



KING III REPORT

**INTEGRATED ANNUAL REPORT OF THE JSE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2015**









KING III NARRATIVE







Area	Requirement	Status	Comments
1 Ethical leadership and corporate citizenship			
1.1	The Board should provide effective leadership based on an ethical foundation.	Applied	The Board is committed to the King III best practice 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 good responsible 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. The FTSE/JSE Responsible Investment Index Series was developed to assist listed companies in raising their awareness on triple bottom line issues. 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.
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.
2 Boards and directors			
Role and function of the Board			
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 Board Risk 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	Refer to <i>the Stakeholder Engagement Report</i> at http://www.jsereporting.co.za/ar2015/download_pdf/stakeholder-report-2015.pdf 
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 Audit Committee report on pages 56-59 of the JSE Limited integrated annual report and to principle 3.1 below.






Area	Requirement	Status	Comments
2. Boards and directors (continued)			
Role and function of the Board (continued)			
2.7	The Board should be responsible for the governance of risk.	Applied	Delegated to the Risk and Audit Committees, which have complied with their respective terms of reference. Refer to 4.1 below.
2.8	The Board should be responsible for information technology (IT) governance.	Applied	Delegated to Risk Committee, which has complied with its terms of reference. Refer to 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 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 JSE Board Audit and Risk Committees. 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 Audit and Risk Committees, 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 III 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
2. Boards and directors (continued)			
Composition of the Board			
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 2015, comprised eight independent non-executive directors, one non-executive director and three 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 page 34-37 of the JSE Limited integrated annual report.
Board appointment process			
2.19	Directors should be appointed through a formal process.	Applied	The Nominations Committee makes appropriate recommendations to the Board for the appointment of new directors, in accordance with its mandate. During 2015 the Nominations Committee recommended to the JSE Board the appointment of Dr Suresh Kana as a non-executive director of the Board with Dr Kana joining the Board with effect from 1 July 2015.
Director development			
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.
Company Secretary			
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 page 48 of the JSE Limited integrated annual report.
Performance assessment			
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. In alternate years, this assessment is performed by an independent service provider who assists the Chairman and Group Company Secretary.
Board committees			
2.23	The Board should delegate certain functions to well-structured committees, but without abdicating its own responsibilities.	Applied	The Board has established the Audit Committee, Risk Committee, Nominations Committee, SRO Oversight Committee and Human Resources, Social & Ethics Committee to facilitate 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 III recommendations and, where applicable, the Companies Act. http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-govCommittee .



Area	Requirement	Status	Comments
2. Boards and directors (continued)			
Group Boards			
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 on pages 31-51 of the JSE Limited integrated annual report. 
Remuneration of directors and senior executives			
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.
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 27 to the annual financial statements on page 106-107 of the JSE Limited integrated annual report. 
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. 
3 Audit committees			
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 Audit Committee report prepared by its chairman, Nigel Payne, on pages 56-59 of the JSE Limited integrated annual report. 
Membership and resources of the Audit Committee			
3.2	Audit Committee members should be suitably skilled and experienced independent non-executive directors.	Applied	Refer to the Audit Committee report prepared by its chairman, Nigel Payne, on pages 56-59 of the JSE Limited integrated annual report, as well as Ordinary Resolution 4 of the annual general meeting notice, wherein the Board states its satisfaction with the four proposed independent non-executive directors and therefore recommends their appointments. 
3.3	The Audit Committee should be chaired by an independent non-executive director.	Applied	The Audit Committee is composed of its chairman, who is an independent non-executive director, and three other independent non-executive directors.
Responsibilities of the Audit Committee			
3.4	The Audit Committee should oversee integrated reporting.	Applied	Refer to the Audit Committee report prepared by its chairman, Nigel Payne, on pages 56-59 of the JSE Limited integrated annual report. The 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 on page 49-51 of the annual integrated report. 
Internal assurance providers			
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Applied	Refer to the Audit Committee report prepared by its chairman, Nigel Payne, on pages 56-59 of the JSE Limited integrated annual report. 

Area	Requirement	Status	Comments
3. Audit committees (continued)			
Internal assurance providers (continued)			
3.7	The Audit Committee should be responsible for overseeing of internal audit.	Applied	The Audit Committee reviews and approves the internal audit plan and internal audit charter. Refer to the Group Audit Committee Report on page 56-59 . 
3.8	The Audit Committee should be an integral component of the risk management process.	Applied	<p>The Audit committee forms an integral part of the risk management process and specifically oversees:</p> <ul style="list-style-type: none"> • Financial reporting risks • Internal financial controls • Fraud risk as it relates to financial reporting; and • IT risk as it relates to financial reporting. <p>The Audit Committee and the Risk Committee, as separate, independent committees, were both satisfied that the risks covered by internal audit plan were relevant and receiving the necessary focus.</p>
External assurance providers			
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 Audit Committee report prepared by its chairman, Nigel Payne, on pages 56-59 of the JSE Limited integrated annual report as well as the AGM notice. 
Reporting			
3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties.	Applied	The Audit Committee chairman reports quarterly to the Board, writes a report that is included in the annual financial statements on pages 56-59 , a part of the JSE Limited integrated report and attends the annual general meeting to answer any questions from shareholders. 
4. The governance of risk			
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 Risk Committee. Refer to the <i>risk report</i> on page 49-51 of 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 <i>risk report</i> on page 49-51 of 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 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 every quarter. Refer to the Risk Committee and Audit Committee reports, respectively on pages 49-51 and 56-59 of the JSE Limited integrated annual report. 
Management's responsibility for risk management			
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.

Area	Requirement	Status	Comments	
4. The governance of risk (continued)				
Risk assessment				
4.5	The Board should ensure that risk assessments are performed on a continual basis.	Applied	Refer to the risk report on page 49-51 of the JSE Limited integrated annual report.	
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 on page 49-51 of the JSE Limited integrated annual report.	
Risk response				
4.7	The Board should ensure that management considers and implements appropriate risk responses.	Applied	Refer to the risk report on page 49-51 of the JSE Limited integrated annual report.	
Risk monitoring				
4.8	The Board should ensure continual risk monitoring by management.	Applied	Refer to the risk report on page 49-51 of the JSE Limited integrated annual report.	
Risk assurance				
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 Risk Committee provide assurance regarding effectiveness.	
Risk disclosure				
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 on page 49-51 of the JSE Limited integrated annual report.	

Area	Requirement	Status	Comments
5	The governance of information technology		
5.1	The Board should be responsible for information technology (IT) governance.	Applied	Delegated to the Risk 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 2015 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 Risk 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 Board Risk Committee.
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	Applied	Refer to the Risk Committee and Audit Committee reports, respectively on pages 49-51 and 56-59 of the JSE Limited integrated annual report.
6	Compliance with laws, rules, codes and standards		
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 Risk 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 Risk 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 Risk 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.



Area	Requirement	Status	Comments
7 Internal audit			
The need for and role of internal audit			
7.1	The Board should ensure that there is an effective risk-based internal audit.	Applied	The Audit Committee of the Board performs this function through an assessment of the work programme of Internal Audit and how this work is performed.
Internal audit's approach and plan			
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 Audit Committee.
7.4	The Audit Committee should be responsible for overseeing internal audit.	Applied	The Audit Committee is responsible for overseeing the internal audit function. Internal Audit also reports to the JSE Board Risk Committee.
Internal audit's status in the Company			
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 Audit and Risk Committees, and an administrative reporting line to the CEO.
8 Governing stakeholder relationships			
8.1	The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	Applied	<p>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 well as the online <i>stakeholder engagement report</i> and the online <i>social and ethics report</i> at http://www.jsereporting.co.za/ar2015/download_pdf/stakeholder-report-2015.pdf and http://www.jsereporting.co.za/ar2015/download_pdf/social-ethics-report-2015.pdf respectively.</p> <p>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.</p>
8.2	The Board should delegate to management to proactively deal with stakeholder relationships.	Applied	<p>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 above-mentioned online stakeholder engagement report at http://www.jsereporting.co.za/ar2015/download_pdf/stakeholder-report-2015.pdf</p>
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.



Area	Requirement	Status	Comments
8. Governing stakeholder relationships (continued)			
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. Refer to the online stakeholder engagement report at http://www.jsereporting.co.za/ar2015/download_pdf/stakeholder-report-2015.pdf .
Dispute resolution			
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.
9 Integrated reporting and disclosure			
Transparency and accountability			
9.1	The Board should ensure the integrity of the Company's integrated report.	Applied	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. The Board delegates responsibility for the detailed review of the integrated annual report to the: <ul style="list-style-type: none"> • Audit committee, • Risk committee and • HRSE committee. The consolidated annual financial statements are audited by KPMG, the JSE's external auditors. The Audit committee recommends the final version of the integrated annual report to the Board for approval.
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	Applied	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. 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. The Board discloses that the Company is a going concern.
9.3	Sustainability reporting and disclosure should be independently assured.	Explained	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. 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. The Board will consider the need for external independent assurance from time to time.

