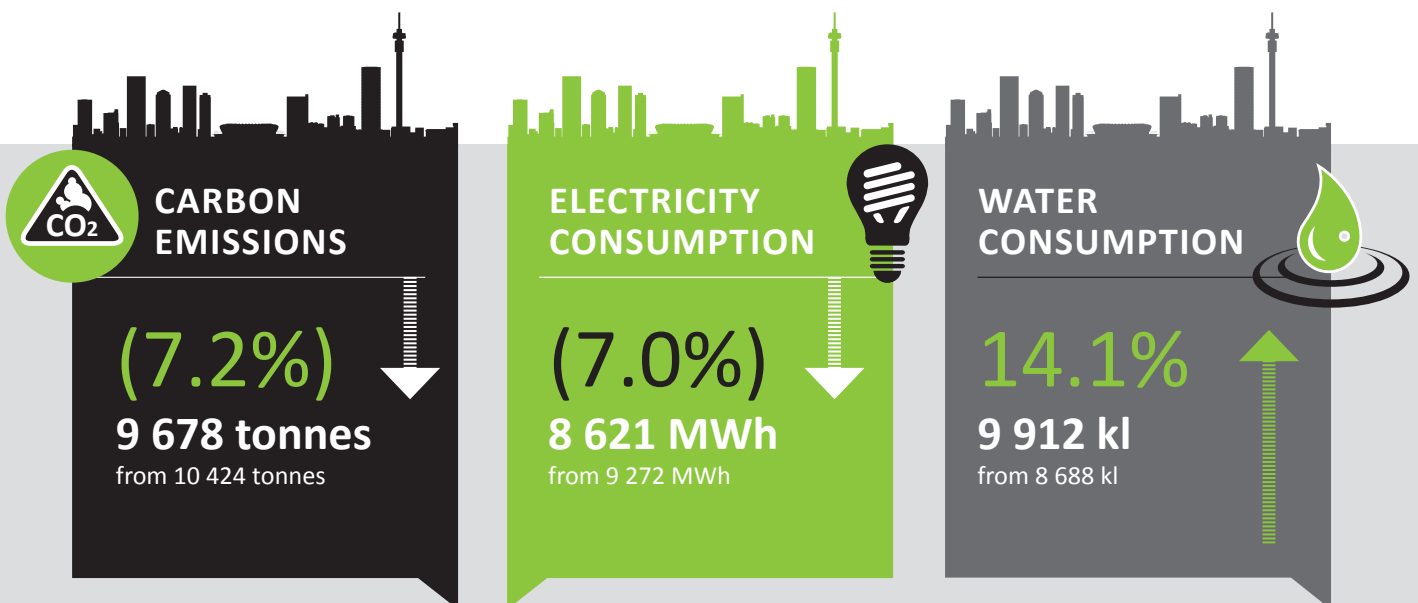
## Our contribution towards saving water

The following interventions help reduce water consumption by JSE employees and guests:

- All taps in bathrooms are fitted with water flares that aerate the water
- Waterless urinals are in place on all floors
- Toilets are fitted with two flushing devices, a half-flush and a full flush.

### Assessment

While the JSE considers its water consumption to be relatively insignificant given the nature of its business, the above interventions assist in managing the JSE's water consumption.



## Other recycling/waste management interventions

### Office paper

Paper recycling bins are located in all areas of operation. External service providers collect and recycle office paper, newspapers and magazines.

### Other waste management initiatives

Every week external service providers collect and recycle glass, tin, plastics and cardboard. Proceeds from the sale of clean recycled products goes towards remunerating the group of sorters.

### Toner cartridges

Every month, external service providers collect and recycle used toner cartridges.

### Cleaning products

The JSE's contracted cleaning company uses chemicals that surpass international environmental accreditation agencies' standards and can be gainfully used to earn credits toward certifications like LEED and Go Green (BOMA).

### Recyclable office walls

Demountable walls are sourced from a company that is committed to reducing the impact that the business and its products have on the environment.

## Assessment

General and office paper waste production, while insignificant, remain under control.

Any major positive impact in these areas can only come from increased employee action as a result of ongoing awareness drives.

Carbon footprint summary		Consumption		Consumption		Consumption	
		2016	tCO <sub>2</sub> e	2015	tCO <sub>2</sub> e	2014	tCO <sub>2</sub> e
Scope 1	Direct emissions (litres of petrol/diesel used)	9 367	24.3	29 957	78.4	10 611	27.4
Scope 2	Electricity used (kWh)	8 621 024	8 621	9 272 103	9 272	8 766 653	8 767
Scope 3	Air travel* (kms travelled)	3 081 891	1 033	3 673 903	1 073	2 679 767	887
			9 678		10 424		9 681

\* The JSE's Scope 3 business air travel contributes approximately 10% to its carbon footprint. In 2016, air travel increased by 21%. Also note that private travel and other business travel by employees have not been analysed owing to cost constraints.

Other factors	2016	2015	2014
Energy spend (R)	7 233 844	7 309 774	6 214 069
Energy consumed (kWh)	8 621	9 272	8 767
Number of employees	483	506	485
Floor space (m)	16 603	17 226	17 226
Revenue (R)	2 385 697 000	2 133 548 000	1 778 629 000
Energy spend as % of turnover	0.3%	0.34	0.35%

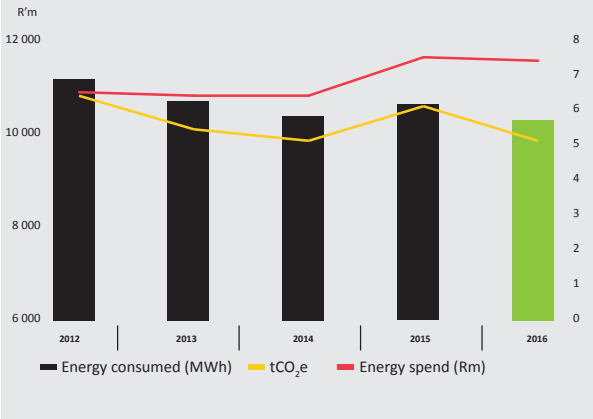
Intensity factors (per unit tCO <sub>2</sub> e)	2016	2015	2014
Per unit of total revenue	0.0000041	0.0000049	0.0000054
Per unit of full-time employee	20	21	20
Per square metre of office space	0.58	0.6051	0.56

The sustainability strategy and framework are under review to take into account the latest developments.

During the year under review, no contraventions occurred and no fines were levied.

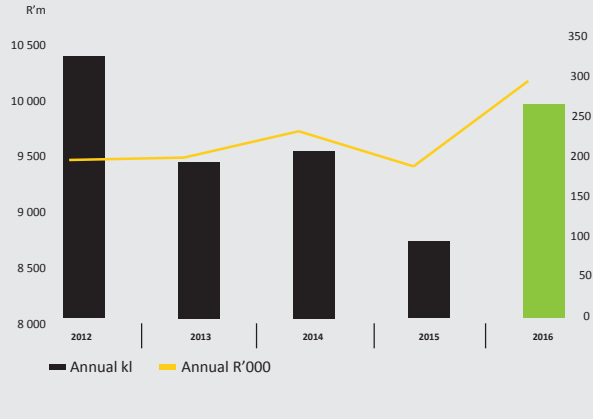
**Graph 1**

**Carbon/Energy usage**



**Graph 2**

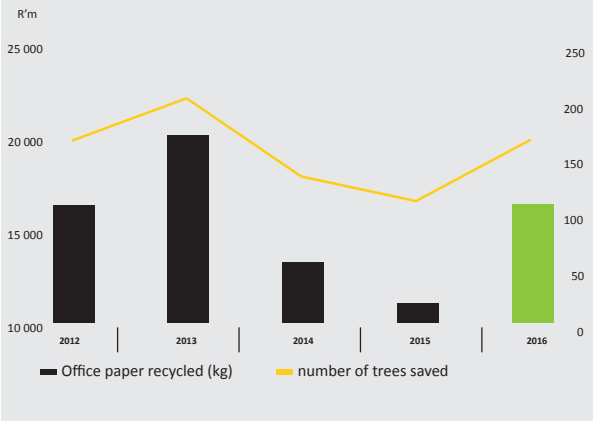
**Water usage**



**Graph 3**

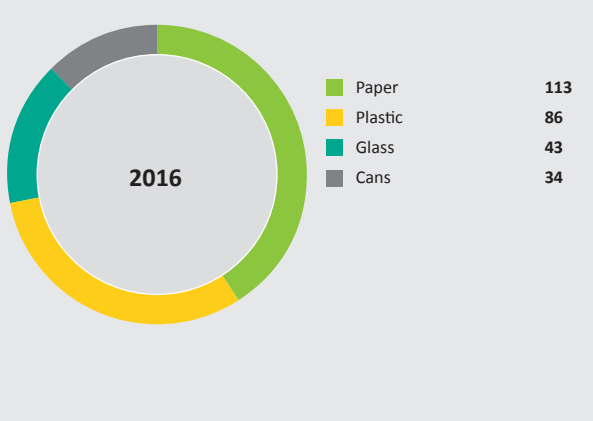
**Office paper recycled**

442 708 litres of H<sub>2</sub>O saved



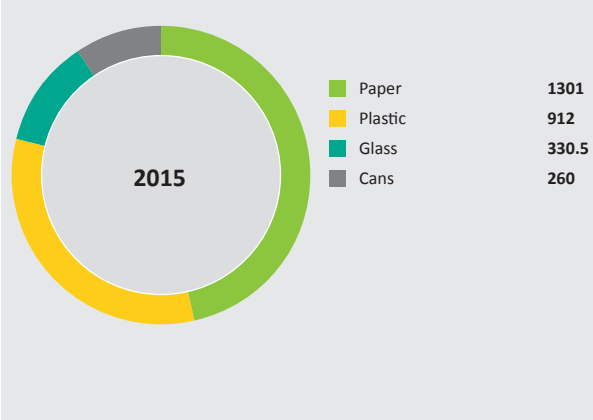
**Graph 4**

**Other waste material recycled**



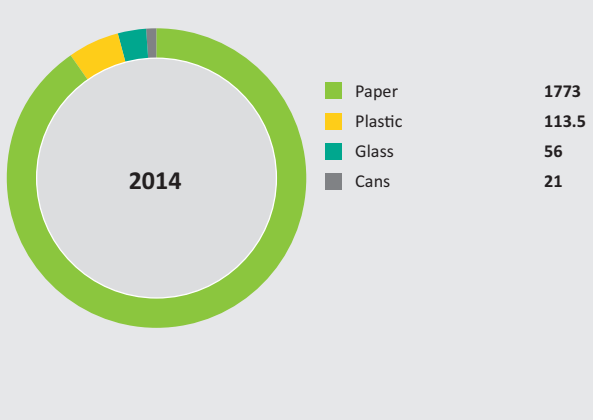
**Graph 5**

**Other waste material recycled**



**Graph 6**

**Other waste material recycled**



# Ethics and anti-corruption

JSE considers ethics as a part of the corporate culture, embedded through employees' behaviour in the workplace, day-to-day operations and values demonstrated through actions and decision-making. Ethical behaviour and anti-corruption measures are instilled formally through policies, procedures and compliance to the relevant laws and regulations as indicated in the table below and are based on a strong foundation of ethical leadership and a commitment to "doing what's right" across all levels of the organisation.

Responsibilities		Core JSE response	JSE compliance
<b>UNGC principle 10</b>	Work against corruption in all its forms, including extortion and bribery	<p>The JSE's code of conduct details the principles, standards and transgressions with regard to bribery and corruption.</p> <p>The JSE's code of ethics lays down zero tolerance principles regarding unethical behaviour.</p> <p>A whistle-blowing/JSE ethics hotline, where any stakeholder or member of the public can report any transgression confidentially and anonymously, is in place and its use is detailed in the code of ethics. No events were reported through the whistle-blowing hotline during the year under review.</p> <p>The JSE's Market Regulation division reports suspicious trade activity in the market to the FSB for follow-up and further action.</p> <p>The JSE also supports anti-crime sponsorships and other related initiatives, which sensitises JSE employees to wider challenges and their repercussions.</p>	Applied
	Promotion of equality, prevention of unfair discrimination, and reduction of corruption	<p>The JSE's employment equity policy aims to eradicate all forms of unfair discrimination and to create opportunities for all employees, with a special emphasis on the business's demographic profile. Policy formulation is ongoing and stays abreast of current developments. Other policies and procedures in place are:</p> <ul style="list-style-type: none"> <li>• HR policies and procedures</li> <li>• Code of conduct</li> <li>• Code of ethics</li> <li>• Compliance with various national legislation monitored by the HR department</li> <li>• Policy in place for fraud, theft and corruption</li> <li>• Policy in place for interests in contracts</li> <li>• Policy in place for dealing in JSE Limited and other securities</li> </ul>	Applied
<b>OECD recommendation 8</b>	The OECD guidelines for multinational enterprises – chapter on combating bribery	Refer to above response under UNGC principle 10.	Applied

## Culture of ethics

The Board is mindful that the ethics and performance of the JSE's management and employees must meet high standards. It is also aware that the JSE's reputation is built on management and employee interactions with all stakeholders. When management and employees display the expected behaviour and values, the JSE's reputation is strengthened and a healthy workplace is promoted, where original and innovative thinking occurs. This embeds a robust culture of ethics and integrity at the JSE.

# Community development

The current value system was launched to all JSE staff in 2013 and is based on the following model:



Responsibilities	Core JSE response	JSE compliance
Contribution to the development of the communities in which its activities are predominantly conducted or products/services are predominantly marketed	<p>The JSE is committed to making a difference in the lives of South Africans by investing time, effort and money into various initiatives. The JSE also believes that this difference should be sustainable and should ensure that individuals benefit directly through positive and meaningful contributions.</p> <p>In 2016, R3 million was spent on the JSE Investment Challenge, in which the following participation was recorded:</p> <ul style="list-style-type: none"> <li>• 408 schools, 12 618 learners, 3 363 teams</li> <li>• 50 universities, 3 105 students, 1 110 teams</li> </ul>	Applied
Recording of sponsorships, donations and charitable giving	In 2016, R5.1 million was spent on Socio-economic development. Socio-economic development is focused in areas the JSE believes to be relevant to the country in which it operates as well as the business activities of the JSE. These activities may be of broader benefit to society in the manner in which the Company believes it is best able to make a meaningful contribution.	Applied



A summary of current initiatives is shown below:

	2016 (m)	2015 (m)
Financial education: Schools and universities	R3.0	3.7
Education for students in the field of finance: JEF	3.2*	3.0*
Community development and healthcare	R5.1	4.4
Benevolent Fund	9.3	5.6*

\*Does not affect JSE cash flow.

Community investment and relations as well as all sponsorships and contributions are the responsibility of Zeona Jacobs, director of Marketing and Corporate Affairs.

## Community

**Community:** Corporate social investment, and education and awareness

### WHAT THE JSE ENGAGES ABOUT

- Education initiatives including:
  - The JSE Investment Challenge
  - Financial literacy initiatives (JEF)
  - Healthcare and community development
  - Sponsorships and donations
  - The JSE Benevolent Fund

### ISSUES AND SOLUTIONS

- The JSE Investment Challenge is the JSE's flagship CSI initiative. It teaches high school learners and university students the fundamentals of investing on the stock exchange via a simulated platform that simultaneously provides financial education. The JSE works closely with the Department of Education in pursuit of its aim to have every high school learner and university student participate in this initiative

The JSE's main focus in this regard is on the following areas:

- National priority issues, such as poverty alleviation, job creation and youth and community development, as indicated by the National Development Plan and the Financial Sector Codes, among other key policy and development papers or legislation.
- Strategically aligned causes (areas that relate to the JSE's business) to which the JSE is hence better suited to make meaningful contributions (such as enterprise development and financial literacy).

The JSE encourages its staff to be active corporate citizens. Over and above the current community outreach initiatives, the JSE encourages further staff community involvement by allowing the JSE staff members a day off work to become involved in community outreach programmes of their choice. The CSI day is aimed at encouraging group participation in CSI causes. Employees are able to choose the activities that they would like to participate in, within the corporate guidelines, and these will either be chosen by their department/team/cross-divisional group, or by an individual. Group involvement is strongly encouraged. A policy outlines the nature of activities that are approved.

The process of re-aligning the JSE's CSI spend to mirror the identified priority areas is an ongoing effort and is evolutionary in nature. The Company continues to prioritise its education-focused activities (see the following sections). This is reflected by the significant amount spent on related activities.

## Education

The JSE's educational initiatives are aimed at increasing understanding of the financial markets (particularly among high school learners and university students), encouraging investment among South Africans and growing the pool of potential employees in the financial markets. The JSE believes that this assists in growing the number of people who might become investors or businesses that might list.

### JSE Investment Challenge – community investment

Now in its 43<sup>rd</sup> year, the JSE Investment Challenge is a focused and far-reaching educational programme aimed at introducing South African high school learners and university students to the world of finance. The challenge coaches learners in the fundamentals of investment strategy and encourages them to research and strategise around the trading of JSE-listed shares by managing a virtual portfolio of R1 million.

School challenge	2016	2015
Number of schools (number of Adopt-a-School schools)	408 (120*)	405 (100*)
Number of learners	12 618	9 742
Number of teams	3 363	2 472
University challenge		
Number of universities and private colleges	50	64
Number of students	3 105	2 774
Number of teams	1 110	1 006

*\*The Adopt-a-School initiative aims to assist schools with few resources. The schools are adopted by stock broking firms, listed companies and other institutions. Schools are given funds or fees to enter the game are waived, and they receive daily newspapers and business publications.*

### JSE Empowerment Fund (JEF) Trust

The JEF Trust provides academically deserving African students with the finance and support to acquire the appropriate qualifications and the opportunity to enter the financial services sector on completion of their university training.

Through the dividends received as a result of its JSE shareholding, the JEF Trust is able to provide the financial assistance reflected in the table below and this financial assistance does not affect the JSE's cash flow.

In 2016, progress was as follows:

INSTITUTION	STUDENTS	AMOUNT PAID INCLUDING ALLOWANCE	PROGRESS/COMMENTS (AS PER THE 2016 JEF TRUSTEES' REPORT)
Thuthuka	3	R120 000	Three students studying towards their CA qualification were funded in 2016.
Reunert	5	R250 000	Reunert College provides a bridging programme for students who did not perform well in grade 12. Five learners were sponsored in 2016, with the intention to further their studies at tertiary institutions in 2017.
University of Johannesburg	28	R3 373 498	Twenty-eight students studying towards various qualifying BCom degrees were funded.
University of Pretoria	12	R1 613 866	Twelve students studying towards BCom Economics and generic BCom degrees were funded.
University of the Witwatersrand	5	R669 757	Five students studying towards BCom Economics, Accounting Science and Mathematical Science degrees were funded.
University of Cape Town	4	R579 450	Four students studying towards BCom Economics degrees were funded.
Nelson Mandela Metropolitan University	12	R1 426 750	Twelve students studying towards BCom Economics, Accounting Science and Mathematical Science degrees were funded.
Mentoring		R248 141	The 61 university students were provided with a mentorship programme to assist them in preparing for the world of work. Very positive feedback was received from the students.
Data bundles		R109 400	The university students were provided with data bundles to allow them access to online material while campuses were closed because of protest action.
<b>Total</b>	<b>69</b>	<b>R8 390 862</b>	



To assist in the funding of the “missing middle” (students not poor enough to access state funding, but not well off enough to fund their own university studies), the JSE has committed to the following additional payments towards unsettled student accounts to allow these students access to their marks and therefore to the labour market.

Institution	Amount
Reunert	R500 000
Thuthuka	R500 000
UJ Financial Aid	R1 500 000
UP Financial Aid	R1 500 000
UJ Technical Equipment Aid	R1 000 000
	<b>R5 000 000</b>

### Social impact of JSE efforts

The JSE and its business activities do not directly affect any South African community, thus it is not currently considered imperative for the JSE to conduct any formal social impact assessment. However, the Company is proud of the following outcomes of the financial literacy activities in which it engages with the South African youth, which show the JSE’s commitment to contributing to their financial literacy and having a positive impact on them:

- Enhanced financial literacy;
- Enhanced understanding of key business and financial concepts;
- Enhanced understanding of the securities market and its role in wealth generation;
- The development of a research capability;
- Encouragement of team work and collaboration; and
- Equipping the South African youth with some of the financial and entrepreneurial skills that will assist in the creation of employment opportunities and growing the country’s economy in the future.

### Retail market development

The key deliverables for 2016 were to continue with investor education, progress the uptake of tax-free savings accounts and collaborate with the broking community in activities that would increase the retail investor base.

The online learning modules have attracted more than 3 000 unique users, who have been able to access education conveniently. More than 2 500 people signed up for the trading simulation, which is a great way to test their acquired knowledge about trading and investing.

Furthermore, the retail pages on the website have been revamped, to improve the user experience for new investors. This increased the traffic to the pages by 8%. More than 15 Power Hour presentations were also held in Johannesburg, Durban and Cape Town. This initiative has helped to keep investors engaged and has provided useful fund of investment information.







The uptake on the tax-free savings accounts increased as a result of the marketing campaign behind the initiative. Independent research done in July 2016 indicated that more than 35 000 accounts have been opened with more than R250 million in assets under management. This has been rated as the greatest achievement for growing retail investors. The Savings Institute also acknowledged the JSE’s contribution to growing the savings and investment culture in South Africa at an event attended by key influential people from the National Treasury.

The JSE partnered with brokers at various exhibitions and events, which enabled engagements with more than 10 000 individuals. Furthermore, the JSE partnered with media players to increase its reach in the market.

### Community development

The JSE supports a number of worthy charities over and above its community efforts in education and financial literacy. Each of these addresses important social and environmental issues. The JSE also sponsors and donates money to initiatives that it believes directly and indirectly improve the lives of ordinary South Africans and that contribute to constructively advancing the general business environment, both in South Africa and on the African continent.

In 2016, the JSE invested R5.1 million (2015: R4.4 million) in initiatives for community development, including some the following:

INITIATIVE (SPEND)	DESCRIPTION OF INITIATIVE
 Afrika Tikkun (R1 300 000)	Afrika Tikkun was started in 1994, with a vision to alleviate poverty. The leadership of Afrika Tikkun determined in 1996 that the biggest need in the newly democratic South Africa was to create a society capable of catering for the needs of future generations as well as the current generation. To deliver this vision, it adopted a model that seeks to develop the competencies of South Africans living in townships and uses these competencies to deliver much-needed developmental services to children and the youth. The model invests in the development of children from early infancy into young adulthood and into the world of work. This approach is referred to as Cradle to Career. <a href="http://www.afrikatikkun.org/">http://www.afrikatikkun.org/</a> .
 Mike Thomson Change a Life Trust (R290 000)	The Change a Life Cycle, a fundraising vehicle for the Mike Thomson Change a Life Trust, is committed to raising more than R3 million each year for anti-crime projects through participation in a four-day cycle tour run by Computershare, one of the JSE's stakeholders. The aim is to tackle crime at grassroots level, and part of the programme includes youth development in underprivileged areas, as well as a DNA project that promotes the development of the use of DNA evidence in crime detection and conviction. Further details can be found at <a href="http://www.computersharecares.com/Projects/southafrica/Pages/MikeThomsonTrust.aspx">http://www.computersharecares.com/Projects/southafrica/Pages/MikeThomsonTrust.aspx</a> .
 Business Against Crime South Africa (R400 000)	Business Against Crime South Africa (BACSA) was established in response to a call from Nelson Mandela, during his time as President of South Africa, for the business community to join the fight against crime. BACSA has two distinct roles. The first is to get business' own house in order by eliminating crime-enabling processes, systems and approaches, and improving crime prevention measures within the control of business. The second is to partner with the government, when invited, by sharing expertise, information, processes and technologies from the world of business.  These roles are fulfilled primarily by mobilising business skills and resources in government-defined areas of need, and by strategically aligning and coordinating the anti-crime strategies and priorities of business.  BACSA is totally reliant on the commitment and generosity of companies. Further information can be found at <a href="http://www.bac.org.za/about.html">http://www.bac.org.za/about.html</a> .
 National Education Collaboration Trust (NECT) (R300 000)	The National Education Collaboration Trust (NECT) is an organisation dedicated to strengthening partnerships among business, civil society, the government and labour in order to achieve the education goals of the National Development Plan. It strives to support and influence the agenda for the reform of basic education. <a href="http://nect.org.za/">http://nect.org.za/</a> .
 Alexandra Education Committee (AEC) (R264 000)	The Alexandra Education Committee (AEC) is a secondary school bursary scheme as well as a support programme for children in and around the Alexandra township. The AEC focuses on providing quality education as a means of enriching the children's lives and helping them to build a better future.  The AEC sponsors 177 secondary school children and provides not only their school fees, but also uniforms, field trips, transport and one meal a day. Its aim is to support as many children from the community as is financially possible, hence the AEC also holds Saturday school programmes, holiday programmes as well as maths and English teacher development courses.  The AEC is constantly looking to grow and expand its reach to more children in need in and around the Alexandra Township. <a href="http://www.alexeducation.org.za/">http://www.alexeducation.org.za/</a> .
 Adopt-a-School Foundation (R124 650)	The foundation strives to address the inequalities and inadequacies in South Africa's rural and disadvantaged schools, in order to ensure positive learning experiences that will lead to greater opportunities for South Africa's youth. Over the past 10 years, Adopt-a-School has inspired businesses and individuals in the private sector to invest effectively in education in South Africa through its whole-school development model. <a href="http://www.adoptaschool.org.za/">http://www.adoptaschool.org.za/</a> .
 Buffelshoek Trust (R740 000)	Constituted in 2001 by Sidney Frankel, one of the JSE's long-term stakeholders, to uplift the Manyeleti villages, the Buffelshoek Trust focuses on two needs of this poverty-stricken, rural community – education and healthcare. Located in Mpumalanga, adjacent to the Kruger National Park, this community has been identified as one of 23 rural and urban nodes by the South African government. These nodes represent the largest concentrations of poverty in the country. This municipal area has the smallest economy; a limited resource base; and contributes the least to the district and the provincial GDP. Growth of the agricultural and tourism sectors can make a meaningful contribution to the local economy. The area has great potential in creating economic growth and reducing unemployment. However, resources to initiate such growth are not easily accessible. The trust has contributed significantly toward improving healthcare and education in the community. <a href="http://www.buffelshoektrust.co.za/">http://www.buffelshoektrust.co.za/</a> .

INITIATIVE (SPEND)	DESCRIPTION OF INITIATIVE
Eersterust Association for Community Health (EACH) (R250 000)	Eersterust Association for Community Health (EACH) is a non-profit organisation established in 1992. EACH is the only hospice in the area that provides both hospice and home-based care for HIV/Aids, cancer and other terminally ill patients in the communities of Eersterust, Silverton, Jan Niemand Park, Kilner Park and Sunvalley (Mamelodi). Pretoria Academic Hospital and Steve Biko Hospital also refer patients that are outside the catchment area to EACH.
Hedge Fund Academy (HFA) (R875 000)	Hedge Fund Academy (HFA) is a South African based Financial Services oriented regulatory and advisory business that also provides private training focusing on financial markets. Established in London in 2009 and moving to South Africa in 2011, HFA is a BEE Level 1, 100% black female owned qualifying small enterprise that provides approximately 450 learnerships a year to black unemployed graduates seeking to bridge the gap between leaving university and finding employment in the financial services sector. To date, 90% of the learners have completed the course and have received an accredited qualification. In addition, HFA has placed 71.5% of learners into employment. The JSE placed 23 of these. HFA provides exam preparation courses for the internationally recognised Chartered Financial Analyst® (CFA) professional designation. This year, HFA prepared 198 candidates for the CFA Level I exams. The JSE sponsored two classes of a total of 75 individuals by providing the financial support for these candidates to attend the 16-week live classroom training programme. Furthermore, the JSE provided the training venues in both Cape Town and Johannesburg. The JSE's rationale for this sponsorship was primarily to raise the overall advanced financial skill level in the local financial markets industry and in particular to strengthen the relationship between the JSE and its member firms. Of the CFA candidates sponsored by the JSE, 70% are employed by JSE member firms.

# Stakeholder relations

Responsibilities	Core JSE response	JSE compliance
Promote and maintain admirable consumer relationships and compliance with consumer protection laws	With regard to the Consumer Protection Act, 68 of 2008, risk areas are well understood and plans are in place to address any concerns. We aim to treat our customers fairly by engaging with them through various stakeholder mechanisms and forums.	Applied

The JSE and its stakeholder groups have a symbiotic relationship. By working to create an environment in which its stakeholders can flourish, the Exchange supports its own long-term viability.

## Shareholders and analysts

**JSE Limited shareholders and analysts:** JSE financial performance and how the JSE creates value

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> <li>• Performance</li> <li>• Growth areas</li> <li>• Company sustainability and competitive landscape</li> <li>• Costs</li> <li>• Dividend policy</li> <li>• Share schemes</li> <li>• Prospects</li> </ul>	<ul style="list-style-type: none"> <li>• Concerns relate primarily to the JSE's changing competitive landscape and cost growth.</li> <li>• The JSE has communicated its competitive response and its feedback on cost growth</li> </ul>

JSE Limited's shareholders provide the listed Group with equity capital that funds its operations and capital spending. Investors assist the Group in its drive for long-term growth. The Board has worked hard to get close to the JSE's shareholders and analysts.

The Investor Relations division is known to major investors and its contact details are available on the Company website:

<https://www.jse.co.za/>. Information is distributed through various channels. The website continually addresses queries from analysts, investors and potential shareholders. The security and integrity of the information is carefully maintained, while ensuring all critical information reaches shareholders simultaneously.

The JSE's chief executive officer (CEO), chief financial officer (CFO) and head of Investor Relations engage shareholders through regular communication sessions, meetings and other processes. They regularly meet investors and analysts to foster dialogue and communicate the JSE's strategy and performance.

The directors are encouraged to attend all general meetings. Shareholders are encouraged to be present and to ask questions. Shareholders are also afforded the opportunity, when they wish, to meet with directors and management.

## Media

**Media:** To create awareness of investment products and promote financial literacy

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> <li>• Performance</li> <li>• Growth areas</li> <li>• Company sustainability</li> <li>• Dividend policy</li> <li>• Share schemes</li> <li>• Prospects</li> <li>• Financial literacy and investor education</li> <li>• JSE markets and products</li> <li>• Aspects of JSE business</li> </ul>	<ul style="list-style-type: none"> <li>• Issues relate to the accessibility of senior leadership, the complexity of the JSE's business and the timing of results. The JSE addresses each issue whenever it arises</li> </ul>

The JSE has a robust media engagement strategy and has established close and integral media relationships to manage its reputation and audience perceptions about the Exchange. The media and public relations function forms part of the Marketing and Corporate Affairs division. The team continuously engages with the media using various communication platforms.

Spokespeople also engage with the media at various conferences and events hosted by the JSE.

All media releases are publicly available on the JSE's media portal on its website: <https://www.jse.co.za/media-centre/press-releases>.

The ways in which society consumes media and information are changing. Therefore the JSE maintains a presence on various social media channels, which it uses to constantly engage the media and the public on a plethora of topics while providing information about the JSE.

Please follow the JSE on:

Twitter: [https://twitter.com/JSE\\_Group](https://twitter.com/JSE_Group)

Facebook: <https://www.facebook.com/Johannesburg.Stock.Exchange>

LinkedIn: <http://www.linkedin.com/company/jse-limited>

## Clients

As the JSE operates largely in the services industry, it forms part of a complex ecosystem engaging with a number of stakeholders. The JSE consistently focuses on building a sustainable, broad and deep business model. Its emphasis is on products, staying close to customers and giving them the services that they require.

The Exchange continues to grow its product range and trading volumes while constraining costs and fees to customers. This is achieved despite a fairly fixed cost infrastructure and a significant investment in technology, enabling the JSE to remain competitive. The JSE's website, [www.jse.co.za](http://www.jse.co.za), gives customers access to detailed information on the JSE.

**Clients – Issuers:** Requirements to bring traded products on market

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> <li>• Listings Requirements</li> <li>• Additional capital raising</li> <li>• Ongoing disclosure obligations</li> <li>• Sustainability (environmental, social and governance (ESG) issues and assessments)</li> </ul>	<ul style="list-style-type: none"> <li>• Issues relate primarily to flexibility in specific transaction structures, corporate actions and disclosure requirements. This is addressed by one-on-one engagement with issuers and their sponsors and through formal channels such as advisory committees</li> </ul>

## Issuers

The JSE focuses on attracting top quality issuers and ensures their quality by setting and enforcing high-quality Listings Requirements.

The JSE operates a fully automatic electronic central order book for its Equity Market. The JSE provides issuers with visibility to local and international investors every year through investor showcases and roadshows. The JSE also lists a number of exchange-traded fund products, as well as futures and options.

## Members

**Clients – Members:** Ensuring the JSE understands member needs

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> <li>• Customer service, including trading systems, contract specifications and rules and directives</li> <li>• Customer expectations, including fee models, market practices, and market and new product development</li> </ul>	<ul style="list-style-type: none"> <li>• Significant spending on projects, including the transition to T+3 settlement in the Equity Market and the ITaC technology migration</li> <li>• Stakeholders receive regular updates and provide feedback at regular sessions. The JSE also addresses these issues through its trading advisory committees – one for each main asset class as well as others in influential areas</li> </ul>

The JSE interacts with its members through:

- account management;
- broker forum sessions;
- *ad hoc* meeting requests;
- one-on-one training sessions;

- on-site support at members' offices;
- communication sessions;
- technical workgroups;
- advisory committees; and
- other communication.

Finally, the JSE interacts with its clients through its client support helpdesk, which provides business support and application functional support to clients as well as equity members' front, middle and back-office operations.

The client support helpdesk also provides the following services:

- First level support to all JSE paying subscribers on all JSE services to which they subscribe;
- Ensuring that all new equity members are enabled for production and test services;
- User training;
- Client incident management. The JSE helpdesks and business teams communicate with the Exchange's clients using various communication channels (email, SMS, broadcast messages); and
- First-line technical support for the Equity Derivatives, Commodity Derivatives and Interest Rate markets' clients.

The JSE has enhanced its client management activities through several initiatives. Among them are a dedicated client coverage unit in Capital Markets, the continued development of the client service centre, and an enhanced focus on formal structures, including the trading advisory committees. The focus for the year has been on innovation, simplification of the fees and billing models and overall enhancement of the customer experience to position the JSE competitively. Market innovations included the launch of the interest rate swap futures contract, the launch of the FTSE/JSE Responsible Investment Index Series and the official launch of the Empowerment Segment on the Equities Main Board. These and the other initiatives were launched following intense stakeholder engagement in the development process. Fee and billing models were reviewed with the objective of aligning and simplifying the fee structures across asset classes.

## Investor community

**Clients – Investor community:** Understanding the investment products available through the JSE and how to invest in them

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> <li>• Financial literacy and investor education</li> <li>• JSE markets and products</li> <li>• JSE business</li> <li>• Responsible investing and factoring ESG considerations into investment analysis and decision-making</li> <li>• Benchmarking</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding what companies are doing and assessing the impact of their actions on sustainability pose a challenge in pursuing the aim of ensuring investment decision-making is influenced by sustainability issues. The JSE provides engagement platforms for investors and issuers to bridge the gap by fostering dialogue</li> <li>• The JSE exposes investors to government and corporate leaders to address any concerns about SA Inc</li> <li>• Ensure relevance of investment benchmarks both locally and globally through constant engagement</li> </ul>

The JSE values its relationship with both institutional and private investors and adopts a positive and proactive approach to ensure that communication is handled appropriately. There is regular two-way communication with the investor community. The JSE engages in financial literacy initiatives proactively and on request.

## Sponsors and designated advisors (DAs)

**Clients – Sponsors and designated advisors (DAs):** Remaining up-to-date on Listings Requirements changes

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> <li>• General market conditions</li> <li>• Changes to the JSE Listings Requirements</li> <li>• Service levels and general conduct of staff</li> <li>• Performance feedback and interaction with investor relations officers</li> </ul>	<ul style="list-style-type: none"> <li>• Issues relate primarily to flexibility in specific transaction structures, corporate actions and disclosure requirements. This is addressed by one-on-one engagement with issuers and their sponsors and through formal channels, such as advisory committees</li> </ul>

Although the JSE is the first line regulator, it is dependent on sponsors and designated advisors to provide advice to listed companies with regard to compliance with the JSE's Listings Requirements. Sponsors and designated advisors need to be well versed in the Listings Requirements as well as their interpretation. The JSE also needs to ensure that any new requirements released by the Issuer Regulation division are well understood and that the advisors receive ongoing training. Advisors are seen as an extension of the JSE's regulatory mandate to ensure that listed companies understand the Listings Requirements. Each issuer needs to appoint a sponsor or designated advisor upon listing.

## Suppliers

**Suppliers:** Performance feedback

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> <li>• The JSE's future requirements</li> <li>• Performance monitoring</li> <li>• Product and service evaluations</li> <li>• Cost assessments</li> <li>• Growth expectations</li> <li>• Product and service developments</li> <li>• Contractual agreements</li> <li>• BBEE vendor evaluations</li> </ul>	<ul style="list-style-type: none"> <li>• The JSE is working on a transformation policy</li> </ul>

## Policy makers and capital markets

**Policy makers and capital markets:** Areas of mutual interest (stakeholders include the National Treasury; the Department of Agriculture; the Department of Minerals and Energy; the South African Reserve Bank, (the South African Revenue Service and the Financial Services Board)

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> <li>• The financial sector legislative and regulatory framework</li> <li>• CPSS-IOSCO compliance, G-20 and Financial Stability Board matters</li> <li>• Exchange control matters</li> <li>• Tax issues as they impact capital markets and clients, e.g. tax-free savings accounts</li> <li>• Financial Intelligence Centre Act (FICA) matters</li> <li>• Market structure considerations, particularly in relation to new products, where regulatory support is critical</li> </ul>	<ul style="list-style-type: none"> <li>• The JSE has made formal submissions to the National Treasury about concerns relating to twin peaks and the Financial Market Act regulations. The JSE's engagements with the National Treasury have been constructive and the JSE expects to find a positive way forward</li> </ul>

The volume, complexity and cumulative effect of the post-crisis global reforms, implemented in multiple jurisdictions, has had a significant economic impact on financial institutions and has had unintended consequences. The European Commission has completed an assessment of the cumulative effect of the new EU financial sector rules put in place since the crisis and has initiated a programme to fine-tune the regulatory framework. As the first mover, the European Commission has proposed legislative amendments that build on existing EU banking rules, including the proposed amendment to the Basel III leverage ratio rule implemented in the Capital Requirement Regulation. In its current form, the rule disincentivises client clearing by banks. The Financial Stability Board and its G-20 members will also undertake a comprehensive review of the implementation and effects of the over-the-counter (OTC) derivatives reforms during 2017.

The resilience, recovery and resolvability of central counterparties has been the subject of intense focus by the international standard setting bodies responsible for driving the regulatory overhaul of derivative markets. This work will continue into 2017, with the finalisation of guidance by the Financial Stability Board, the Committee on Payments and Market Infrastructure and the International Organisation of Securities Commissions.

The focus of the South African financial sector policy makers and regulators has been on guiding the Financial Sector Regulation Bill (FSR Bill), also known as the Twin Peaks Bill, through the Standing Committee of Finance in Parliament. The FSR Bill, as an overarching law, has allowed the National Treasury the opportunity to make consequential amendments to existing financial sector law, including the Financial Markets Act. While the consequential amendments should only reflect the architectural changes necessary to implement twin peaks, the FSR Bill has been used to implement an array of policy shifts and new regulatory requirements to implement South Africa's G-20 commitments. South Africa is yet to implement the OTC derivatives markets reform it committed to as a G-20 member. However, the National Treasury has published the third and final draft of the proposed ministerial regulations and board notices, covering the framework for OTC derivatives and the governance, organisational resource, risk and capital requirements applicable to market infrastructures. It is likely that these regulations will take effect with the implementation of the FSR Bill in the first quarter of 2017.

## JSE regulator

**JSE regulator:** Areas of mutual and regulatory interest

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> <li>• Investment policy</li> <li>• Regulatory issues</li> <li>• Development of products and services</li> <li>• Surveillance</li> <li>• Investor and market protection mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• The JSE continues to engage the FSB, the National Treasury, and the SARB on anticipated changes to the regulatory framework when the twin peaks regulatory model is implemented</li> </ul>

Under the Financial Markets Act (FMA), 19 of 2012, the JSE is regulated by the Financial Services Board. The Financial Services Board is the regulatory authority tasked with ensuring that the JSE operates its securities markets in the public interest and in accordance with the legislation governing the operation of an exchange in South Africa. The Financial Services Board is invited to attend all Board and Board committee meetings.

The Issuer Regulation division and the Market Regulation division interact with the financial services board in the following ways:

- The Financial Services Board has a permanent seat on the JSE's Issuer Regulation Advisory Committee and the Bonds and the Debt Issuer Advisory committee. Through these committees, the Financial Services Board participates actively in the consultation process when changes to the Listings Requirements are proposed;
- The JSE regularly meets with the financial services board to advise it of new developments and projects that the JSE's teams are developing. This includes proposed rule changes and also the listing of new products;

- The Financial Services Board is invited to the Self-Regulatory Organisation (SRO) Oversight Committee meetings, where the JSE's SRO activities are discussed and assessed;
- The JSE regularly meets with the Financial Services Board to discuss matters pertaining to provisions contained in sections 78 to 81 of the FMA. These provisions deal with insider trading, prohibited trading practices and false and misleading statements; and
- South Africa, as a member of the International Organisation of Securities Commissions (IOSCO), is, through the Financial Services Board, one of 106 countries (out of 130) that are current signatories to the IOSCO multilateral memorandum of understanding (MMoU) with other developed markets. This allows the Financial Services Board the option of cross-border cooperation and information exchange with other securities markets:
  - The MMoU sets an international benchmark for cross-border cooperation. Established in 2002, it has provided securities regulators with the tools for combating cross-border fraud and misconduct that can weaken global markets and undermine investor confidence; and
  - The MMoU represents a common understanding among its signatories as to how they should consult, cooperate, and exchange information for the purpose of regulatory enforcement regarding securities markets. It specifically sets out requirements for:
    - what information can be exchanged and how it is to be exchanged;
    - the legal capacity to compel information;
    - the types of information that can be compelled;
    - the legal capacity for sharing information; and
    - the permissible use of information.

## Advisory committees

Through the JSE's advisory committees, stakeholders are able to discuss and influence JSE activity, including trading on all markets, clearing and settlement, indices and Listings Requirements. The committees consider and advise on principle and operational matters and, where appropriate, propose amendments to the JSE Rules, directives and Listings Requirements.

The appointment of all advisory committee members is approved by the JSE Board to ensure the correct combination of stakeholders from the industry and JSE representation. Mandates are also approved by the Board.

### JSE Clear Advisory Committee

#### Purpose

- The primary purpose of the committee is to advise the JSE on elements of the operations and risk framework of JSE Clear as well as to provide guidance to the JSE Clear board on the impact of potential changes and how the changes should be implemented.
- The committee also reviews proposed amendments to the JSE Rules and directives relating to the clearing and settlement of derivatives.

#### Approach

- The committee typically meets once a quarter, but more regular meetings can be requested if required.
- The JSE Clear Responsible Officer, Alicia Greenwood, director of Post-Trade Services, establishes the agenda.
- Matters of interest arising from the JSE Clear Advisory Committee may be presented to the JSE Clear board and JSE Clear Risk Committee for debate. Formal recommendations to the JSE Clear board may also be put forward.
- The JSE Clear Advisory Committee met three times during 2016. It is chaired by Alicia Greenwood.

#### Material developments for the JSE Clear Advisory Committee in 2016

- During January 2016, JSE Clear was awarded recognition from the European Securities and Markets Authority (ESMA) as a third country CCP. This means that JSE Clear is formally recognised by the European regulator as being equivalent to a CCP operating in the EU, and is able to offer clearing services to any local clearing members established in the EU.
- A comprehensive JSE Clear Risk management framework was defined, aligned with the risk tolerance and policies set by the JSE Clear board. Various policies underpinning the framework were also completed, including a large exposure add-on policy, a capital management policy, a default fund policy and a margining methodology. Further policies, including recovery and resolution, will be addressed during 2017. The JSE's project to replace the trading and clearing systems of JSE Clear to achieve integrated trading and clearing (ITaC) was initiated in 2014. It continued to progress according to plan during 2016, with various delivery milestones achieved. The project is on track to migrate the equity derivative and currency derivative markets to the MillenniumIT trading platform and the Cinnober clearing platform in 2017.

### The Africa Advisory Committee

#### Purpose

- To facilitate JSE access to other African market stakeholders.
- To advise the JSE on new listing opportunities for the Main Board, AltX and the Interest Rate Market.

#### Approach

- Assistance and advice on market development.
- Meetings and events in South Africa.
- The Africa Advisory Committee met three times during 2016. It is chaired by Mr Nathan Mintch.

#### Material developments for the Africa Advisory Committee in 2016

- The JSE has facilitated visits from other African market stakeholders, such as exchanges, regulators and central bank staff.
- The JSE has taken part in many significant continental events this year, such as the African Development Bank (AfDB) annual general meeting, held in Lusaka; the African Legal Network's *Bridging the Gulf* conference held in Dubai and the South Africa-Nigeria Chamber of Commerce forum. The JSE's presence at events such as these is much noticed and appreciated, and assists in its bid to be recognised as a world-class African market.



## Agricultural Derivatives Advisory Committee

### Purpose

- Discuss and advise on issues pertinent to the agricultural products traded on the commodity derivatives market. In many instances, this involves issues that extend to the physical grain market, such as quality standards, storage and origins accepted for delivery.

### Approach

- Endeavour to ensure extensive consultation on relevant topics with the market participants; agricultural industry representatives and registered members, who provide feedback on behalf of their customers.
- JSE executive management remains the ultimate decision-maker, should the committee not be able to reach agreement on any item discussed.
- Meetings are scheduled every quarter, but the committee meets only as and when required. In 2016, the committee met four times. It was chaired by Chris Sturgess, director of Commodities and Key Client Management.

### Material developments for the Agricultural Derivatives Advisory Committee in 2016

- Enhancements to the error trade rules and directive changes were discussed and supported.
- A request to consider publishing position data similar to the *Commitment of Traders Report* published in the US was extensively discussed and various reporting options were considered. Understanding how this information could be made available in the South African context remains a work in progress.
- Extensive discussions were held around defining out-loading processes for storage operators and clients requesting access to their physical grain in more detail. In addition to this, the JSE committed to create a platform via its website that would more accurately display any operational constraints for clients wanting to access their product (for instance, issues related to fumigation or technical issues at the storage site). This will add significant efficiencies to the current trading of product and potentially encourage further participation in the JSE's spot basis platform.
- The impact of the wheat import tariff on the efficient operation of the wheat contracts was discussed and the committee secured the support of the National Treasury to commit to the application of existing policies through until end of December 2016. The challenge remains announcing the way forward in terms of the revised import tariff policy in 2017.
- Enhancements to the commodities daily mark-to-market process, which would make it easier to establish levels for option market participants to hedge their delta exposure, were discussed and supported.
- The potential for changing the three-hour grain trading session to an afternoon session to overlap with the US markets, or to consider another afternoon session in addition to the morning trading session, was discussed. The committee expressed mixed views in this regard, the JSE needs to take a decision regarding the way forward.

- The committee discussed the continued ability to accept foreign product in delivery of a futures contract, especially for the maize and wheat contracts listed. The majority of the committee members supported continuing with the status quo and ensuring the JSE accepts foreign product, provided the quality and import documentation meets with South Africa's published requirements.
- A large variety of new products were explored and discussed.

## Bonds and Interest Rate Derivatives Committee

### Purpose

- Create and be responsible for the secondary market trading of a diverse set of products, across the Cash, Repo/Carry and Derivatives markets.

### Approach

- The committee is to be able to canvass and converse with the members of the market about:
  - Amendments to trading and settlement rules;
  - The development of new products;
  - Fees and changes to the billing model;
  - Subjects appropriate to the general evolution of the market, such as pre- and post-trade transparency, electronic versus reported trading, and clearing (which is more specifically covered in the JSE Clear/Risk Committee meetings, but some aspects of clearing may have a direct relationship to trading).
- The committee endeavours to achieve reasonable consensus on topics under discussion. Where this is not possible, depending on the nature of the lack of consensus, it may be necessary to poll a wider set of opinions across the market or to refer the matter to JSE executive management or the JSE Board for further consideration.
- Deliberations and decisions by the committee are not binding on the JSE, which retains full discretion as to whether to implement or go against a decision of the committee. In so doing, the JSE will take into account its regulatory duty to include the interests of the market as a whole and not only the interests represented on the committee.
- The Bonds and Interest Rate Derivatives advisory committee met three times in 2016. It is chaired by Warren Geers, head of Currencies and Interest Rate Derivatives.

### Material developments for the Bond and Interest Rate Derivatives Committee in 2016

- Work on the new Professionals Board continues. The Professionals Market is aimed at instruments that do not require public disclosure.
- JSE Eris Interest Rate Swap futures traded for the first time in September 2016.
- The integrated trading and clearing (ITaC) project continues.
  - The JSE gave feedback in relation to the new trade reporting fields, which are mandatory for reporting purposes. These fields (primary, tap, give up, book over as well as the spread trading level) will assist the JSE in valuing corporate debt daily as well as providing the market with additional transparency in relation to traded levels. This information is expected to be available early in 2017.

- For 2017, the JSE will not be charging an initial listing fee and will only charge a pricing supplement fee of R4 229 (including VAT).
- In terms of interest rate derivative (IRD) fee changes for 2017, no objections were raised to increasing the fee per contract on the bond futures and bond options. All other IRD products' fee structures remain unchanged going into 2017.
- Market makes proposed physical settlement on bond index futures as opposed to the existing cash settlement process. Consensus is still to be reached.
- The JSE has set up a valuations advisory committee to assess the entire debt valuations process.
- The JSE provided feedback to the committee relating to the developments in the electronic trading platform (ETP) project.

### The Equity Derivatives Advisory Committee

#### Purpose

- Ensure strategic communication and agreement between the JSE and Equity Derivative (ED) Market participants to ensure an efficient, transparent Equity Derivative Market with true price discovery and best execution.
- Create a forum where relationships are built between the JSE and market participants to grow the ED market together in the interest of the South African Derivatives market as a whole.
- Advise on principles and operational matters relating to equity derivative products and trading.

#### Approach

- The committee is composed of member firms and specialists from both the buy-side and sell-side of the market in order to achieve results that are best for the market as a whole.
  - The committee deals with a wide range of subjects including valuation, margin and product development. Where the need arises, smaller subcommittees are formed to discuss a particular issue or product in more detail.
  - The committee is also used to discuss new development from the JSE to ensure that the JSE is aligned with the needs of the market.
- Three meetings were held in 2016. The committee was chaired by Donna Oosthuysen, director of Capital Markets.

### Material developments for the Equity Derivatives Advisory Committee in 2016

- Through engagement with the market, some changes to the Core Index Methodology of the FTSE/JSE Africa Index Series were implemented, most notably:
  - Inward listings can now enter the indices with a FTSE/JSE free float of 5% or less as long as their global free float meets the minimum free float criteria. Inward listings will require a minimum of 1% of their issued shares to be accounted for on the South African share register.
  - The constituents for the Top 40 Index will be selected based on net market capitalisation, which is adjusted for free float, instead of gross market capitalisation.
  - The constituents of the SWIX 40 (J400) will be selected using SWIX-adjusted investable market capitalisation. The constituents of the SWIX 40 may therefore differ from those of the Top 40 Index.

- Valuable information was solicited from the committee to guide the calibration of certain parameters within the new integrated trading and clearing (ITaC) project
- A new can-do fee model was implemented on 1 February 2016. However, it was not well received by the market. The most significant changes were:
  - The anyday products have been aligned with the standard expiry vanilla products, representing a large reduction in fees.
  - The cap of R150 on the spot price for single stock futures and options has been removed, with an accompanying reduction in the basis point fee to make the fee impact neutral to the market overall.
  - The use of delta in option fees has been removed with an accompanying reduction in the basis point fee to make the fee impact neutral to the market overall.
  - On the exotics products, the JSE has reduced caps, give-ups and/or fees, but has maintained a value-based model over the previous matrix model.
- The process to register a new trader used to take up to three weeks. This process has been streamlined to the point where a new trader can now be registered on the derivative market within three days.
- The valuation team has taken steps to make sure that all currently listed single-stock futures (SSFs) are loaded with a skew to make options pricing more accurate.

### Equity Trading Advisory Committee

#### Purpose

- Consider and advise on principle and operational matters relating to equity trading.
- Propose amendments to the JSE Rules and directives governing equity trading.

#### Approach

- The committee makes recommendations to the JSE executive on the basis of reasonable consensus.
- Where reasonable consensus on any issue considered by the committee cannot be reached, the conflicting views on the issue in question are referred to the JSE executive or, where appropriate, to the JSE Board for determination.
- The committee met three times in 2016. It is chaired by Donna Nemer, director of Capital Markets.
- The committee's mandate is on the JSE website at: <https://www.jse.co.za/Search?k=TAC%20minutes>
- There are currently 30 seats on the committee. Membership is made up of nine local member firms, nine international member firms, five buy-side representatives, one from the FSB, one from ASISA, and five permanent JSE places.

### Material developments for the Equities Trading Advisory Committee in 2016

- The committee was informed that the JSE has introduced an enterprise development programme aimed at assisting black brokers to develop their businesses. This will be done by providing economic benefit, not through fee reductions. Cash disbursements

equal to 33% of fees paid will be paid out to the black brokers quarterly, in arrears. The cash disbursements will only be applicable to equity trading fees and membership fees.

- The JSE expressed the desire to introduce additional equity market functionality and has finalised a range of additional functionality that will assist with the execution of larger on-book transactions and the ability to perform central order book cross trades without interference from algorithmic or other traders. This functionality went live on 26 September 2016.
- The committee was advised that moving from T+5 to T+3 on 11 July 2016 had been a huge success and provided with the following averages:
  - Between 55% and 60% of trades are being committed to by trade day (T).
  - End-of-day T+1 has 99.99% of committed trades.
  - The JSE still has zero failed trades.
- The JSE provided an update on the market quality report, which indicates key market statistics such as volume, value and volatility trends.
- The JSE received a request for extended equity market trading hours because, especially during daylight saving, there is a short overlap with the US markets. The committee aired their views and there was support to extend trading hours as alignment with other international markets would generate better liquidity and volumes. Concerns were aired regarding implications for T+3, processes, costs, capacity, SLA agreements and all other associated processes. The suggestion was for this to be revisited after 11 July.
- The committee was provided with feedback with regard to rule changes related to equity indices. These rule changes were published on 31 August 2016 and are effective from 19 September 2016. One of the biggest changes to the All Share Index is a change to the free float eligibility of inward listed companies. Previous rules stated that, in order for a company to be included in the index, a minimum number of shares was required in the South African register, which ranged from 5-15%, depending on size of the company. That rule will now be relaxed to a minimum of 1% free float on the local register.

## FTSE/JSE Advisory Committee

### Purpose

- Provide a forum for the index partners to interact with index users and other stakeholders with a view to enhancing the underlying methodologies of FTSE/JSE indices.
- Consider and advise on principles and operational matters relating to and proposed amendments to the ground rules governing the management of the FTSE/JSE Africa Index Series and the FTSE/JSE All Africa Index Series.
- Ensure that best practice is used in the construction and management of the index series.
- Review the selection methodology for constituent companies and the treatment of securities within the FTSE/JSE Africa Index Series and may make recommendations arising from this review to FTSE and the JSE.

### Approach

- The committee was established by FTSE and the JSE, the index partners.
- The committee operates independently of FTSE and the JSE, subject to the committee acting within its constitution and terms of reference.
- FTSE and the JSE will use their reasonable endeavours to implement the decisions of the committee regarding the operation of the FTSE/JSE Africa Index Series.
- The committee met four times during 2016. The committee is chaired by Glen Baker of Anchor Capital.

### Membership

- The membership of the committee, which operates differently from the other advisory committees as it is created under the JSE's joint venture with FTSE, is intended to be representative of the users of the FTSE/JSE Africa Index Series and should consist of representatives from domestic and international investors and investment banks as well as domestic and international actuaries. The Advisory Committee consists of senior market practitioners who are representative of the appropriate sectors of the South African investment community.

### Material developments for the FTSE/JSE Advisory Committee in 2016

- In order to align governance principles across all FTSE Russell market practitioner committees, FTSE Russell requested an adjustment to the FTSE/JSE Advisory Committee review meeting times. The committee agreed that the meeting will occur on the Thursday before the first Friday of the review month, the day after the review changes have been released to the market.
- All corporate actions with major impact on the index series were discussed in the context of their conformance to the ground rules.
- All technical outages impacting the index series were discussed in terms of their impact on the index series.
- Amendments and improvements were made to the FTSE/JSE ground rules document. Some end-of-day product modifications were made.
- Following an extensive market consultation process and further interaction with market participants, FTSE/JSE launched the new index construction methodology as part of the September 2016 index review, effective on 19 September. The market was broadly supportive of the changes, and in particular of the key principles. FTSE/JSE is of the opinion that the index changes will significantly improve the quality of the FTSE/JSE index offering.
- During July 2016, FTSE issued a statement of compliance with respect to the recommendations contained in the final report by the International Organisation of Securities Commissions (IOSCO) on its principles for financial benchmarks. The IOSCO principles are intended to promote the reliability of benchmark determinations and address issues surrounding governance, the quality of benchmark design and methodology, and accountability. The FTSE statement covers all FTSE partnership indices, including the FTSE/JSE Africa Index Series.

- On 19 September 2016, FTSE/JSE introduced the Large Cap and Large & Mid Cap indices as part of the new index methodology. The FTSE/JSE Capped SWIX Top 40 and All Share indices were launched on 21 November 2016.

### JSE Fixed Income Index Series Committee

#### Purpose

- Provide a forum for the JSE to interact with index users and other stakeholders with a view to enhancing the underlying methodologies of the JSE Fixed Income indices.
- Consider and advise on principles and operational matters relating to and proposed amendments to the ground rules governing the management of the JSE Fixed Income Index Series.
- Oversee the accurate application of the index rules and ratify the results of the reconstitution.
- Ensure that best practice is used in the construction and management of the index series and advise the JSE on any concerns with, or proposed developments to, the index series.

#### Approach

- The committee was established by the JSE.
- The committee operates independently of the JSE, subject to the committee acting within its constitution and terms of reference.
- The JSE will use its reasonable endeavours to implement the decisions of the committee regarding the operation of the JSE Fixed Income Index Series.
- The committee met four times during 2016. The committee is chaired by Mark Randall, Manager of Indices.

#### Membership

- The JSE Fixed Income Index Committee draws its members from the index investment community. Members are selected by the JSE for their knowledge and experience in the field and are drawn to represent industry experts, trading banks, asset managers and industry bodies such as the Actuarial Society of South Africa.

#### Material developments for the Fixed Income Series Advisory Committee in 2016

- Analysis and ongoing monitoring of the duration levels of the All Bond Index.
- Review of proposed overhaul of daily bond market data products.

### Issuer Regulation Advisory Committee

#### Purpose

- To consider and advise on proposed amendments to the JSE Listings Requirements.
- To consider objections and appeals in relation to the Listings Requirements.

#### Approach

- Make recommendations to the JSE on the basis of reasonable consensus.
- Where reasonable consensus cannot be reached on any issue considered by the committee, the conflicting views on the issue in question are referred to the Issuer Regulation executive management.

- Individual members of the committee may be requested to:
  - assist the Issuer Regulation division in an advisory capacity;
  - assist the Issuer Regulation division with objections from relevant parties; or
  - serve on the Issuer Regulation Appeal Committee.
- Meetings are arranged as and when required. Members are consulted on an *ad hoc* basis on many matters.
- In view of the Issuer Regulation division's regulatory responsibility for the debt market, it also has a separate Debt Issuer Advisory Committee with a similar mandate.
- Both committees are chaired by John Burke, director of Issuer Regulation.

#### Material developments for the Issuer Regulation Advisory Committee in 2016

- Minor technical amendments to the mandates.

### Solid Mineral and Oil and Gas Advisory Committee

#### Purpose

- The Solid Mineral Readers Panel considers and advises on the compliance of competent persons reports (CPR) with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC), the South African Code for Reporting of Mineral Asset Valuation (SAMVAL) Code, and Section 12 of the Listings Requirements.
- The Solid Mineral Readers Panel considers and advises on the compliance of the annual reports of mineral companies with Section 12 ongoing requirements.
- The Oil and Gas Readers Panel considers and advises on the compliance of qualified reserve evaluators reports with the South African Code for the Reporting of Oil and Gas Resources (SAMOG Code) and Section 12 of the Listings Requirements.

#### Approach

- Each report is reviewed by the chairperson of the panel and one panel member, depending on the volume of the report.
- Comments on the report are submitted to the JSE by the chairperson.
- Once comments are addressed, the report is resubmitted to the panel.
- Once the panel is satisfied that the report is in compliance with the codes, the panel advises the JSE to approve the report. The Solid Mineral and Oil and Gas readers panels have different chairs and panel members. Panel members act anonymously. The chair will meet with the issuer and the competent person on request.

#### Material developments for the Solid Mineral Oil and Gas Advisory Committee in 2016

- Minor technical amendments to the mandates.

### AltX Advisory Committee

#### Purpose

- To consider the business plans of prospective AltX companies and to recommend to the Issuer Regulation division the suitability for such a listing on AltX.

## Approach

- Make recommendations to the JSE on the basis of reasonable consensus.
- Meetings are arranged as and when there is a proposed new listing for AltX.
- The AltX Advisory Committee is chaired by John Burke, director of Issuer Regulation.

## Material developments for the AltX Advisory Committee in 2016

- Minor technical amendments to the mandates.

## Social impact of JSE efforts

The JSE and its business activities do not directly affect any South African community, thus it is not currently considered imperative for the JSE to conduct any formal social impact assessment. However, the Company is proud of the following outcomes of the financial literacy activities in which it engages with the South African youth, which show the JSE's commitment to contributing to their financial literacy and having a positive impact on them:

- Enhanced financial literacy;
- Enhanced understanding of key business and financial concepts;
- Enhanced understanding of the securities market and its role in wealth generation;
- The development of a research capability;
- Encouragement of team work and collaboration; and
- Equipping the South African youth with some of the financial and entrepreneurial skills that will assist in the creation of employment opportunities and growing the country's economy in the future.

## Retail market development

The key deliverables for 2016 were to continue with investor education, progress the uptake of tax-free savings accounts and collaborate with the broking community in activities that would increase the retail investor base.

The online learning modules have attracted more than 3 000 unique users, who have been able to access education conveniently. More than 2 500 people signed up for the trading simulation, which is a great way to test their acquired knowledge about trading and investing. Furthermore, the retail pages on the website have been revamped, to improve the user experience for new investors. This increased the traffic to the pages by 8%. More than 15 Power Hour presentations were also held in Johannesburg, Durban and Cape Town. This initiative has helped to keep investors engaged and has also increased their fund of investment information.

The uptake on the tax-free savings accounts increased as a result of the marketing campaign behind the initiative. Independent research done in July 2016 indicated that more than 35 000 accounts have been opened with more than R250 million in assets under management. This has been rated as the greatest achievement for growing retail investors. The Savings Institute also acknowledged the JSE's contribution to growing the savings and investment culture in South Africa at an event attended by key influential people from the National Treasury.

The JSE partnered with brokers at various exhibitions and events, which enabled engagements with more than 10 000 individuals. Furthermore, the JSE partnered with media players to increase its reach in the market.

## Community development

The JSE supports a number of worthy charities over and above its community efforts in education and financial literacy. Each of these addresses important social and environmental issues. The JSE also sponsors and donates money to initiatives that it believes directly and indirectly improve the lives of ordinary South Africans and that contribute to constructively advancing the general business environment, both in South Africa and on the African continent.

# Good corporate citizenship

## Broad-Based Black Economic Empowerment Act

Responsibilities	Core JSE response	JS compliance
Ensure that there is increased and fair participation of black people in the economy of South Africa	<p>The JSE expects to maintain its current B-BBEE status at Level 3 for 2016 under the Financial Sector Code, once the verification audit has been completed.</p> <p>A revised transformation strategy was approved by the JSE Board in May 2015. Refer to the Transformation progress report in the JSE integrated annual report available online at <a href="http://www.jsereporting.co.za/ar2016/download_pdf/iar_2016.pdf">http://www.jsereporting.co.za/ar2016/download_pdf/iar_2016.pdf</a>. The strategy is designed to cope with the major changes that may be required by the revised FSC.</p> <p>The HR department provides ongoing monitoring and quarterly compliance reporting to the HRSE Committee.</p>	Applied

## Corporate governance

Responsibilities	Core JSE response	JS compliance
<b>OECD recommendation 7</b> The OECD principles of corporate governance	<p>The JSE strives to achieve high standards of corporate governance, subscribing to the principles of the King Code for Corporate Governance</p> <p>The fourth King Report and Code for Corporate Governance in South Africa (King IV) was launched on 1 November 2016. Certain JSE non-executive directors and senior employees were closely involved in the development process, and the JSE listing requirements are being updated to reflect the new principles.</p> <p>Refer to the Governance report in the JSE integrated annual report available online at <a href="http://www.jsereporting.co.za/ar2016/download_pdf/iar_2016.pdf">http://www.jsereporting.co.za/ar2016/download_pdf/iar_2016.pdf</a></p>	Applied

## King III code compliance Narrative

Area	Requirement	Status	Comments
<b>1 Ethical leadership and corporate citizenship</b>			
1.1	The Board should provide effective leadership based on an ethical foundation.	Applied	The Board is committed to the King code of governance principles of accountability, integrity, fairness and transparency, which are reflected in the Board's charter. This is demonstrated by its zero tolerance approach with regard to unethical conduct in all business dealings. The Board directs the JSE's strategy in the interests of long-term sustainability and engages responsibly with investors and other key stakeholders.
1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	The HRSE Committee oversees this aspect and reports to the Board. The JSE continuously promotes responsible business and good governance through its Listings Requirements, market regulation, the FTSE/JSE Responsible Investment Index Series and support for a variety of good governance initiatives in South Africa and beyond. The JSE complies with all applicable legislation. The JSE plays a major role in educating South Africans about the role of an exchange and how that can assist with their own wealth creation. For the 2017 year, this mandate will be discharged by the newly established Group Social and Ethics Committee of the Board.
1.3	The Board should ensure that the Company's ethics are managed effectively.	Applied	The HRSE Committee oversees this aspect and reports to the Board. A whistle-blowing mechanism is in place that promotes the anonymous reporting of any unethical behaviour as described in the code of ethics. The JSE has a zero tolerance approach to unethical conduct in the business environment. A review of the JSE's code of ethics is carried out from time to time. For the 2017 year, this mandate will be discharged by the newly established Group Social and Ethics Committee of the Board.

Area	Requirement	Status	Comments
<b>2 Boards and directors</b>			
<b>Role and function of the Board</b>			
2.1	The Board should act as the focal point for and custodian of corporate governance.	Applied	The Board operates in terms of a Board Charter and code of ethics that encapsulates these principles. The Board meets four times a year, in addition to a mid-year Board strategy session. The Marketing and Corporate Affairs division is specifically charged with assisting the CEO and the Board in achieving a stakeholder inclusive approach in the way it conducts its business. This is further bolstered by the various stakeholder advisory committees that serve to advise JSE management on a range of issues relating to markets and products. The Group Risk Management Committee evaluates enterprise risk management in terms of how much risk the entity is prepared to accept as it strives to create value.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	
2.3	The Board should provide effective leadership based on an ethical foundation.	Applied	
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	
2.5	The Board should ensure that the Company's ethics are managed effectively.	Applied	
2.6	The Board should ensure that the Company has an effective and independent Audit Committee.	Applied	
			Refer to the Stakeholder section of this report.
			The Company has an independent and effective Group Audit Committee, comprising five independent non-executive directors. Details pertaining to this committee are set out in the Group Audit Committee report, set out in the integrated annual report. Refer also to principle 3.1 below.

Area	Requirement	Status	Comments
<b>2</b>	<b>Boards and directors (continued)</b>		
<b>Role and function of the Board (continued)</b>			
2.7	The Board should be responsible for the governance of risk.	Applied	The Board retains overall responsibility for the governance of risk within the Company. It is assisted in this task by the Group Risk Management Committee and the Group Audit Committee. These committees have complied with their terms of reference for the 2016 year. Refer also to principle 4.1 below.
2.8	The Board should be responsible for information technology (IT) governance.	Applied	This responsibility is delegated by the Board to the Group Risk Management Committee, which committee has complied with its terms of reference for the 2016 year. Refer also to principle 5.1 below.
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	Legal compliance is assessed in an integrated manner with other risks at business unit level and reported to the Risk Committee. Refer to principle 6.1 below.
2.10	The Board should ensure that there is an effective risk-based internal audit.	Applied	The internal audit function forms part of the Governance, Risk & Compliance division. In his role as Head of Internal Audit, the Director: GRC reports on all internal audit matters directly to the Group Audit Committee and to the Group Risk Management Committee. All internal audit reports are also shared with the JSE's Executive Committee. The annual internal audit work-plan is designed so as to address key enterprise risks within the organisation, and this plan is approved annually by the Board Audit and Risk Committees. Refer to 7.1 below.
2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	Applied	The JSE has a proactive reputation management strategy and over the years has established close media relationships to address audience perceptions about the Exchange. In addition, the Chairman, the CEO, the CFO and the Investor Relations manager attend roadshows and key stakeholder visits, providing for direct shareholder engagement. Refer to 8.5 below.
2.12	The Board should ensure the integrity of the Company's integrated annual report.	Applied	The integrated report is compiled by an internal team, approved by management with oversight by the Group Audit Committee and finally approved by the Board. Refer to 9.1 below.
2.13	The Board should report on the effectiveness of the Company's system of internal controls.	Applied	Delegated to the Group Audit Committee and Group Risk Management Committee, which report to the Board.
2.14	The Board and its directors should act in the best interests of the Company.	Applied	Where directors are conflicted, they are requested to disclose and recuse themselves from the meeting.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act.	Applied	The Board is satisfied that the Company is solvent and liquid and thus not financially distressed and consequently not under business rescue.
2.16	The Board should elect a chairman of the Board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of chairman of the Board.	Applied	The Chairman satisfies the King definition of independent non-executive director. A lead independent non-executive director has also been appointed. The Chairman is not the CEO of the Company. The Chairman was at no stage appointed as CEO of the Company. Separate roles are set out in the Board Charter.
2.17	The Board should appoint the chief executive officer and establish a framework for the delegation of authority.	Applied	The Board appointed the current CEO with effect from 1 January 2012. The Board approved for immediate implementation a revised delegation of authority (DoA) framework at its August 2015 meeting.



Area	Requirement	Status	Comments
<b>2 Boards and directors (continued)</b>			
<b>Composition of the Board</b>			
2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	Applied	The Board, as at 31 December 2016, comprised eight independent non-executive directors, one non-executive director and two executive directors. Any potential impact that the length of service of a non-executive director has on their independence is reviewed by the Board when required. Refer to the non-executive tenure policy set out in the JSE Limited integrated annual report.
<b>Board appointment process</b>			
2.19	Directors should be appointed through a formal process.	Applied	The Group Nominations Committee makes appropriate recommendations to the Board for the appointment of new directors, in accordance with its mandate.
<b>Director development</b>			
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	Applied	Delegated to the Group Company Secretary, who provides up-to-date induction, and on-going training to Board members in respect of their duties as directors of the Company. A formal Director Induction programme was developed and approved by the Board at its August 2015 meeting. Ongoing training relating to the business of the Company is provided through industry briefing sessions on topical issues at the start of Board meetings.
<b>Company Secretary</b>			
2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	Applied	The Board is assisted by a competent, suitably qualified and experienced Company Secretary who complies with the requirements set out in the Companies Act. Refer to the JSE Limited integrated annual report.
<b>Performance assessment</b>			
2.22	The evaluation of the Board, its committees and the individual directors should be performed every year.	Applied	The Board undertakes an annual effectiveness review of its performance as a Board and of the various Board Committees. This assessment is performed by an independent service provider who assists the Chairman and Group Company Secretary.
<b>Board committees</b>			
2.23	The Board should delegate certain functions to well-structured committees, but without abdicating its own responsibilities.	Applied	The Board has established five standing committees to assist the Board in the execution of its duties, powers and authority. Each standing Board committee acts in terms of the delegated authority of the Board as recorded in the formal terms of reference that provide them with their scope of authority, roles and responsibilities.  Board committees have been formed in accordance with King recommendations and, where applicable, the Companies Act.
<b>Group Boards</b>			
2.24	A governance framework should be agreed between the Group and its subsidiary boards.	Applied	A formal framework exists. Refer to the governance report in the JSE Limited integrated annual report.
<b>Remuneration of directors and senior executives</b>			
2.25	Companies should remunerate directors and executives fairly and responsibly.	Applied	Remuneration levels are set with reference to appropriate industry benchmarks. The required resolutions are put to shareholders for approval at the annual general meeting when required. Refer to the online remuneration report and philosophy.

Area	Requirement	Status	Comments
<b>2 Boards and directors (continued)</b>			
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	Applied	The annual financial statements and Remuneration report discloses all directors' emoluments and individual prescribed officers' remuneration. Refer to note 25 in the annual financial statements available online at <a href="http://www.jsereporting.co.za/ar2016/download_pdf/iar_2016.pdf">http://www.jsereporting.co.za/ar2016/download_pdf/iar_2016.pdf</a> .
2.27	Shareholders should approve the Company's remuneration policy.	Applied	Shareholders vote annually on the JSE's remuneration policies by way of a non-binding resolution. Non-executive directors' fees are put forward to shareholders for approval by special resolution at the annual general meeting (AGM) every two years.
Area	Requirement	Status	Comments
<b>3 Audit Committees</b>			
3.1	The Board should ensure that the Company has an effective and independent Audit Committee.	Applied	Defined in the Board charter and delegated through formal terms of reference to the Audit Committee. Refer to the Group Audit Committee report prepared by its chairman, Nigel Payne, in the JSE Limited integrated annual report.
<b>Membership and resources of the Audit Committee</b>			
3.2	Audit Committee members should be suitably skilled and experienced independent non-executive directors.	Applied	Refer to the Group Audit Committee report prepared by its chairman, Nigel Payne, in the JSE Limited integrated annual report.
3.3	The Audit Committee should be chaired by an independent non-executive director.	Applied	The Group Audit Committee is composed of its chairman, who is an independent non-executive director, and four other independent non-executive directors.
<b>Responsibilities of the Audit Committee</b>			
3.4	The Audit Committee should oversee integrated reporting.	Applied	Refer to the Group Audit Committee report prepared by its chairman, Nigel Payne, in the JSE Limited integrated annual report. The Group Audit Committee recommends to the Board to approve the integrated annual report.
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	The three-lines-of-defence combined assurance framework has been implemented to ensure integrated enterprise-wide assurance on key risks. Refer to the risk report in the annual integrated report.
<b>Internal assurance providers</b>			
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Applied	Refer to the Group Audit Committee report prepared by its chairman, Nigel Payne, in the JSE Limited integrated annual report.
3.7	The Audit Committee should be responsible for overseeing of internal audit.	Applied	The Group Audit Committee reviews and approves the internal audit plan and internal audit charter. Refer to the Group Audit Committee Report in the JSE Limited integrated annual report.

Area	Requirement	Status	Comments
<b>3</b>	<b>Audit Committees (continued)</b>		
3.8	The Audit Committee should be an integral component of the risk management process.	Applied	<p>The Group Audit Committee forms an integral part of the risk management process and specifically oversees:</p> <ul style="list-style-type: none"> <li>• Financial reporting risks</li> <li>• Internal financial controls</li> <li>• Fraud risk as it relates to financial reporting; and</li> <li>• IT risk as it relates to financial reporting.</li> </ul> <p>The Group Audit Committee and the Group Risk Management Committee, as separate, independent committees, were both satisfied that the risks covered by internal audit plan were relevant and receiving the necessary focus.</p>
<b>External assurance providers</b>			
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	Refer to the Group Audit Committee report prepared by its chairman, Nigel Payne, in the JSE Limited integrated annual report as well as the AGM notice.
<b>Reporting</b>			
3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties.	Applied	The Group Audit Committee chairman reports regularly to the Board, prepares a report that is included in the JSE Limited integrated report and attends the annual general meeting to answer any questions from shareholders.
<b>4</b>	<b>The governance of risk</b>		
4.1	The Board should be responsible for the governance of risk.	Applied	Defined in the Board Charter and delegated through formal terms of reference to the Group Risk Management Committee. Refer to the risk report in the JSE Limited integrated annual report.
4.2	The Board should determine the levels of risk tolerance.	Applied	Risks are assessed on an ongoing basis by management and the GRC team. Refer to the risk report in the JSE Limited integrated annual report.
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	Applied	The Group Audit Committee chairman is an independent member of the Risk Committee, and assists in ensuring the appropriate integration and continuity. Both committees report to the Board after each meeting. Refer to the Group Risk report and Audit Committee reports in the JSE Limited integrated annual report.
<b>Management's responsibility for risk management</b>			
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	The risk team performs this function and reports to the director of governance, risk and compliance who, in turn, reports to the CEO.
<b>Risk assessment</b>			
4.5	The Board should ensure that risk assessments are performed on a continual basis.	Applied	Refer to the risk report in the JSE Limited integrated annual report.

Area	Requirement	Status	Comments
<b>4</b>	<b>The governance of risk (continued)</b>		
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	Refer to the risk report in the JSE Limited integrated annual report.
<b>Risk response</b>			
4.7	The Board should ensure that management considers and implements appropriate risk responses.	Applied	Refer to the risk report in the JSE Limited integrated annual report.
<b>Risk monitoring</b>			
4.8	The Board should ensure continual risk monitoring by management.	Applied	Refer to the risk report in the JSE Limited integrated annual report.
<b>Risk assurance</b>			
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	Applied	Management, enterprise-wide risk management, internal audit and the Group Risk Management Committee provide assurance regarding effectiveness.
<b>Risk disclosure</b>			
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	The JSE has implemented an enterprise-wide risk management framework that drives risk management and reporting practices. Refer to the risk report in the JSE Limited integrated annual report.
<b>5</b>	<b>The governance of information technology</b>		
5.1	The Board should be responsible for information technology (IT) governance.	Applied	Delegated to the Group Risk Management Committee, which has complied with its terms of reference. Refer to the above-mentioned risk report.
5.2	IT should be aligned with the performance and sustainability objectives of the Company.	Applied	Technology delivery formed an integral part of the JSE's strategic objectives. IT objectives are based on strategic objectives and measured as such.
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	The responsibility for developing an appropriate and holistic framework to manage the JSE's significant IT risks has been delegated to management, in particular the chief information officer, with oversight from the enterprise risk team.
5.4	The Board should monitor and evaluate significant IT investments and expenditure.	Applied	The assessment of the execution of technology delivery is delegated to the Group Risk Management Committee and is also assessed by the Board.
5.5	IT should form an integral part of the Company's risk management.	Applied	The responsibility for developing an appropriate and holistic framework to manage the JSE's significant IT risks has been delegated to management, in particular the chief information officer, with oversight from the enterprise risk team.
5.6	The Board should ensure that information assets are managed effectively.	Applied	The responsibility for managing information assets rests with the CIO, with oversight by the Group Risk Management Committee.
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	Applied	Refer to the risk report and Group Audit Committee report, respectively in the JSE Limited integrated annual report.

Area	Requirement	Status	Comments
<b>6</b>	<b>Compliance with laws, rules, codes and standards</b>		
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	The Board assumes overall responsibility for the JSE's compliance with the applicable legislation and governance provisions, with appropriate delegation to management, the Group Risk Management Committee and the risk team. Ongoing education and awareness is provided to the directors by the Group Company Secretary.
6.2	The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	Applied	The Board ensures, through its Group Risk Management Committee, legal and regulatory compliance as part of its risk management. Risk reports are prepared by the risk and governance teams, approved by the Risk Committee.
6.3	Compliance risk should form an integral part of the Company's risk management process.	Applied	<p>Legal compliance is assessed in an integrated manner with other risks at business unit level and reported to the Group Risk Management Committee.</p> <p>The JSE follows an enterprise-wide risk-based approach to compliance reporting.</p> <p>The process is being formalised through the use of a compliance tool and related processes.</p>
6.4	The Board should delegate to management the implementation of an effective compliance framework and processes.	Applied	The management of each risk, including risk-based compliance reporting, has been allocated to an executive member or to the Executive Committee in its entirety. The director of governance, risk and compliance oversees the process.
<b>7</b>	<b>Internal audit</b>		
<b>The need for and role of internal audit</b>			
7.1	The Board should ensure that there is an effective risk-based internal audit.	Applied	The Group Audit Committee of the Board performs this function through an assessment of the work programme of Internal Audit and how this work is performed.
<b>Internal audit's approach and plan</b>			
7.2	Internal Audit should follow a risk-based approach to its plan.	Applied	Internal Audit's work programme is developed with reference to the risk matrix developed by the risk and governance teams after input from the executive management team. Internal Audit seeks to confirm that the controls relied upon are operating effectively.
7.3	Internal Audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management.	Applied	Internal audit provides the assessment annually prior to the Board approving the annual financial statements, on the recommendation of the Group Audit Committee.
7.4	The Audit Committee should be responsible for overseeing internal audit.	Applied	The Group Audit Committee is responsible for overseeing the internal audit function. Internal Audit also reports to the Group Risk Management Committee.
<b>Internal audit's status in the Company</b>			
7.5	Internal Audit should be strategically positioned to achieve its objectives.	Applied	Internal Audit is independent of all line functions and forms part of the Governance, Risk & Compliance division. Combined assurance is achieved by partnering with other GRC functions (enterprise risk, governance and compliance) and in conjunction with the JSE's external auditors. The Director: GRC has a direct, functional reporting line to the Group Audit Committee and to the Group Risk Management Committee, and an administrative reporting line to the CEO.

Area	Requirement	Status	Comments
<b>8</b>	<b>Governing stakeholder relationships</b>		
8.1	The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	Applied	The Board receives quarterly shareholder reports prepared by Investor Relations. The JSE has a proactive reputation management strategy and over the years has established close media relationships to manage audience perceptions about the Exchange. Refer to 8.5 below. As a result the Board and the CEO are confident that the stakeholders are happy with how they are focusing this business with their main questions.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships.	Applied	The JSE's chief executive officer (CEO), chief financial officer (CFO) and Investor Relations manager engage shareholders and other stakeholders through regular communication sessions, meetings and other processes. They also regularly meet investors and analysts to foster dialogue and communicate the JSE's strategy and performance. Refer to the online stakeholder engagement section in this report
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings in the best interests of the Company.	Applied	The team referred to in 8.2 above strives to achieve this balance.
8.4	Companies should ensure the equitable treatment of shareholders.	Applied	JSE Limited has only one class of shareholders who all have the same rights.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	The JSE has a proactive reputation management strategy and over the years has established close media relationships to manage audience perceptions about the Exchange. Major issues receive particular attention. The media and public relations function forms part of the marketing and corporate affairs division. The team continuously engages with the media on JSE related matters via various communication avenues, including direct communication, press releases and having JSE spokespeople available to engage with the media at various conferences and events hosted by the JSE.
<b>Dispute resolution</b>			
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	Applied	The Rules of the JSE regulate the resolution of complaints and disputes between authorised users and clients, and authorised users and authorised users. In terms of Financial Services Ombud Scheme Act (Ombud Act), the JSE operates a financial services ombud scheme. Through the scheme, the JSE is able to facilitate the resolution of complaints that are made by or against clients and authorised users in a timely and cost-effective way that eliminates the need for either party to resort to extensive legal proceedings.  HR policies and procedures in relation to internal disciplinary action and the lodgement of grievances are in place and managed by the HR teams. An ethics hotline (whistle-blower facility) is in place for use by all the JSE's stakeholders.

Area	Requirement	Status	Comments
<b>9 Integrated reporting and disclosure</b>			
<b>Transparency and accountability</b>			
9.1	The Board should ensure the integrity of the Company's integrated report.	Applied	<p>Various divisions collate and provide data and information to the integrated reporting team. The CEO, the executive team and senior managers perform a review of the report.</p> <p>The Board delegates responsibility for the detailed review of the integrated annual report to the:</p> <ul style="list-style-type: none"> <li>• Group Audit Committee,</li> <li>• Group Risk Management Committee and</li> <li>• HRSE Committee.</li> </ul> <p>The consolidated annual financial statements are audited by KPMG, the JSE's external auditors.</p> <p>The Group Audit Committee recommends the final version of the integrated annual report to the Board for approval.</p>
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	Applied	<p>In addition to the annual financial results, the integrated annual report provides details on the following focus areas: products and services; people; transformation; technology, remuneration, risks and stakeholder engagement.</p> <p>These are supported by sound corporate governance and the proactive management of our business environment, including our carbon footprint. Refer to the integrated annual report for further details.</p> <p>The Board discloses that the Company is a going concern.</p>
9.3	Sustainability reporting and disclosure should be independently assured.	Explained	<p>The Board is satisfied with the level of assurance provided by Internal Audit and with the Audit committee's general oversight and provision of assurance on the integrated annual report and supporting disclosures.</p> <p>While the integrated annual report and disclosures are not currently externally assured, the Board is nevertheless satisfied with the JSE's overall sustainability disclosure and with the quality of the integrated annual reporting.</p> <p>The Board will consider the need for external independent assurance from time to time.</p>

## Report of the SRO Oversight Committee

### Introduction

The JSE is a market infrastructure as defined in the Financial Markets Act, No 19 of 2012 (FMA) that operates as a self-regulatory organisation (SRO).

As a market infrastructure, the JSE must, where applicable take necessary steps to avoid, eliminate, disclose and otherwise manage possible conflicts of interest between its regulatory functions and commercial services, which steps include the implementation and documentation of appropriate arrangements; and an annual assessment of these arrangements, both to be publically available.

Accordingly, this Conflicts Assessment Report is submitted to the Registrar and a summary made available in the JSE's integrated annual report and on its website.

### SRO Oversight Committee

To reinforce regulation in the JSE and to specifically address perceptions of conflict of interest between the JSE's regulatory functions and its commercial services, the JSE has established this Committee as an additional, independent layer of oversight and reporting.

This Committee fulfils the requirements of section 2(c) of Board Notice 1 of 2015 for such oversight.

The Committee comprises four independent non-executive directors who are suitably skilled and experienced directors appointed by the JSE Board. The Chairman of the Group Audit Committee is a member of the SRO Oversight Committee. The Chairman of the Board is invited to attend meetings of the Committee. No members of JSE management or staff are members of the Committee.

A representative of the FSB has a standing invitation to attend the meetings of the Committee to observe and participate where she or he deems fit.

The Committee is required to assess its effectiveness. In this regard, it relied on the JSE Board Effectiveness Review which found that the Committee was indeed effective and had discharged its mandate for the 2016 year. Details of the Board Effectiveness Review are set out in the integrated annual report.

The members of the SRO Oversight Committee affirm that they independently applied themselves without a conflicting duty to the Company.

### Conflicts policy

The SRO Oversight Committee confirms that, in its assessment, the Conflicts Policy of the Company meets the requirements of the Board Notice. The regulatory functions of the Company are sufficiently separated from its commercial activities, and access to confidential information is correctly managed.

The Committee commissioned an internal audit by PwC to evaluate the JSE's adherence to this policy. The findings from this audit were satisfactory and no material concerns were noted in the internal audit report.

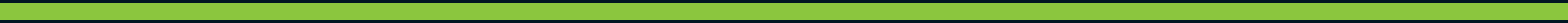
### Disclosure of interests

Committee members, at each meeting, declared any interests that they may have in relation to being a director of a listed company or having a material interest in any entity regulated by the JSE.

### FSB on-site review

At the end of the period the FSB performed an on-site inspection at the JSE for its compliance with its obligations in terms of the Act and the Listings Requirements. The preliminary report was satisfactory, but recommended enhancements to some of the JSE's rules. The Committee will consider the final report in due course.





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