

TERMS OF REFERENCE

JSE BOARD SRO OVERSIGHT COMMITTEE

1. Introduction

- 1.1 The SRO Oversight Committee (the “Committee”) is constituted as a standing committee of the Board of JSE Limited (“JSE”). The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the Board.
- 1.2 The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations.
- 1.3 These terms of reference are subject to the provisions of the Companies Act, the JSE Memorandum of Incorporation, and any other applicable law or regulatory provision.
- 1.4 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”).
- 1.5 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 (as prescribed by the Registrar) include:
 - the implementation and documentation of appropriate arrangements, be publically available; and
 - an annual assessment of the arrangements in 2.2.1, the results of which must be published.
- 1.6 As a licensed exchange and an SRO the JSE is required to fulfil a number of functions in compliance with the requirements of the FMA, including inter alia –
 - conducting its business in a fair and transparent manner with due regard to the rights of authorised users and their clients;
 - supervising compliance by its authorised users with the exchange rules and exchange directives;
 - supervising compliance with the FMA by its authorised users and issuers of securities listed on the exchange, report any non-compliance to the Registrar and assist the Registrar in enforcing the FMA; and
 - enforcing the exchange rules, listings requirements and exchange directives.

- 1.7 The JSE's regulatory functions and commercial services are closely aligned in that a well-regulated financial market is key to the provision of fair, efficient and transparent markets and the fulfilment of the JSE's commercial objectives.
- 1.8 The JSE considers it important to demonstrate its commitment to ensuring that the JSE meets its obligations under the FMA as regards regulation.
- 1.9 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 will also function as the appointed committee pursuant to section 2(c) of Board Notice 1 of 2015.

2 Purpose of the terms of reference

- 2.1 The purpose of these terms of reference is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

3 Composition

- 3.1 The Committee comprises at least three independent non-executive directors who are appointed by the Board on the recommendation of the JSE Board Nominations Committee.
- 3.2 No members of JSE management or staff shall be members of the Committee.
- 3.3 The Chairman of the Committee must be an independent non-executive director of the JSE, and shall be appointed by the Board on the recommendation of the JSE Board Nominations Committee.
- 3.4 The Chairman of the JSE Board Audit Committee shall be invited to attend meetings of this Committee, and may be a member of this Committee.
- 3.5 The Chairman of the JSE Board Risk Committee shall be invited to attend meetings of this Committee, and may be a member of this Committee.
- 3.6 All members of the Committee must be suitably skilled and experienced directors.
- 3.7 The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties.
- 3.8 The Committee members must remain current with developments in the field of regulation.

4 Role

- 4.1 The Committee has an independent role, providing oversight of all regulatory matters, policies and related activities of the JSE Group.
- 4.2 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management.

5 Statutory Mandate

5.1 Requirements applicable to licensed exchange with which the JSE must comply are, inter alia –

- subject to requirements as prescribed by Minister, have assets and resources in the Republic, which resources include financial, management and human resources with appropriate experience, to perform its actions in terms of the FMA; and
- have made arrangements for the efficient and effective supervision of all transactions effected through the exchange, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

5.1 The JSE Board must, under the conditions applicable to the exchange's own listing, as published in Board Notice 11 of 2006 in Government Gazette 28572, in relation to its own listing –

- implement adequate procedures and controls to ensure that no real or potential conflict of interest ("conflict of interest") arise with respect to such inclusion;
- consider all complaints by affected persons relating to a conflict of interest;
- determine whether a conflict of interest has arisen or may arise;
- report all complaints received in connection with a conflict of interest to the Registrar of Securities Services as soon as reasonably possible after the receipt of the complaint. The report must include all material facts, together with proposals for the resolution of any conflict of interest; and
- include in the JSE's annual report a section on the regulatory and supervisory structure applicable to, and the role of the Registrar of Securities Services in supervising, the exchange's own listing, which section must include –
 - a statement to the effect that in the opinion of the Board of the JSE, the JSE has complied with all its rules, listing requirements and procedures in a manner which warrants the continued listing of the exchange's securities on the exchange; and
 - a confirmation that all complaints relating to a conflict of interest were referred to the Registrar of Securities Services during the year under review.

5.2 The JSE Board must, under the conditions pursuant to Section 62 of the FMA and Board Notice 1 of 2015 published in the Government Gazette 38369 –

- establish an appropriate and effective internal governance process to identify potential, perceived or actual conflicts of interest between the JSE's regulatory function and its commercial services;
- record, adopt and implement, to the satisfaction of the Registrar of Securities Services, effective and appropriate policies and measures to address the situation where a potential, perceived or actual conflict of interest is identified, to avoid or manage and disclose the conflict;
- annually assess the efficacy of the policies, processes and measures it has adopted above;

- annually prepare a Conflicts of Interest Assessment Report which must comprehensively deal with the assessment of all material and relevant matters related to the JSE's management of conflicts of interest;
- submit the JSE's annual Conflicts of Interest Assessment Report to the Registrar of Securities Services together with its annual Supervisory Assessment Return provided pursuant to Section 59 of the FMA;
- publish the annual Conflicts of Interest Assessment Report on the JSE's website and any other media it considers appropriate.

6 Additional Responsibilities

The Committee's mandate is to –

- 6.1 review the arrangements, resources and infrastructure maintained by the JSE so as to ensure that they are sufficient to fulfil the JSE's obligations under the FMA and the Board Notices and to report to the JSE Board on its conclusions;
- 6.2 monitor and report to the JSE Board on the implementation of the procedures and measures put in place by the JSE to meet its obligations in respect of its own listing;
- 6.3 review the enforcement and disciplinary action undertaken by the JSE and report to the JSE Board on whether the JSE has applied its regulation fairly and consistently to its authorised users and issuers and have imposed appropriate sanctions for non-compliance;
- 6.4 review the decision taken by the Executive Committee of the JSE (Exco) where Exco requires alterations to the wording of a proposed amendment to the JSE Listings Requirements, which in the opinion of the Executive responsible for the Issuer Regulation Division negatively impacts the regulatory objective of the proposed amendment,. In the event that the Committee believes that the decision of Exco in this regard is motivated by commercial objectives, the Committee will raise this with Exco who will table the findings of the Committee at a meeting of Exco for further consideration. If Exco elects to proceed with the required alteration despite the recommendation of the Committee, Exco is required to present the finalised amendment and the Committee's view to the FSB together with Exco's reasons for persisting with the amendment;
- 6.5 review the decision of the CEO of the JSE ("CEO") where a new post or new appointment of an existing position within the Issuer Regulation Division and Market Regulation Division is declined by the CEO. The Committee will then, if appropriate, prepare a recommendation to the CEO in support of the new post or appointment;
- 6.6 review a rule proposed by Exco, where the Executive responsible for the Market Regulation Division of the JSE is concerned that a business rule proposed by Exco is in conflict with, or compromises a regulatory principle and if appropriate , the Committee will raise this with Exco who will table the findings of the Committee at a meeting of Exco for further consideration;
- 6.7 assess any reports by the Executives responsible for the Market Regulation and Issuer Regulation Divisions or any another staff member of the said divisions that undue pressure has been placed on them by any member of Exco in respect of regulatory processes;

- 6.8 assess the perceived or actual conflicts of interest in respect of its regulatory oversight function that may arise in respect of any proposed new business, function or service to be performed by the JSE not provided for as licensed functions in the FMA;
- 6.9 in the event that the Committee is not satisfied with the manner in which any issue relating to an actual or perceived conflict of interest is resolved by Exco or Executive or staff member of the JSE, the Committee may report the matter to the JSE Board;
- 6.10 report to the JSE Board on whether the JSE has cooperated with the FSB and other SROs to investigate and enforce applicable laws and regulations;
- 6.11 report to the JSE Board on whether the JSE has appropriately managed actual and perceived conflicts of interest in relation to its SRO functions and has avoided using its regulatory authority to allow itself or any market participant to gain an unfair advantage; and
- 6.12 in the context of a perceived conflict of interest, report to the JSE Board on whether the JSE has followed professional standards of behaviour on matters such as confidentiality and procedural fairness in performing its SRO activities.

7 Activities

In meeting its responsibilities, the Committee –

- 7.1 is expected to inquire of the executive of the JSE and, particularly, the members of the executive responsible for the Market Regulation Division and the Issuer Regulation Division, about the arrangements, resources and infrastructure maintained by the JSE to fulfil its regulatory functions;
- 7.2 is expected to inquire of the executive of the JSE about any potential, perceived or actual conflicts of interests or complaints which may have arisen in relation to the JSE's SRO functions, or in respect of the JSE's own listing and assess the manner in which the JSE dealt with and reported on those conflicts or complaints;
- 7.3 is expected to inquire of the members of the executive of the JSE responsible for the Market Regulation Division and the Issuer Regulation Division about the enforcement and disciplinary action undertaken by the JSE vis-à-vis its authorised users and issuers;
- 7.4 is expected to provide an open avenue of communication between the JSE Board and the members of the executive of the JSE responsible for the Market Regulation Division and the Issuer Regulation Division;
- 7.5 may request the members of the executive of the JSE responsible for the Market Regulation Division and the Issuer Regulation Division to report to it on a bi-annual basis and may specify the nature of that report;
- 7.6 must report the Committee's actions to the JSE Board with appropriate recommendations; and
- 7.7 must submit to the FSB a copy of the Committee's annual report on the activities of the Committee.

8 Authority

- 8.1 The Committee acts in accordance with the delegated authority of the Board as recorded in this terms of reference. It has power to investigate any activity within the scope of its terms of reference.
- 8.2 The Committee, in fulfilment of its duties, may call upon the chairmen of other Board committees, any of the executive directors, officers or Group Company Secretary to provide it with information.
- 8.3 The Committee has reasonable access to the JSE's records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 8.4 The Committee may form, and delegate authority to, sub-committees and may delegate authority to one or more designated members of the Committee, and to one or more members of the executive to perform certain tasks on its behalf.
- 8.5 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the JSE's cost, subject to compliance with JSE policies.
- 8.6 The Committee makes recommendations to the Board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.
- 8.7 The Chairman of the Committee must be present at all annual general meetings.

9 Meeting Procedures

9.1 Frequency

- 9.1.1 The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a minimum of three meetings per year.
- 9.1.2 Meetings in addition to those scheduled may, with the approval of the Chairman, be held at the request of the Chief Executive Officer, the Director: Governance, Risk & Compliance or other members of senior management or at the instance of the Board.
- 9.1.3 The Chairman of the Committee may meet with the Chief Executive Officer, the Director: Governance, Risk & Compliance and/or Group Company Secretary prior to the Committee meeting to discuss important issues and agree on the agenda.

9.2 Attendance

- 9.2.1 The Director: Issuer Regulation, the Director: Market Regulation, the Director: Governance, Risk & Compliance, other relevant executives and senior management, representatives from internal audit, other assurance providers, and professional advisors may be in attendance at Committee meetings, but by invitation only and they may not vote. The Register of Securities Services ("Executive Officer" of the Financial Services Board) shall have a standing invitation to attend meetings of this Committee but may not vote on any matter before the Committee.
- 9.2.2 Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad-hoc basis for special matters, unless prior apology, with reasons, has been submitted to the Chairman or Group Company Secretary.
- 9.2.3 The Group Company Secretary is the secretary to this Committee.

- 9.2.4 If the nominated Chairman of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairman for that meeting.

9.3 *Agenda and Minutes*

- 9.3.1 The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in these terms of reference: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three year period. The number, timing and length of meetings and the agenda are to be determined in accordance with the annual plan.
- 9.3.2 A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Board and other invitees.
- 9.3.3 Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.
- 9.3.4 The minutes must be completed as soon as possible after the meeting and circulated to the Chairman and members of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

9.4 *Quorum*

- 9.4.1 A representative quorum for meetings is a majority of members present.
- 9.4.2 Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

9.5 *Evaluation*

- 9.5.1 The Board must perform an evaluation of the effectiveness of the Committee every year.

10 Approval of Terms of Reference

- 10.1 These updated terms of reference were adopted by the Committee at its meeting held on 6 November 2015 and approved by the JSE Board on 26 November 2015.