

JSE



JSE LIMITED
INTEGRATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

Contents

IFC ABOUT THIS REPORT

Scope and boundaries	IFC
Board responsibility for integrated annual report	IFC
Forward-looking statements and disclaimer	1
Disclosure and assurance	1
Feedback	1
Navigation	1

2 ABOUT THE JSE

Who we are and what we offer	2
Key facts	2
2016 at a glance	2
Chairman's letter	4
How the JSE looks at its business	8
How the JSE creates value	10
Economic value created for stakeholders	12
Stakeholder engagement	14
Material themes	16


18 STRATEGY AND PERFORMANCE

Strategy and performance	18
Key performance indicators 2016	19
Remuneration	21
JSE's transformation journey	23
CEO's review	25
Operations	30
Governance, risk and compliance	34


About this report


SCOPE AND BOUNDARIES

The information presented in this report describes the Exchange, its five financial markets and the investor protection funds associated with its markets. The report excludes details on its associate Strate (Pty) Ltd, in which the JSE holds 44.5%, as Strate has an independent management team and board. The JSE equity accounts for Strate.

 The Group legal structure can be found at http://www.jsereporting.co.za/ar2016/download_pdf/legal-group-structure-2016.pdf

This report presents the activities and, summarised consolidated annual financial results of the JSE and its consolidated entities as shown in the Group structure for the year ended 31 December 2016. The annual financial statements are available at: http://www.jsereporting.co.za/ar2016/download_pdf/afs_2016.pdf. It also describes the strategic path that the Group has taken over the past year and the way this fits into the Group's broader strategy.


 Complementary information can be found online at jse.co.za. The online information should be read in conjunction with areas of relevance and, together with this report, forms the comprehensive integrated annual report. The online information includes:

-  #Invested http://www.jsereporting.co.za/ar2016/download_pdf/invested-report-2016.pdf
-  The remuneration report http://www.jsereporting.co.za/ar2016/download_pdf/remuneration-report-2016.pdf
-  The transformation report http://www.jsereporting.co.za/ar2016/download_pdf/transformation-report-2016.pdf

The JSE does not currently apply any specific reporting framework; however, the content provided in this integrated report has been informed by a range of local and international requirements, standards and guidance, including, but not limited to:

- The South African Companies Act, 71 of 2008 (as amended) (Companies Act);

- The JSE Listings Requirements;
- International Financial Reporting Standards (IFRS);
- The King Code on Corporate Governance for South Africa;
- Reporting frameworks such as the International Integrated Reporting Council's Integrated Reporting framework; and
- The relevant indicators of FTSE Russell's environmental, social and governance (ESG) ratings methodology as applied for purposes of the FTSE/JSE Responsible Investment Index Series, of which the JSE is currently a constituent.

In summary, this report presents all material information that stakeholders may need to analyse the Company in the short, medium and long-term and is to be read in conjunction with supplementary data, which is available on the JSE's website and which is referenced throughout this document, where relevant. References to online data are highlighted with this icon: 

Certain icons also link detailed and operational information to the JSE's material issues, which are highlighted in the report. These icons are referenced in the material themes section on page 16.

BOARD RESPONSIBILITY FOR INTEGRATED ANNUAL REPORT

The directors of the JSE Limited (called "the Company", "the Exchange", "the Group" or "the JSE" in this report) acknowledge responsibility for the integrity of this integrated annual report. The directors have applied their minds to the report and believe that it covers all material issues and fairly presents the integrated performance of the Group.

The Board is comfortable with the reliability and integrity of the information contained in this report.



55

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

JSE Directors' responsibility statement	56
Statement regarding summarised consolidated annual financial results	56
Declaration by Company Secretary	56
Group Audit Committee report	57
Directors' report	63
Consolidated statement of comprehensive income	68
Consolidated statement of financial position	69
Consolidated statement of changes in equity	70
Consolidated statement of cash flows	71
Selected notes to the summarised consolidated annual financial statements	72

78

SHAREHOLDER INFORMATION

Shareholder information	78
Analysis of shareholdings	79
Corporate information and directorate	80

FORWARD-LOOKING STATEMENTS AND DISCLAIMER

Many of the statements in this integrated annual report constitute forward-looking statements. These are not guarantees or predictions of future performance. As discussed in the report, the business faces risks and other factors outside its control. This may lead to outcomes unforeseen by the Group. These are not reflected in the report. Readers are warned not to place undue reliance on forward-looking statements.

DISCLOSURE AND ASSURANCE

The Group strives to achieve high standards in all disclosures included in this report to provide meaningful, accurate, complete, transparent and balanced information to stakeholders. Save for the annual financial statements, this integrated annual report has not been independently assured.

FEEDBACK









This report has been compiled with information that the Board and management believe is relevant to stakeholders and that will provide them with a comprehensive view of the Group's performance for the financial year.

The integrated reporting process is an ongoing journey, in which the JSE continues to strive to improve on the quality of its reporting.

We therefore welcome feedback from stakeholders on this report and invite you to contact IR@jse.co.za should you have any questions.

A CD copy of this report is available from the Investor Relations department.

NAVIGATION

-  References to online data www.jse.co.za
-  Optimising human capital
-  Page referencing for additional reading in this report
-  Technological reliability, security and governance
-  Remaining competitive through efficiency, integration and diversification
-  Regulatory readiness
-  Sustaining growth in a challenging environment
-  Stakeholder responsiveness

About the JSE

WHO WE ARE AND WHAT WE OFFER

The JSE is a multi-asset class securities exchange, offering investors deep liquidity across its product range. It provides:

- A primary market – sourcing issuers to list and supporting potential and existing issuers.
- A secondary market that facilitates trading in:
 - equities;
 - financial derivatives;
 - commodity derivatives;
 - currency derivatives; and
 - interest rate instruments.
- Post-trade services – Through a division responsible for clearing, settlement and assurance.
- Technology services – that support the JSE’s operations; and
- Information services, including market data.

It also regulates the primary and secondary markets. The JSE’s risk management structures guard effectively against systemic risk to which the Exchange and investors might otherwise be exposed.

The JSE is licensed to operate under the Financial Markets Act, 19 of 2012.

KEY FACTS

- Market capitalisation: R14 271 billion
- Number of companies listed: 388
- Foreign-domiciled companies: 76
- World Federation of Exchanges: Top 20 global exchanges by market capitalisation
- In the World Economic Forum Global Competitiveness Report:
 - SA ranked 1: Strength of auditing and reporting standards, protection of minority shareholders’ rights, and financing through the local equity market.
 - SA Ranked 2: Financial services meeting business needs and soundness of banks.
 - SA Ranked 3: Efficiency of corporate boards and regulation of securities.
- Largest exchange on the African continent by market capitalisation
- JSE market liquidity: 80% (2015: 67%)

2016 AT A GLANCE

MARKET PERFORMANCE

15%



Equity transactions
(2015: 33%)

18%



Billable equity value
traded
(2015: 26%)

22%



Number of IPOs
(2016: 18) (2015: 23)

Number of delistings

25

(2015: 19)

4%



Equity derivatives
value traded
(2015: 11%)

66%



Interest rate derivatives
contracts
(2015: 13%)

-2%



Commodity
derivatives contracts
(2015: 28%)

7%



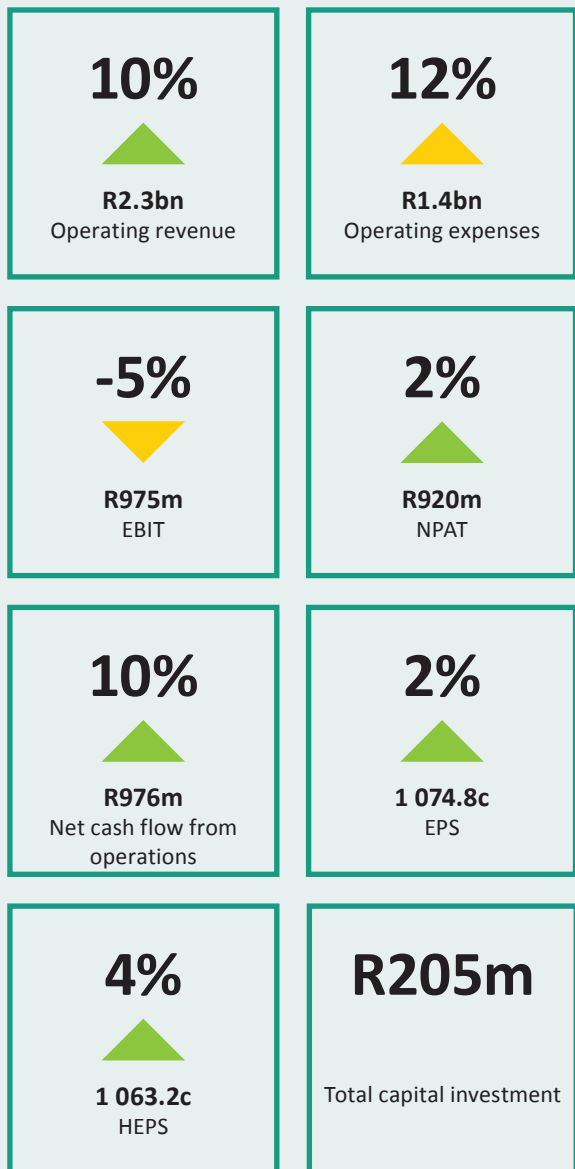
Currency derivatives
contracts
(2015: 1%)

22%

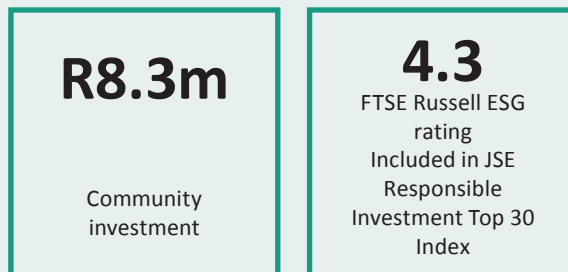


Bonds nominal value
(2015: 21%)

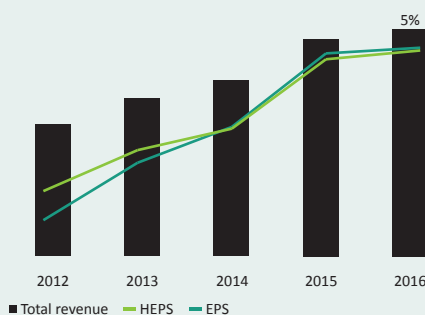
FINANCIAL PERFORMANCE



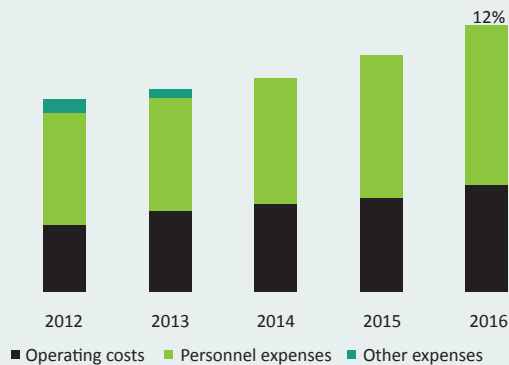
ESG AND CSI



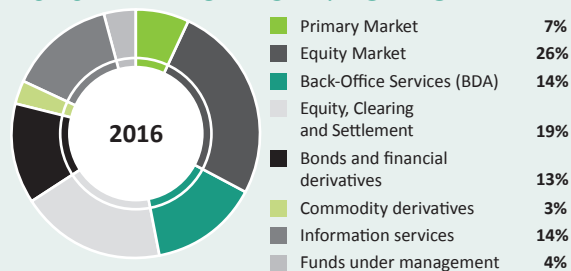
GROUP REVENUE TREND



EXPENSES TREND



2016 REVENUE AS A % OF TOTAL



Chairman's letter



Group earnings after tax grew by 2% to R920 million (2015: R899 million), with operating revenue rising by 10% to R2.3 billion (2015: R2.1 billion).

Dear Stakeholder

Against a background of challenging market conditions, I am pleased to report that JSE performance was resilient, achieving 2% growth in Group earnings after tax to R920 million (2015: R899 million).

On the basis of strong cash generation, the board has declared an ordinary dividend of 560 cents per share, an 8% increase on the ordinary dividend declared last year.

The operating environment in 2016

The past year got off to a difficult start on the back of elevated political and economic uncertainty, with the unexpected removal of the finance minister and subsequent events. This resulted in heightened trading activity on our markets. Although political developments continued to fuel local financial market volatility throughout the year, trading activity decelerated, particularly in the closing months of the year.

The positive aspect of this is that the country found its democratic voice in 2016, as evidenced by the widespread public support for both Minister Gordhan and for former Public Protector Advocate Thuli Madonsela, together with the outcome of the August municipal elections. In an effort to uphold our world-class Constitution and promote conditions for sustainable and more inclusive economic growth, leading business executives, politicians and ordinary South Africans joined forces to take a firm stand against corruption. This bears testimony to the widespread desire to reduce inequality in the country and to prevent a sovereign credit rating downgrade.

The government, labour and business also moved closer to agreeing on a national minimum wage. The National Minimum Wage Commission panel appointed by the National Economic Development and Labour Council made its minimum wage proposal in November and recommended that all legislative and institutional arrangements for implementation of the national minimum wage be finalised by mid-2017. This is a significant step towards improved relations between all social partners and particularly between business, labour and labour unions.

South Africa grew modestly in 2016, partly because of its struggling mining sector, its drought-stricken agricultural sector, and low global demand. However, growth has also been hampered by persistent structural impediments and the absence of a cohesive policy framework. A variety of factors such as low economic growth accompanied by a decline in wealth, heightened political risk and limited fiscal space, all culminated in an unequivocal warning from the world's major rating agencies: address these issues or risk the country losing its sovereign investment rating in 2017. Such an event would be devastating for the economy and business, specifically impacting financial markets and therefore the JSE's business.

The upside of the difficulties encountered in 2016 was that the volatility recorded during the year contributed positively to the JSE's performance, with value traded in the Equity and Bond markets both rising. Activity was particularly heightened around key global and domestic events in the months of March, June, August and September.

Investors also positioned themselves to reduce the risks associated with a number of potential political and economic events in the closing stages of 2016. These included the possibility of a South African sovereign

rating downgrade to sub-investment level and a more accelerated tightening of US interest rates in 2017, in the wake of President Trump's stated ambition to widen investment spending. This resulted in increased portfolio capital outflows, according to the non-resident activity recorded on our markets, especially the Equity Market. On the Bond Market, activity by all market participants resulted in a record turnover for the year, while the holdings of bonds by non-residents proved more resilient, despite occasional market tantrums resulting in substantial outflows.

We had some technology successes in 2016, notably the launch of T+3. We are proud to announce that we have had no rolled or failed trades, which bears testimony to the resilience of our technology and the concerted efforts made across our stakeholder base.

This is particularly positive for the JSE because technology is defining where economic growth will come from in the not too distant future and the skills that will be required to drive such growth. The lingering global economic slowdown has clearly highlighted this. Many sub-Saharan African economies that remain commodity dependent and insufficiently diversified have struggled to recover in recent years and have either recorded very low growth or contracted in 2016.

Operating environment outlook for 2017

The International Monetary Fund expects the global economy to expand by 3.4% year-on-year in 2017 and for emerging and developing economies also to fare better and continue to exceed growth across the developed world.

The consensus forecast outlook for South Africa pins GDP growth at 0.8% year-on-year, which is only slightly ahead of its 2016 performance. However, there is likely to be some improvement in agricultural output as the negative impact of the domestic drought fades. Non-energy commodity prices are also likely to improve amid tight global supply and increased demand as the global economy remains in recovery mode, which should support South Africa's commodity exports and economic growth.

These improvements could be partly offset by tighter fiscal policy in the form of higher taxes on income, if government wishes to sustain its social spending programmes in a low-growth environment. This underlines the importance of defining a cohesive policy framework that would set the country on the path to higher long-term growth, while steering it through the cyclical downturns as well as the distractions caused by political noise. It is the absence of such policy and the impact on the economy that keeps uncertainty heightened.

However, the outlook for the global and domestic economies could very easily be altered by the new political dispensation in the United States, as it takes shape, as well as the fate of the eurozone and the broader European Union, with both France and Germany bracing for elections in 2017. These could cause further disruption just as Britain negotiates its exit from the European Union.

There is also much debate on whether fiscal austerity has inadvertently stifled economic growth and whether it will be loosened to some extent during the course of the year.

It will not be easy for the domestic economy to gain traction, especially if a rating downgrade does occur, despite having been staved off up until now. Price pressures are likely to be stubborn and there should be potential for interest rate increases.

Chairman's letter

(continued)

Domestically, we anticipate the following:

- continued political noise;
- continued low growth, with the possibility for some recovery in the agricultural sector;
- increased competition as new exchange licences are granted and recent entrants start to operate; and
- continued regulatory developments, both as twin peaks legislation starts to be implemented and as national regulators drive towards global regulatory compliance.

Globally, we anticipate the following:

- continued uncertainty and volatility while policy direction is charted – including in the United States following the change in administration, and the United Kingdom and the European Union following Brexit;
- continued regulatory attention and pressure on financial markets;
- increased corporate activity and innovation among our global exchange peers, specifically in the post-trade and the information services areas, which we have identified as our post-2017 growth areas; and
- a continued acceleration in technological innovation.

Competition

The competitive landscape has changed with the granting of two licences to newly established exchanges, ZARX and A4X. The JSE is well down the road in its competitive responses (please see the CEO's review on page 26 for more detail).

The JSE has a long track record of competing with exchanges across the globe and looks forward to competition in South Africa. Although the JSE has had concerns about the complexity and fragmentation that multiple exchanges could bring to the domestic capital market, we welcome competition, while strongly believing that it should take place on a level playing field.

Global exchange trends

There is no doubt that the world of exchanges and trading places is changing at an ever-increasing pace. These trading places now span a wide array of trading platforms, alternative trading venues, crossing networks and related platforms bringing together buyers and sellers. With the continued advances in fintech, the ability of more companies to make an impact increases, and the distributed ledger focus shows no sign of letting up.

There is a pursuit of “bigger, better, faster, more” in trading technology, tempered by the implementation of speedbumps by new exchanges.

There is also a continued focus on achieving scale as news of mergers, acquisitions and new disruptive initiatives appears with increasing regularity. Blockchain technology is synonymous with the idea of disruption of the financial services sector. Interest in this technology has taken root in the exchange related industry. In South Africa, a consortium of banks, Strate, the Payments Association of South Africa and the Financial Services Board are part of a working group that aims to co-create South Africa's first distributed ledger based solution for the local financial services industry.

In the regulatory space, global standard setting associations continue to focus on the resilience, recovery and resolution of central counterparties. This work will continue into 2017. Guidance by the Financial Stability Board, the Committee on Payments and Market Infrastructure and the International Organisation of Securities Commissions is expected to be finalised in 2017.

The European Commission has completed an assessment of the cumulative effect of the 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 European Union banking rules, including the proposed amendment to the

Basel III leverage ratio rule implemented in the Capital Requirements Regulation. In its current form, this regulation is a disincentive to 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 derivatives reforms during 2017.

African Linkages

On the African continent, the Nairobi, Nigerian and the Moroccan stock exchanges, along with the JSE, have been involved in the African Exchange Linkages Project, which aims to connect these four exchanges through technology. A feasibility study was finalised in December 2015, with domestic and regional engagements completed in 2016. The project was officially launched on 11 July 2016 in Abidjan, Ivory Coast. It has generated overwhelming interest from the market across the continent and Mauritius and BRVM have joined the project. The JSE holds chairmanship of the Committee of SADC Stock Exchanges (CoSSE) and has been proactively engaging South African regulators as well as the relevant Southern African Development Community bodies on behalf of CoSSE about the project, to identify risks and mitigating measures. For this project to work, regulators and policy makers need to work together to harmonise law, regulation and processes to facilitate the development of the linkages concept.

Local regulation

South African financial sector policy makers and regulators have guided the Financial Sector Regulation Bill, also known as the twin peaks Bill, through the Standing Committee on Finance in Parliament. The Regulations primarily provide for the regulation of the over-the-counter derivatives market but include the governance, capital requirements and risk requirements for market infrastructures (exchanges, clearing houses, central counterparties, central depositories and trade repositories). This Bill will impact both how the JSE is regulated

and the cost of operating in a regulated environment. The JSE is ready to meet the new regulatory capital requirements and is exploring opportunities to provide products and services to give capital relief to its clients.

The JSE welcomes the implementation of King IV, in which the JSE was deeply involved. King IV is expected to come into effect by April 2017.

Showcasing South Africa

The JSE has a central and crucial role to play in corporate South Africa, both in operating a world-class securities trading environment that stakeholders can trust and in using its voice to enable and support a robust and informed discourse at critical moments in our country.

As the home of some of South Africa's largest companies, the JSE plays a significant role in promoting the South African investment case, along with the government and other stakeholders. We therefore hosted the fourth annual SA Tomorrow conference in New York with UBS, Standard Bank, the National Treasury and Old Mutual. It was again well attended and very well received. We use the conference, which is addressed by the Minister of Finance, the Governor of the Reserve Bank, Top40 CEOs and labour representatives, to discuss the country's positioning, including the current economic outlook, challenges and developmental programmes, with major US investors. This is a unique opportunity for investors to see business and the government in the same venue and to have one-on-one time with all the South African delegates.

Transformation

The board and the executive management recognise and embrace transformation as a moral and strategic business imperative. Transformation of our economy remains a work in progress and the JSE seeks to play its role in the efficient allocation of productive resources in South Africa.

Accolades

South Africa's overall rating in the World Economic Forum Global Competitiveness Index improved in the 2016-2017 rankings to 47th, from 49th last year. The financial sector and corporate governance continue to be highlights for South Africa and we have top three global rankings in the following categories: Strength of auditing and reporting standards; protection of minority shareholders' rights; and financing through the local equity market. We are number two in financial services meeting business needs and soundness of banks, as well as number three in the efficacy of corporate boards and regulation of securities exchanges. These accolades demonstrate how relevant and competitive our financial sector remains.

Changes to directorate and executive committee

In 2016, there was the following change to our Board:

- Dr Leila Fourie, director of Post-Trade and Information Services, resigned with effect from 18 July 2016, following her emigration.

In 2016, there were a number of changes to our Executive Committee:

- Dr Alicia Greenwood was appointed with effect from 1 February 2016 as director of Post-Trade Services;
- Leanne Parsons was appointed with effect from 1 July 2016 as director of Information Services;
- Tshwantsho Matsena was appointed with effect from 1 July 2016 as director of Trading and Market Services; and
- Donald Khumalo was appointed with effect from 1 November 2016 as director of Human Resources.

Auditor rotation

In accordance with our policy on audit firm rotation, the JSE will be proposing that shareholders consider and approve, at the annual general meeting to be held on 18 May 2017, the appointment of new independent auditors for the Group.

KPMG Inc has served for an extended period as our independent auditors, and has executed these responsibilities with diligence and distinction. Given the tenure of KPMG Inc as independent auditors, the firm was not considered for re-appointment in 2017. I would like to thank KPMG Inc for their service over many years.

Looking forward

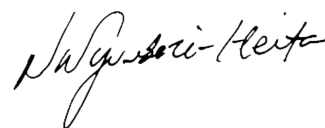
The Board has determined that as from 1 January 2017 the social and ethics mandate will be discharged by the newly formed Group Social & Ethics Committee, under the chairmanship of Dr Suresh Kana, an independent non-executive director. This mandate was previously executed by the Group Human Resources Committee.

Appreciation

In conclusion, 2016 was a year of hard work in an environment of uncertainty in a number of areas, not only for the JSE, but for business in general. Despite this, the JSE team made good use of the year to lay a sound foundation for the challenges ahead.

I therefore take this opportunity to express my appreciation to the Board, the JSE executive and the staff as a whole.

As an Exchange, we look forward to continuing to improve the way in which we provide investors and issuers with a safe and credible environment in which to list, trade and invest.




Nonkululeko Nyembezi-Heita
JSE Chairman

How the JSE looks at its business

The JSE recognises that it is uniquely positioned:

- as a critical product and service provider to South Africa's financial market (which is globally recognised as a centre of excellence); and
- as an interface between those who provide capital, those who need capital to fund their businesses and those who rely on returns for short-, medium- or long-term purposes; whether that interface is of a regulatory, service provision or influencing nature.

The JSE's efforts to sustain a resilient, multi-product and world-class exchange that is well positioned for the future reflect an awareness of this positioning. The JSE understands that a sustainable business is one that operates with a long-term perspective and the recognition that it both impacts and is impacted by the context within which the business operates (including the stakeholder, environmental, political, legal, and economic context). Accordingly, to the JSE, sustainability and resilience come down to doing what needs to be done to have the best chance not only to remain viable over at least the next 16 years, but also to be able to create value in the longer term.

 The JSE's material themes (pages 16 and 17) and strategy (page 18) are informed by this view and the business is operated according to a philosophy that tries to balance the

interests of all stakeholders, particularly in relation to the following three pressures:

- optimising shareholder value;
- reinvesting internally in people and technology; and
- driving down cost to clients.

Strategic and operational decision-making is therefore guided by continuous endeavours to apply returns in a way that either balances these elements or enhances the way that they may contribute to each other.

The interlinked nature of these elements and efforts to balance them are evident in the following perspectives on the JSE's operational approach:

- Investments in people and technology are made to drive innovation and sustain a stable platform, and to ensure that more can be offered to clients over time while sustaining the robustness and trustworthiness of fairly priced products and services. As a result:
 - the JSE does not try to maximise prices to clients, dividends to shareholders or rewards to staff, but strives to find a fair balance for and between all of these;
 - substantial long-term investments may be incurred at a time when markets appear to be volatile or slow, given the JSE's conviction that, without such investments, clients will not be able to use products and

services as they need to, which is detrimental to long-term business growth and sustainability;

- prices may remain stable or trend down in order to remain competitive; and
 - salaries are kept sufficiently competitive and incentivising to ensure that the organisation can attract and retain appropriately qualified and motivated people to drive the JSE business with the single-mindedness necessary for the long-term.
- Considerable time is spent with stakeholders, keeping current clients engaged with the JSE and its products and services and demystifying the role of a well-functioning exchange in an emerging economy to try to build an understanding of the JSE as a partner in the success of this country. To achieve this:
 - various channels are employed to ensure the creation of an enabling environment within which constructive dialogue can take place, for instance, through advisory committees, focused client engagements and the like; and
 - the JSE participates in and initiates a wide range of forums and initiatives such as SA Tomorrow and business-government interaction.

As far as possible, the JSE business is operated and positioned in a manner that not only provides thought leadership impacting or influencing stakeholders, but also sets an example in achieving excellence. The JSE actively promotes sustainable, transparent business and responsible investment across a range of areas, including the following:

- The JSE will work to retain its well established reputation as a global thought leader in the field of governance and sustainability and the related standards and disclosure by:
 - continuing to participate in the setting of standards, for instance through the King Report and Code on Corporate Governance;
 - maintaining a strong and globally pre-eminent regulatory framework for its listed companies and reviewing this regularly to ensure sufficient governance and disclosure practices are in place. The latest amendments to the Listings Requirements, which require all boards to publish and report on their gender and racial empowerment strategies at board level, are an example of this;
 - engaging issuer and investor communities as well as facilitating the issuer-investor interface, for example

through the annual environmental, social and governance (ESG) investor briefing;

- participating in a wide range of related forums to enable impact, for instance through continued membership of the Sustainable Stock Exchanges Initiative as well as the UN Principles for Responsible Investment. In May 2016, the JSE's head of Sustainability was elected as chair of the World Federation of Exchanges' Sustainability Working Group, providing another opportunity to participate in and influence peer thinking;
- The JSE will focus on evolving and expanding its responsible investment product offering through indices, bonds and other initiatives; and
- The JSE aims to achieve excellence in operational ESG areas by ensuring that the organisation and its leadership consider the ESG risks, impacts and opportunities of its activities, manage them appropriately and make the necessary disclosures. Recent progress in this regard earned the JSE inclusion in the FTSE/JSE Responsible Investment benchmark index as well as the FTSE/JSE Responsible Investment Top 30 Index in December 2016.

In conclusion, in order to balance external and internal pressures, it is critical for the JSE to achieve operational efficiencies and integration while sustaining growth and facilitating innovation. In its efforts to do so, the Group strives to ensure that it remains a centre of excellence on which its clients and stakeholders can rely, whether:

- as a trusted place to raise capital;
- as a trusted place to buy or sell investments; or
- as a trusted bridge between SA Inc. and the investor community.

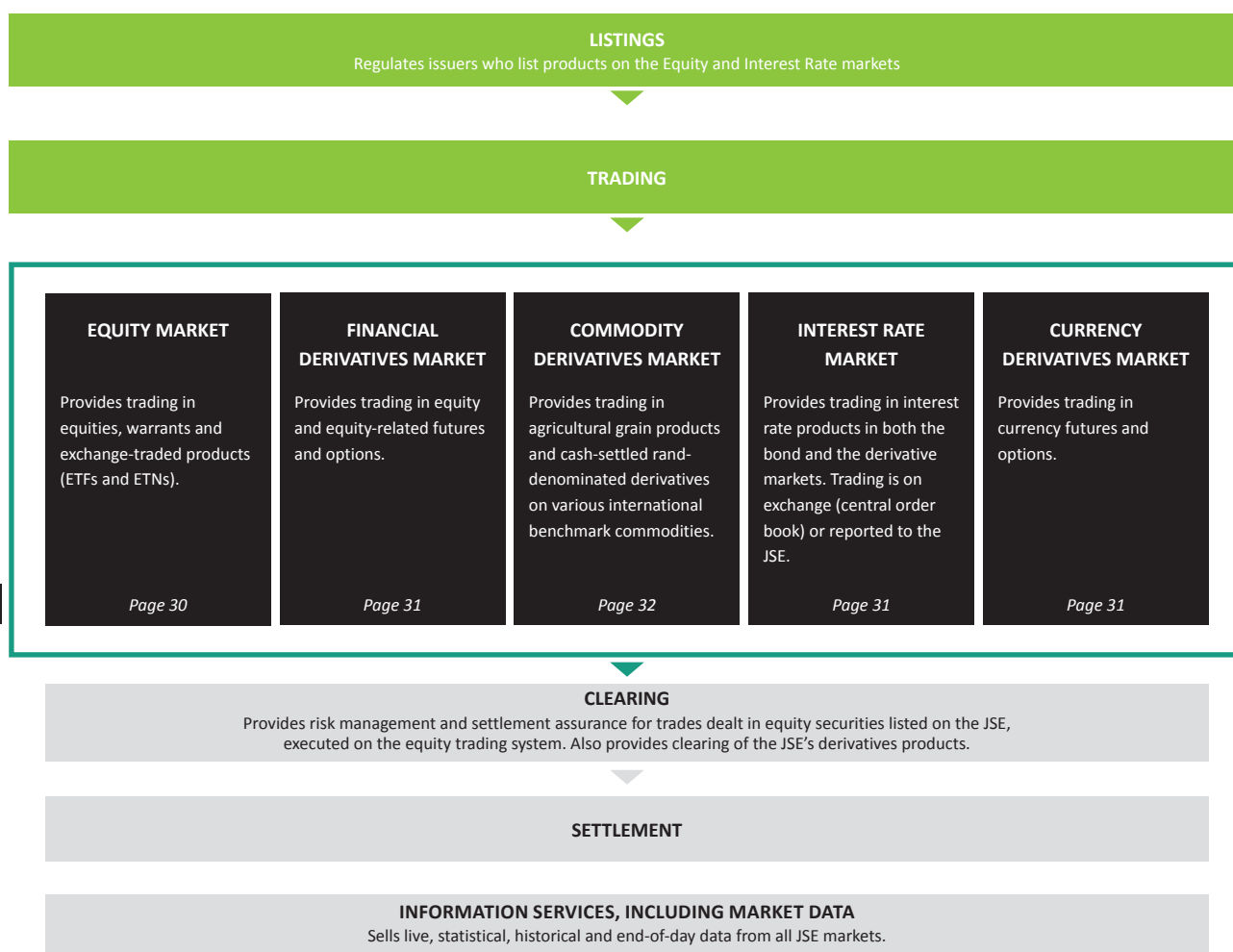
How the JSE creates value

Products and services

In the exchange industry, the JSE is considered horizontally and vertically integrated. In other words, it offers a wide range of products (horizontal axis) and an end-to-end service from listing to clearing/settlement (vertical axis).

The JSE generates revenue from:

- listing companies and other instruments;
- trade and post-trade activity on a per trade basis (with fees related to a combination of the value and/or number of instruments or contracts traded for a trade or post-trade activity);
- the sale of information services, including market data related to various markets or indices, to a global client base. The JSE sells live, statistical, historical and end-of-day data from all JSE markets; and
- the JSE also receives dividends from Strate, which is licensed as South Africa's central securities depository. Strate provides electronic settlement for the JSE, money market securities for the South African market and equities for the Namibian Stock Exchange. The JSE owns 44.5% of Strate.

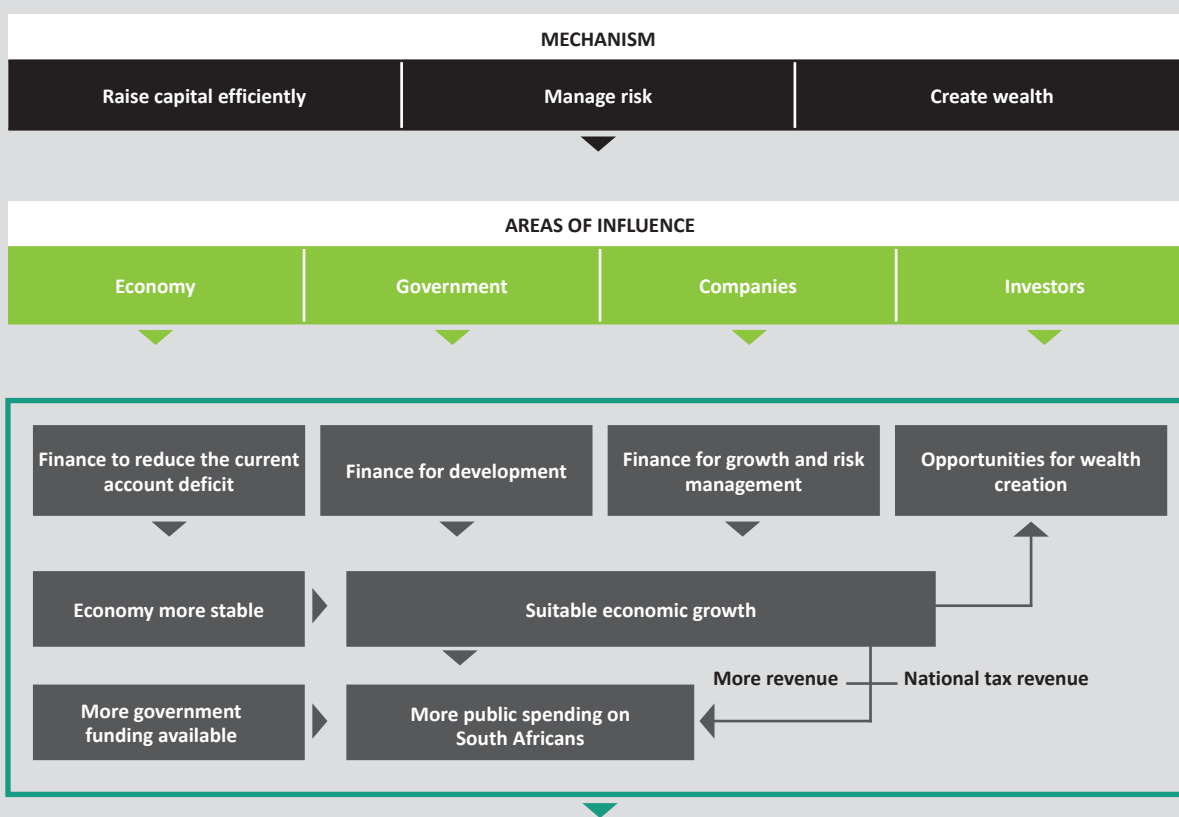


Role in the economy

The JSE provides a cost effective, efficient, well regulated, transparent and trusted platform for financial transactions to take place. These contributions are among the tools needed to spur growth and deal with the challenges faced by South Africa as well as to enable value creation.

This helps South Africa to do three things:

- raise finance for companies and the government from both domestic and international pools of capital;
- manage risk; and
- gain access to a mechanism for sustainable wealth creation.



HOW THE JSE PLAYS A ROLE IN ENABLING VALUE CREATION FOR ORDINARY SOUTH AFRICANS

- Better services (electricity, water and sanitation)
- Better infrastructure (like roads and railways)
- Better hospitals and schools
- More sustainable welfare
- More jobs
- Better products and services
- Better standards of living
- Retirement security
- Dignity

Economic value created for stakeholders

Total value created for stakeholders

	2016 R'000	2015 R'000
Revenue	2 339	2 134
Other income, including share of associate income	319	358
Total value created	2 658	2 492

Dividends to shareholders*

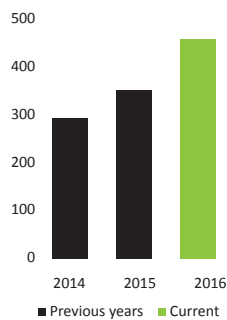
JSE shareholders received

R461m*
▲ **30%**
(2015: R354m*)

in the form of dividends
*post-dividends tax of
R81m
(2015: R62m)

Shareholders

(Rm)



Investing in employees*

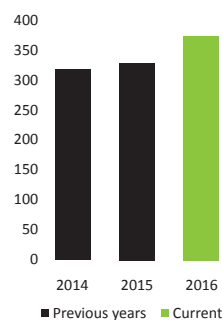
The JSE paid

R376m
▲ **14%**
(2015: R331m*)

to employees in salaries,
short- and long-term
incentives and employee
benefits
*post-PAYE of R181m
(2015: R158m)

Employees

(Rm)



Pricing benefits to members

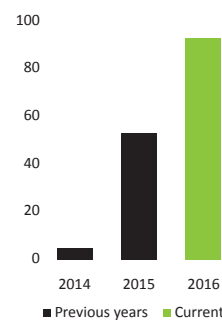
The JSE paid

R93m
▲ **75%**
(2015: R53.2m)

to equity members in price
reductions and rebates

Rebates to equity members

(Rm)



Retained in business

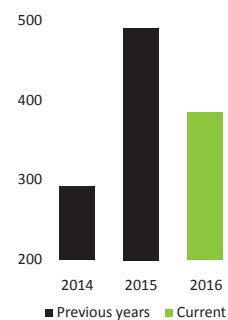
The JSE retained

R386m
▼ **22%**
(2015: R492m)

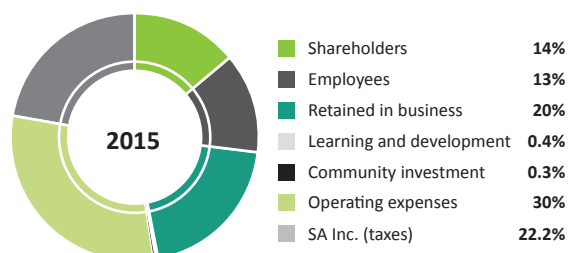
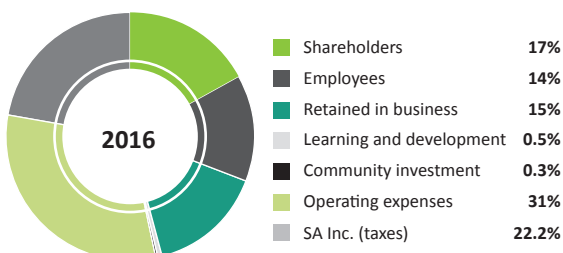
for the future growth and
sustainability of its business

Reinvested

(Rm)

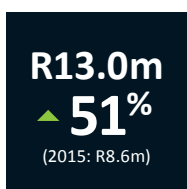


Distribution of total economic value



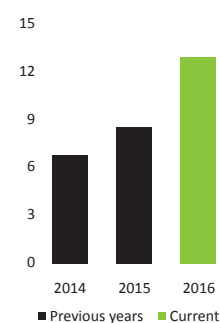
Learning and development

The JSE invested



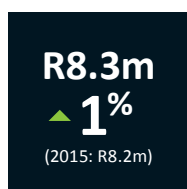
in developing employees through learnerships and training

Learning and development (Rm)



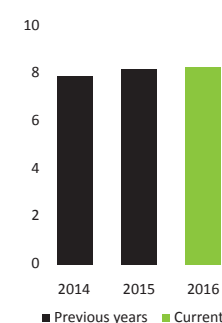
Community investment

The JSE invested



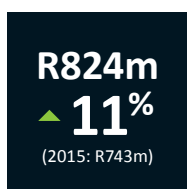
in the growth and sustainability of communities

Community investment (Rm)



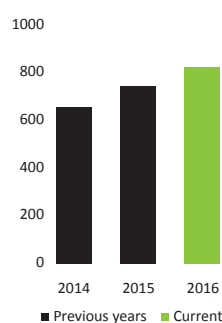
Other expenses

The JSE spent



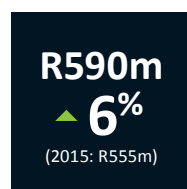
on operations and technology services

Operating expenses (Rm)



Contributing to South Africa

The JSE contributed



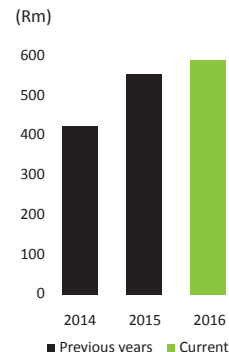
to the South African government in the form of taxes.

This amount was made up as follows:

Type of tax	2016	2015
Corporate taxes	R328m	R335m
PAYE taxes	R181m	R158m
Dividend taxes	R81m	R62m
Total	R590m	R555m

Income tax includes the effect of the deferred tax movement. Movement does not take into account VAT of R227m (2015: R202m)

Government Taxes (Rm)



*Refer to the section on performance rewards and outcomes in the remuneration report. http://www.jsereporting.co.za/or2016/download_pdf/remuneration-report-2016.pdf

Stakeholder engagement

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. Further information is available online in #Invested at http://www.jsereporting.co.za/ar2016/download_pdf/invested-report-2016.pdf



Clients – Issuers: Requirements to bring traded products on market

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

Clients – Members: Ensuring the JSE understands member needs

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> Customer service, including trading systems, contract specifications and rules and directives Customer expectations, including fee models, market practices, and market and new product development 	<ul style="list-style-type: none"> Significant spending on projects, including the transition to T+3 settlement in the Equity Market and the ITaC technology migration and 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

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"> Financial literacy and investor education JSE markets and products JSE business Responsible investing and factoring ESG considerations into investment analysis and decision-making Benchmarking 	<ul style="list-style-type: none"> 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 The JSE exposes investors to government and corporate leaders to address any concerns about SA Inc. Ensure relevance of investment benchmarks both locally and globally through constant engagement

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"> General market conditions Changes to the JSE Listings Requirements Service levels and general conduct of staff Performance feedback and interaction with investor relations officers 	<ul style="list-style-type: none"> 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

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

JSE regulator: Areas of mutual and regulatory interest

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<ul style="list-style-type: none"> Investment policy Regulatory issues Development of products and services Surveillance Investor and market protection mechanisms 	<ul style="list-style-type: none"> 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 The JSE also maintains its engagement with the FSB regarding fair competition, as well as Listings Requirements and trading rules

Community: Corporate social investment, and education and awareness

WHAT THE JSE ENGAGES ABOUT	ISSUES AND SOLUTIONS
<p>Education initiatives including:</p> <ul style="list-style-type: none"> The JSE Investment Challenge Financial literacy initiatives (JEF) Healthcare and community development Sponsorships and donations The JSE Benevolent Fund 	<ul style="list-style-type: none"> 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

Suppliers: Performance feedback

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

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"> • Performance • Growth areas • Company sustainability • Dividend policy • Share schemes • Prospects • Financial literacy and investor education • JSE markets and products • Aspects of JSE business 	<ul style="list-style-type: none"> • 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

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

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"> • The financial sector legislative and regulatory framework • CPSS-IOSCO compliance, G-20 and Financial Stability Board matters • Exchange control matters • Tax issues as they impact capital markets and clients, e.g. tax-free savings accounts • Financial Intelligence Centre Act (FICA) matters • Market structure considerations, particularly in relation to new products, where regulatory support is critical 	<ul style="list-style-type: none"> • 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

Potential employees: The JSE as an employer of choice

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

Material themes

The JSE's strategy 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 uncertainty increases uncertainty and volatility.



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.



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.



Regulatory excellence

The global capital markets regulatory environment keeps evolving 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.



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 understanding and being responsive to the circumstances and needs of its stakeholders is critical to sustaining the organisation. Initiatives and internal structures are put in place to ensure that the requisite awareness and ability to react are established and optimised.



Strategy and performance

The JSE's strategy

The JSE's current activities are guided by its corporate strategy (as depicted in the diagram below), which was agreed in 2012 and which enters its final year of delivery in 2017. This period of the JSE's evolution has been focused on the integration of its multiple markets and technologies, and building and embedding world class products and services, relations and competencies. The JSE has a clear view of its post-2017 evolution, which will be discussed with its stakeholders during 2017.

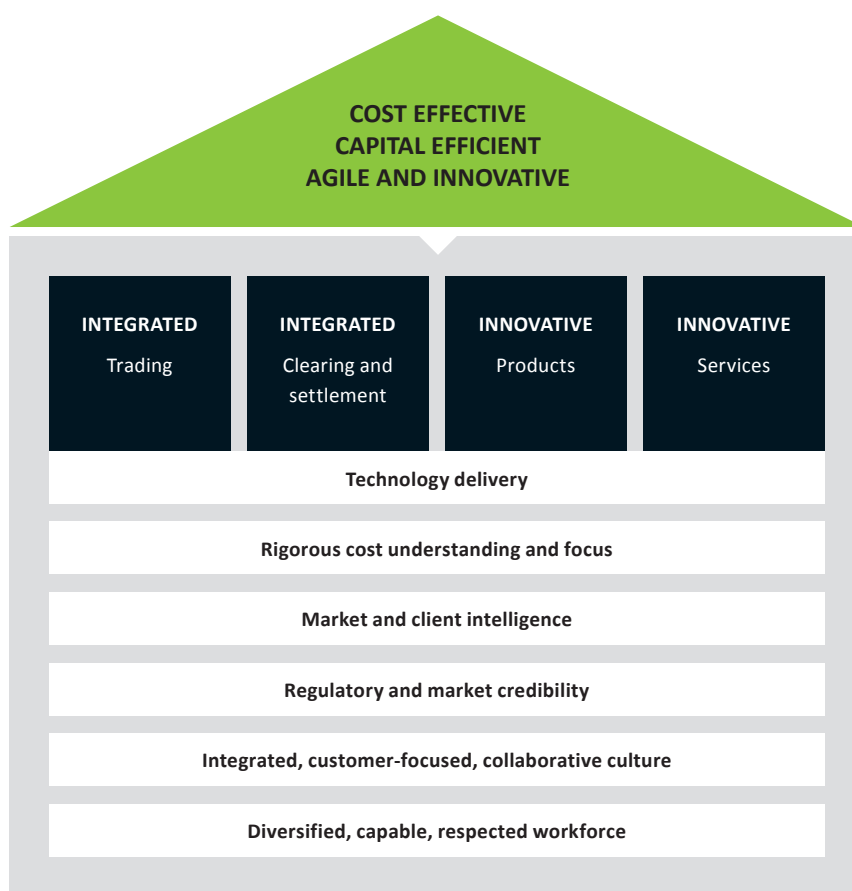
What success will look like

The JSE's strategic journey and its ongoing evolution are premised on the objective of building a resilient, multiproduct and world-class exchange that is well positioned for the future. The JSE has aimed to do this by achieving operational efficiencies and integration while facilitating growth and understanding that delivering an excellent client experience is critical in building a resilient organisation and creating value in the long-term.

2017 will be a transitional year, as the Company closes out on the current strategy and continues with those activities that will help it execute its core business. At the same time, the JSE will emphasise building competence in those areas of its value chain that show potential to enhance its competitive advantage into the future.

The JSE's high level priority areas for its post-2017 strategy will therefore be:

1. Enhancing its post-trade services (PTS) offerings, which will include expanding its clearing services and investigating ancillary services; and
2. Growing its information services business, including expanding its index and data businesses.



Key performance indicators 2016

In each of the four performance areas on the corporate scorecard, the JSE has recorded notable successes during the course of 2016. These are set out below in the corporate scorecard focus areas for 2016.

Financial performance



Objectives

Deliver financial performance in line with the annual Group budget approved by the Board (revenues and expenditures under control of management carry a higher weight than those not under management control).

Identify operating efficiencies that will result in a real reduction in costs at exchange level over the next two years.

These objectives are the product of the JSE's entire strategy.

How the JSE performed

Performance exceeded budget even after a number of strategic fee reductions (20% price reduction in BDA; zero fees for certain report-only trades).

Actual results for the 2016 year:

Above-target performance

- Group earnings after tax up 2% to R920 million (2015: R899 million).
- Operating expenditure rose 12% (2016: R1.41 billion, 2015: R1.26 billion).
- EBIT down 5% to R975 million (2015: R1 billion).
- Group remains strongly cash generative.

Identified operating and other cost reduction opportunities:

Slightly below-target performance as would have liked to achieve further cost savings

- Operating efficiencies achieved through restructuring part of the JSE business.
- Introduction of T+3 brought significant operational and market efficiencies.
- In IT, various cost savings have already been realised.
- Efficiencies have already been achieved in HR.

Objective for 2017

- Deliver financial performance in line with the annual Group budget approved by the Board (revenues and expenditures under control of management carry a higher weight than those not under management control).

Strategy and new business



Objectives

Implement new trading functionality in response to competition according to the timeline and budget agreed with the Board.

- To drive the JSE's strategy of building on innovative products and services.

Finalise short- and medium-term JSE Group capital requirements given regulatory and economic capital regulations and meet regulatory capital requirements during 2016.

- To drive the JSE's strategy of being capital efficient. Settle approach to Equity Market risk management in a manner that enables clear decisions on BDA and Equity Market surveillance.
- To drive the JSE's strategy to maintain regulatory and market credibility.

Identify new trading and data products or initiatives that will result in net new revenue in 2017.

- To drive the JSE's strategy of building on innovative products and services.

How the JSE performed

New trading functionality:

On-target performance

- Equity Market enhancements delivered on budget and according to original Integrated Trading and Clearing Project timeline.

JSE Group capital requirements:

On-target performance

- Group capital figures have been updated following the revised FMA regulations. The JSE holds sufficient capital to meet both the revised regulatory capital and its own economic capital requirements.

Approach to Equity Market risk management:

Slightly below-target performance

- Work to redefine the risk model for the clearing of cash equities in the South African market has progressed well and is being discussed with market participants, but has not been completed.

New trading and data products or initiatives:

On-target performance

- A number of trading and data products and initiatives have been launched or are under way (please see CEO review on page 26 for further detail).

Objectives for 2017

- Ensure that critical client facing vulnerabilities in the core services offered by the JSE are properly addressed.
- Maintain a market share in line with other global exchanges operating in a multi-exchange environment.
- Get Board sign-off on proposal regarding JSE Group black ownership scheme.
- Progress development of independent clearing house to a stage where approach, budget and timeline can be approved by the Board.
- Progress Equity Market risk management model to a stage where approach, budget and timeline can be approved by the Board.
- Demonstrate achieved new business, including growing index business.

Key performance indicators 2016

(continued)



Technology

Objectives

Progress T+3 phase 3 against the project timelines and budget agreed with the Board.

- To drive the JSE's strategy to maintain regulatory and market credibility.

Progress the Integrated Trading and Clearing Project against the project timelines and budget agreed with the Board.

- To drive the JSE's strategy to become an integrated trading, settlement and clearing environment.

Progress the implementation of JSE related changes to enable Strate's debt instrument solution (DIS), against the timelines agreed with Strate.

- To drive the JSE's strategy of building on innovative products and services.

How the JSE performed

T+3:



Highlight – significantly above-target performance

- Delivered on time and under budget with minimal market disruption.
- No rolled or failed trades, something for which no international precedent can be found.



Integrated Trading and Clearing Project:

On-target performance

- Project 1a (including the Equity Market enhancements) was implemented within the agreed timelines and budget.
- Project 1b and c (Equity and Currency Derivatives Market functionality and changes to related systems) continues apace.



JSE related changes to enable Strate's DIS:

On-target performance

- JSE development and internal testing progressed as planned on time in Q3 2016, although Strate's implementation timeline has moved to later in 2017 than anticipated.

Objectives for 2017

- Progress the Integrated Trading and Clearing Project against the project timelines and budget agreed with the Board.
- Deliver electronic trading platform for government bonds in line with project timelines agreed with the National Treasury and budget agreed with the Board.
- Progress the implementation of JSE related changes to enable Strate's debt instrument solution, against the timelines agreed with Strate.



Stakeholder focus

Objectives

Implement staff engagement strategies, including progressing the implementation of a new HR system in accordance with the timeline and costs agreed by Exco.

- To drive the JSE's strategy of having a diversified, capable, respected workforce.
- Retain strong relationships with regulatory bodies and the government and strengthen the JSE's role in business-government dialogue.
- To drive the JSE's strategy of maintaining regulatory and market credibility.

How the JSE performed

Staff:



On-target performance

- Identified and have started work on implementing the preferred HR system.
- Extensive work on staff engagement throughout JSE divisions.

Strong stakeholder relationships:



On-target performance

- Certain regulatory relationships are more stressed than desired but this is to be anticipated given the extensive nature of regulatory discussions in 2016.
- NPS survey showed some strains among parts of the JSE's client base, but provides a good basis for focused future engagement.
- SA Inc. engagement was a highlight (Detail in CEO review, on page 26).



Objectives for 2017

Staff:

- Implement strategies to improve staff transformation and to drive culture and behaviour that improves the manner in which clients experience the JSE.

Stakeholders:

- Improve JSE relationships with key regulators; build on and strengthen the JSE's role in facilitating dialogue between JSE clients and the relevant government and international stakeholders.

Remuneration

Philosophy

- Aims to promote a culture that supports innovation, enterprise and the execution of company strategy
- Aligns the interests of staff with attaining profitable (and sustainable) long-term growth for the benefit of all stakeholders
- Inherent in the philosophy is the linkage between pay and short- and long-term performance (both at an individual and at a corporate level)
- Transparent and understandable
- Translates into a model that comprises three core elements: fixed pay, annual incentives and long-term incentives

Shareholders

- Vote annually on the JSE's remuneration policy by way of a non-binding resolution
- Vote annually on the implementation of the JSE's remuneration policies and practices by way of a non-binding resolution (as from 2017)
- Vote every second year on non-executive directors' fees by way of special resolution
- At the AGM held in May 2016, 99.5% and 99.6% of votes cast were in favour of the JSE's remuneration policies and non-executive directors' fees respectively
- Shareholders are encouraged to engage with the JSE and provide feedback by interacting with the CEO, CFO and the Investor Relations team through the various available channels

REMUNERATION HIGHLIGHTS

Major responsibilities discharged by the Group HR Committee in 2016 included

- Reviewed and approved the proposed corporate and CEO scorecards for 2016.
- Assessed corporate and CEO performance for 2016 against the approved corporate and CEO scorecards and determined the overall quantum of the discretionary reward pool.
- Approved the individual remuneration for JSE executive directors and members of executive management, based on input from the JSE's independent remuneration advisors, PwC.
- Assessed corporate performance against LTIS 2010 vesting targets and determined the percentage of corporate performance shares that vest under Allocations 4 and 5 of the scheme.
- Reviewed and endorsed proposals from management and the JSE's independent remuneration advisors regarding emoluments for the JSE's non-executive directors, which proposed emoluments were considered and approved by shareholders at the annual general meeting in May 2016.
- Interrogated management's proposals regarding leadership continuity to ensure that JSE operations are supported by an appropriate pipeline of fresh talent.
- Reviewed the performance conditions, targets and LTIS 2010 allocation benchmarks against market best practice, based on input provided by the JSE's independent remuneration advisors, PwC.
- Tailored the specific targets for the ROE and EBIT growth financial metrics under LTIS 2010 to take account of the expected slowdown in economic activity in the medium-term.
- Implemented a share-based restraint arrangement for executive management and selected senior staff, as part of a targeted set of arrangements to retain talent within the JSE.

Forward-looking changes

The JSE's approach is to be proactive in ensuring that its remuneration policy is in line with leading practices. The forward looking changes planned for 2017 and which are set out below should further increase accountability, as well as the alignment between executive and shareholder interests.

- Minimum shareholding requirements – An emerging practice is for executives to hold a material percentage of their wealth in their Company's shares, excluding unvested shares held in any long-term incentive scheme. This ensures that executives share in the Company's risk and reward commensurate to fellow shareholders and provides a natural alignment with shareholders. During the course of 2016, the Group HR Committee approved a minimum shareholding requirement for executives, which policy applies as from January 2017.
- Long-term incentives – The existing long-term incentive scheme (LTIS 2010) is due to wind-down at end 2017, and the Group HR Committee will consider, during the course of the year, how best to incentivise senior management on a long-term basis. Proposals in this regard will be presented to shareholders as required.



The JSE's remuneration model is summarised below. Further information is available in the online remuneration report:

http://www.jsereporting.co.za/ar2016/download_pdf/remuneration-report-2016.pdf

Element	Type	Components	Purpose	Eligibility
Fixed pay (guaranteed)	<ul style="list-style-type: none"> Fixed Structured on a total cost-to-company basis Benchmarked against independent market data 	<ul style="list-style-type: none"> Basic salary, retirement and medical aid benefits 	<ul style="list-style-type: none"> Reflects scope and depth of role, experience required and level of responsibility 	<ul style="list-style-type: none"> All staff receive a guaranteed salary
Annual incentives	<ul style="list-style-type: none"> Variable Linked to performance delivered annually as measured against the corporate, CEO and staff member scorecards 	<ul style="list-style-type: none"> Deferred compensation bonus scheme 	<ul style="list-style-type: none"> Rewards personal performance Awards are capped at a percentage of fixed pay, the following maximum awards apply: <ul style="list-style-type: none"> CEO – 12 months (the CEO does not participate in the Deferred Compensation scheme but is eligible for a performance-based contractual bonus) Executives – 3.74 months Other – from 1.85 to 3.6 months 	<ul style="list-style-type: none"> Eligible staff are those in mid-level grades through to executive management
		<ul style="list-style-type: none"> Discretionary bonus scheme 	<ul style="list-style-type: none"> Rewards corporate performance Awards are fully discretionary and subject to the successful financial and strategic performance of the Company Awards under this scheme can range from 1.5 months to 16 months guaranteed pay at CEO level 	<ul style="list-style-type: none"> All staff eligible, but awarded only to the top-performing contributors to corporate results (40-50% of total staff complement)
		<ul style="list-style-type: none"> Bonus Shares 	<ul style="list-style-type: none"> Rewards corporate performance Seeks to build an ownership culture within JSE Annual discretionary award to all staff members (to date approximately 100 shares) Vesting over three years subject to continued employment at the JSE 	<ul style="list-style-type: none"> All staff eligible
		<ul style="list-style-type: none"> Company Performance Award 	<ul style="list-style-type: none"> Fully discretionary award of up to approximately one month's guaranteed pay, payable only in years where excellent corporate financial performance is achieved 	<ul style="list-style-type: none"> Recognises all staff not receiving discretionary bonuses for their contribution towards "keeping the JSE lights on" Excludes all staff who did not perform to the minimum standard
Long-term incentives	<ul style="list-style-type: none"> Variable Annual award of JSE equity Vesting over three- and four-year terms, linked to corporate performance over these vesting periods 	<ul style="list-style-type: none"> Performance share scheme (LTIS 2010) 	<ul style="list-style-type: none"> To incentivise the senior leadership group to deliver outstanding corporate performance and shareholder value creation over time 	<ul style="list-style-type: none"> Senior leadership group
	<ul style="list-style-type: none"> Annual cash award Vesting over two years 	<ul style="list-style-type: none"> Critical skills scheme 	<ul style="list-style-type: none"> To retain senior staff with scarce or critical skills (excluding LTIS 2010 participants) 	<ul style="list-style-type: none"> Senior staff with scarce or critical skills

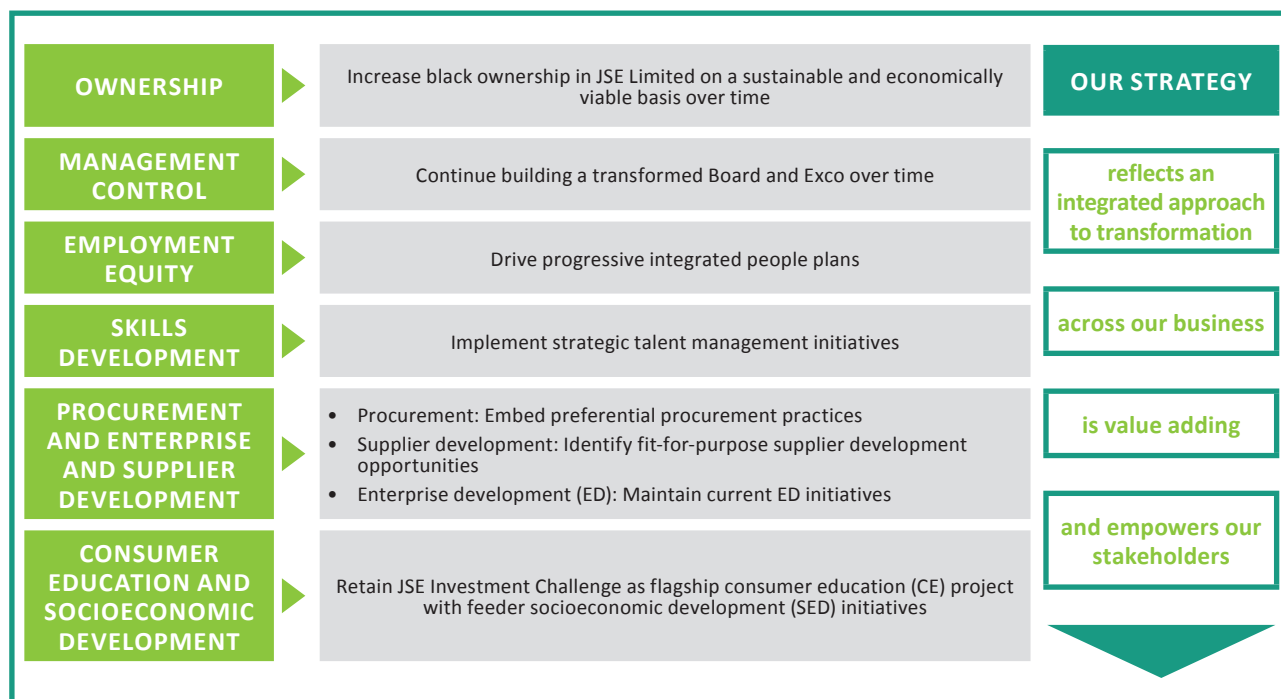
JSE's transformation journey

Commitment statement by JSE leadership

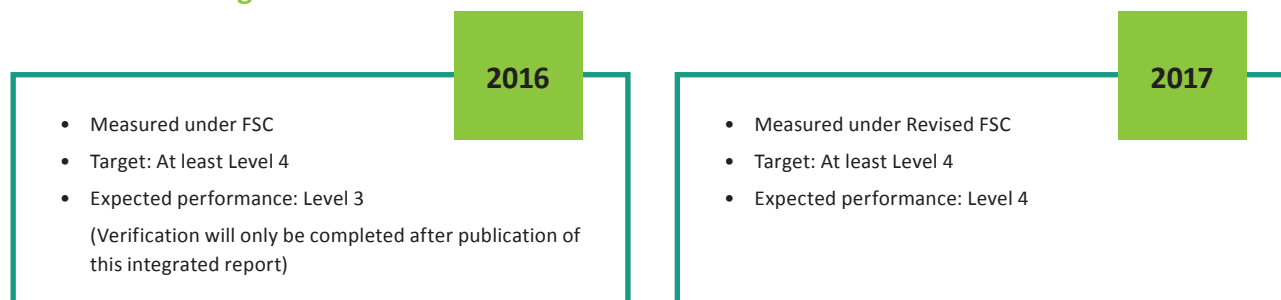


The Board believes that this mindset will ensure that the JSE's transformation efforts are focused on areas that will broaden the talent pool; develop people; improve stakeholder relationships, for instance through enterprise and supplier development; and support procurement initiatives.

Transformation strategy



FSC scorecard targets



The detailed scorecard as verified under the FSC will be available online after the completion of the verification audit, on or shortly after 31 March 2017.

JSE's transformation journey

(continued)

Transformation highlights during 2016

Q2

ENTERPRISE DEVELOPMENT

- Launched the JSE Black Stockbroker Enterprise Development Programme
- R6 million in financial support was provided to 14 qualifying JSE black stockbroking firms
- Enterprise development contributions were used:
 - To create jobs for black people
 - To pay for general learning and development courses
 - To retain black talent

Q4

MANAGEMENT & CONTROL Executive management

- Donald Khumalo was appointed director of Human Resources (black representation increased to 36%)

SKILLS DEVELOPMENT

- Three leadership programmes were launched at a total cost of R3.7m. Of the 77 individuals who participated, 61% were black and 32% were black female

SUPPLIER DEVELOPMENT

- Engaging with JSE suppliers to understand requirements for potential supplier development during the course of 2017

LEARNERS ABSORBED

- In 2016, on completion of the initial learnership:
 - six learners were offered permanent employment
 - the contracts of seven learners were extended by at least 12 months, thus affording them additional opportunities to gain valuable work experience
 - resulting in a 76% absorption rate
- Looking ahead, the 2017 JSE learnership programme:
 - will focus on generic management, but on a higher level (NQF level 6)
 - commits to providing at twelve-month fixed-term contract to learners with a possible further post-learnership employment for twelve months

Q3

MANAGEMENT & CONTROL Executive management

- Tshwantsho Matsena was appointed director of Trading and Market Services (black representation increased to 30%)

LEARNERSHIPS COMPLETED

- 14 of the 17 external learners completed their 12-month learnership programme

ADDITIONAL CONSUMER EDUCATION

- R875 000 was made available to the Hedge Fund Academy to enable 75 CFA (level 1) students to attend Saturday extra classes

CEO's review



We are very proud that we succeeded in moving our equity market to T+3 in a huge collaborative effort with our stakeholders.

Introduction

The year seems to have rushed past, gathering pace and intensity. Significant deliverables, like T+3 and the Integrated Trading and Clearing Project, remain in the wake of this turbulent 2016.

It was a year in which we performed well financially despite significant fee reductions; in which we made real progress in meeting competitive threats; in which we dealt with continued regulatory pressure; in which we maintained our focus on improving client and staff engagement; and in which we contributed to strengthening society and South Africa's business reputation through the CEO Initiative, SA Tomorrow and similar undertakings.

We have delivered well on our strategic objectives and are therefore well on the way to building a world class, completely integrated multi-product exchange.

We are very proud that we succeeded in moving our equity market to T+3 in a huge collaborative effort on time and under budget on 11 July. This took place with minimal market disruption after a massive nearly four-year effort across our stakeholder base, locally and internationally. We are proud that, even now, we have had no rolled or failed trades. This is something for which we can find no international precedent.

This report reviews the Group's corporate performance during 2016, assessing it against what we set out to achieve during the year. Our strategic vision appears on page 18.

Each year, we measure ourselves against a corporate scorecard (on page 19) that reflects a number of key performance indicators (KPIs) across four pillars, approved by the Board. Cumulatively, the KPI deliverables in the corporate scorecard are intended to ensure that we will achieve our strategic vision.



CEO's review

(continued)

The four KPI pillars are:

- financial performance;
- strategy and new business;
- technology; and
- stakeholder focus.

As we look ahead, we will need to balance short-term operational and strategic delivery with the need to navigate continued domestic socio-economic turbulence in order to position the JSE for future sustainable growth.

2017 is the final year of delivery of the JSE's 2017 vision, which is depicted in our strategic house (refer to page 18).

We have spent time this year looking ahead to our post-2017 strategy, to ensure that we get a head start on building competence in those areas of our value chain that we expect to best position the JSE as a valued and sustainable component of the South African ecosystem in the years ahead.

The priority areas for our post-2017 strategy are Post-Trade Services (PTS), where we intend to expand our clearing services; and Information Services (IS), where we plan to build our index and data businesses. We are currently sizing and prioritising the relevant possibilities in the PTS and IS areas. Our focus for 2017 therefore strikes a balance between closing out on the 2017 vision and the significant deliverables that are an integral part of that vision, and driving initiatives that we believe will be key to our post-2017 strategy.

Of course, 2016 also saw the first new exchange licences granted for a number of decades. South Africa is respected for its high regulatory standards in financial markets, and we believe that this plays a significant role in attracting investment. As more exchange licences are granted, we believe that it is critical to retain the country's regulatory standing in order to ensure market quality, to manage risk and to ensure investor protection; so all competitors should participate on a level playing field, bound by the same set of rules.

This is how regulators around the world have approached the introduction of more than one exchange or financial market infrastructure provider and we look forward to our regulator also taking the lead in the conversation on the public policy considerations arising from multiple financial market operators.

What sets the JSE apart as an exchange is that we offer investors access to a broad range of markets and also to many related service offerings: the equity market, the debt or bond market and the derivatives markets (including equity, commodity, and interest rate and currency derivatives). We do all of this using robust technology and world recognised regulatory standards to create market places that our clients can trust.

Financial review

We are pleased to report that the JSE Group earnings after tax grew by 2% to R920 million (2015: R899 million). This was achieved against the following backdrop:

- South Africa navigated a particularly noisy environment;
- key global markets experienced their own socio-economic upheavals;
- The JSE listed ABInBev SA/NV (the world's largest brewer), Hammerson plc (one of the UK's leading real estate investment trusts (REITs)) and seven AltX listings, among 18 new listings;
- The JSE moved to T+3 equity settlement with zero failed trades to date (something for which we know of no international precedent);
- we upgraded our equity trading engine and implemented new large order functionality to allow clients to execute large orders with lower market impact;
- we reduced certain BDA and equity trading fees considerably;
- liquidity on the local register grew to nearly 80%;
- real traction has been gained in implementing the electronic trading platform for government bonds;
- value traded grew in almost all the derivative markets;
- we launched new initiatives to support the development of our black brokers to facilitate the trading of BEE schemes;
- we invested R205 million in capex to enable us to deliver faster, more reliable systems to our clients; and
- new exchange licences have been granted in South Africa.

Operating revenue rose by 10% to R2.3 billion (2015: R2.1 billion). Group earnings before interest and tax (EBIT) decreased by 5% to R975 million (2015: R1 billion) following the impact of price reductions, forex movement and cost

growth. Although EBIT declined, the positive contribution from higher finance income and a higher contribution from Strate (the Group's equity accounted investee) supported net profit after tax (NPAT) growth for 2016.

Earnings per share (EPS) and headline earnings per share (HEPS) were at 1 074.8 cents (up 2%) and 1 063.2 cents (up 4%) respectively.

Revenue

Operating revenue grew despite higher year-on-year fee reductions of R34 million (2015: R18 million) in Back-Office Services (BDA) and the impact of the R30 million (2015: R0) elimination of charges for certain report-only trades in 2016. The following contributions to operating revenue are worth noting:

- The Primary Market recorded a 2% increase in revenue to R164 million (2015: R161 million) as a result of equity listing fees being brought in line with global peers;
- Equity Market billable value traded grew by 18%, contributing to an 11% increase in cash equities trading revenue to R555 million (2015: R501 million). The revenue reflected is net of the fees eliminated for certain report-only trades (R30 million);
- BDA revenue grew by 2% to R316 million (2015: R311 million) owing to increased number of transactions. The revenue reflected is net of fee reductions of R34 million;
- The Equity Derivatives Market value traded increased by 4%, resulting in a 2% increase in revenue to R177 million (2015: R173 million);
- Currency Derivatives Market revenue increased by 12% to R38 million (2015: R34 million) owing to the increase in the number of contracts traded (up 7%);
- Interest Rate Market bond nominal value traded increased by 22%, resulting in a 20% increase in revenue to R60 million (2015: R50 million). This was on the back of two SARB Monetary Policy Committee repo rate hikes in 2016 and continued expectations that the US Federal Reserve would hike interest rates;
- Commodity derivatives revenue declined by 4% to R70 million (2015: R73 million) owing to a 2% drop in commodity derivatives contracts. 2016 was a tough year for the grains sector, as the drought significantly reduced the available

deliverable supply of grains, negatively impacting trading volumes;

- Post-Trade Services grew by 16% to R413 million (2015: R357 million) following the increase in equity billable value traded; and
- Information Services, which includes Market Data, grew revenue by 22% to R298 million (2015: R245 million) because of new business, new clients, new products, colocation and the impact of forex gains.

Other income

Year-on-year Group revenue was negatively impacted by a R14 million forex loss (2015: R83 million forex gain) on foreign denominated assets.

Operating expenditure

The Group's total operating expenses increased by 12% to R1.4 billion (2015: R1.3 billion) following higher technology investment, staff costs and expenses to support our ecosystem.

Personnel costs increased by 14% (R69 million) to R565 million (2015: R496 million).

Technology costs increased by 20% or R48 million to R283 million (2015: R235 million) as we maintained our technology investments to ensure robust product and service delivery to our clients.

General expenses increased by 9% to R463 million (2015: R425 million).

Depreciation was largely flat at R99 million (2015: R100 million).

The JSE incurred a number of new and one-off costs during 2016:

- Personnel costs: In response to competition, the JSE incurred new costs of R4 million in the long-term incentive scheme (LTIS), provided in recognition of key senior personnel and executives who left the Company as "good leavers" as defined in terms of the scheme. In addition to this, retention payments of R9 million (2015: R0 million) were made to key personnel.
- General expenses: The JSE incurred a new cost of R6 million in the form of an enterprise development investment to support the sustainable development of black brokers. The Company also made one-off payments totalling R14.6 million, consisting of a R9.6 million Strate settlement and a R5 million contribution

to the SA SME Fund, which was set up by the CEO Initiative to focus on stimulating small and medium businesses.

In response to the increased growth in personnel costs, headcount has been frozen since September 2016 and a drive to reduce costs in 2017 is a key performance area for management.

Technology costs increased, largely owing to:

- Business as usual (BAU) spend, which increased by 12% to R244 million (2015: R219 million). BAU spend includes software maintenance and licences, external services, contractors, hardware maintenance and support and connectivity.
- Project costs, which increased by R23 million to R39 million (2015: R16 million). Project costs include contractors, new trading infrastructure and specialised infrastructure skills to support the Integrated Trading and Clearing (ITaC) Project.

The JSE is conducting a total cost optimisation (TCO) study in order to identify technology cost reduction opportunities.

Robust balance sheet

We generated R976 million (2015: R888 million) and ended the year with a robust balance sheet, including R2 billion (2015: R1.9 billion) in cash, owing to strong working capital management.

We invested R205 million in capex to enable us to deliver more reliable systems.

The Board believes that the JSE is appropriately capitalised, given the nature of the risks we currently face and given the uncertain nature of future regulatory capital requirements.

Declaration of ordinary dividend

The Board has decided to declare an ordinary dividend for the year ended December 2016 at 560 cents per ordinary share (2015: 520 cents ordinary; 105 cents special). We aim for growth in the nominal value of the ordinary dividend over time.

Strategic initiatives and new business

As you will see throughout this CEO Review, there is always more to do to provide easier and broader access for our clients: investing in faster and more secure technology (as we are doing in replacing our derivatives

trading and clearing technology); introducing new instruments and products for investors and members (as we did in implementing the Equity Market enhancements in September 2016); ensuring regulation is both appropriate and enabling (as one can see in the new approach taken in King IV); and bringing down costs (as we did in reducing BDA costs to clients by 20% and zeroing certain fees for reported trades).

New trading functionality

In an initiative to keep up with market development and also to meet market and client needs and requirements, the following enhancements were introduced:

- A closing price cross (CPX) session for trading segments ZA02, ZA03 and ZA06.
- The ability to perform central order book cross trades.
- Enhancements to the hidden order functionality through pegged hidden orders.
- An end-of-day volume auction that will introduce the non-visible uncrossing of large orders after the CPX session.

The Equity Market enhancements were delivered on budget and on time as part of the ITaC Project.

The JSE will continue to promote and refine the Equity Market enhancements.

Equity Market risk management

The work to redefine the risk model for the clearing of cash equities in the South African market has progressed well. This redefinition is necessary because the current risk management model in the cash equity market may not provide sufficient protection in a default event (in extreme but plausible conditions) and is not aligned to international best practice for exchange-traded equities.

The quantitative and qualitative design aspects are nearing completion and consultation has commenced with market participants. We anticipate sign-off of the proposed conceptual model by the second quarter of 2017.

Other new trading and information products or initiatives

We have identified new trading and information products or initiatives that will net new revenue in 2017.

CEO's review

(continued)

A number of new products and initiatives are also in the pipeline for 2017:

- In the trading space:
 - Extended trading hours are being considered in at least two of our markets – cash equities and commodities.
- In the product space:
 - Cash settled contracts include lamb carcass, merino wool, and feeder calf contracts.
 - Physically deliverable contracts include a diesel contract.
 - Zambian commodity contracts, with trading and clearing in US dollars, are in the pipeline.
 - We will continue to explore opportunities in new products like carbon credits, weather derivatives and other energy products.
 - Listed project bonds have gained traction under the workgroup co-chaired by the JSE and the National Treasury.
 - We will continue exploring alternate margining methodologies in the Interest Rate Derivative Market to offer a more optimal offset.
 - We will be launching FTSE/JSE and FTSE Russell factor indices.
 - Capabilities are being provided to allow entities to test their algorithms against tick-by-tick data.
 - There will be a specific focus on broadening the index product range across all asset classes.
 - We will progress the implementation of a ticker plant to ensure responsiveness to client demands for data based on their own specific business needs.
- Currently the JSE Settlement Authority acts as lender of last resort for cash equities settlement. The JSE is considering acting as an intermediary for securities lending and borrowing (SLB) trade, by launching a commercial lending desk and providing an order matching service through an electronic matching platform.
- The JSE will continue to make progress in the fields of risk management and valuations in order to promote activity in the market.

Revised JSE Group capital requirements

Although the draft capital regulations applicable to financial market infrastructures have not yet been finalised, we have a good understanding of the requirements as they are currently drafted and as they relate to the JSE and JSE Clear. These provide that:

- The minimum capital for central counterparties (CCPs) (like JSE Clear Ltd) has been reduced from R100 million to R50 million;
- Capital is required to be held for cover 1 rather than cover 2.
 - Cover 1 is a term used when a CCP ensures it has enough pre-funded resources to cover losses from the default of its largest clearing member and its affiliates under stressed conditions. (Normally, and in the case of JSE Clear, these resources consist of an initial margin and a default fund).
 - Cover 2 is a term used when a CCP ensures it has enough prefunded resources to cover losses from the default of the two largest clearing members and their affiliates under stressed conditions. This is required by IOSCO for a CCP that is systemically important in multiple jurisdictions or which clears products with complex characteristics, including those with jump-to-default-like pay-offs.
- Business risk capital is required to be held for three rather than six months.

Although we hold sufficient capital to meet both the likely regulatory and the likely economic capital requirements once the regulations are finalised, in the Exchange and in the CCP, the Board decided to keep the capital at a Group level until the revised Financial Markets Act (FMA) regulations come into force. We continue to monitor those requirements as we manage the business.

Broad-based transformation

We continue to make good progress in our integrated transformation strategy, designed to address the impact of the Revised Financial Sector Code (RFSC).

In May 2016, the JSE launched the JSE Black Stockbroker Enterprise Development Programme to provide financial assistance to emerging black stockbroking firms to support

them in the sustainable growth of their businesses. Through the programme, the JSE pays cash disbursements to black brokers quarterly. The disbursements equal 33% of the equity trading and membership fees the brokers paid to the JSE during that quarter.

During 2016, the JSE Board and management agreed to progress the discussion around the design and implementation of a broad-based ownership transaction that enhances the profile of the JSE's Empowerment Board, meets the core RFSC ownership requirements and is affordable to the JSE and existing shareholders.

Our progress is detailed on page 23 (JSE's transformation journey).

Clearing over-the-counter (OTC) products

As international and local regulators continue to apply pressure for central clearing of over-the-counter (OTC) derivatives, the JSE is working to find effective ways to meet both regulatory and client needs. In view of the increasing regulatory demands and other developments affecting South African market participants, the JSE is investigating the futurisation of OTC trading through innovative exchange-traded derivative (ETD) products and services that would give clients an alternative to trading OTC while still achieving the same economic outcomes, with lower capital costs. An example of this is the ERIS licensed interest rate swap future that was launched in 2015.

Although we believe there should be demand for a locally operated CCP for OTC products, we have not been able to gain sufficient client support for this to date.

Technology delivery Integrated Trading and Clearing Project

We need to provide all our markets with robust technology that can both provide our clients with the functionality they need and can handle the growth we expect.

With this in mind, we continue with our multi-year ITaC Project initiative to migrate all trading and clearing on our derivatives markets, commencing with equity and currency derivatives, to the technology used for our new Equity Market.

The ITaC Project is extensive and is the most significant programme of work the JSE has undertaken in recent years.

Project 1a was successfully implemented in September 2016. This deployment was a combination of an upgrade to the core trading engine infrastructure ahead of the derivatives migration onto the trading platform, and functionality enhancements to the Equity Market.

We are making progress on migrating the equity and currencies derivatives products.

Electronic trading platform (ETP) for government bonds

The development of the ETP for government bonds in conjunction with the National Treasury remains an important strategic initiative for the JSE.

The choice of the technology for the ETP for government bonds and the business model that would best enable that technology to be cost-effectively operated have been agreed and the technology service provider have been appointed. The work to deliver the ETP is well on track, with all stakeholders deeply engaged. While there is still much work to do, the stakeholders are working hard to achieve the goal of implementing the project in the third quarter of 2017.

Strate's debt instrument solution (DIS)

Strate is currently updating its debt instrument system, which is over twenty years old. Strate initiated the debt instrument solution (DIS) project to replace the current system with a new system. As the JSE is the authorised exchange for cash bonds, the JSE is required to update its systems to integrate to Strate's new system.

JSE development and internal testing, which was a prerequisite for the start of Strate's market free testing, was concluded on time in the third quarter of 2016. Planning activities are under way with Strate and the market participants to ensure the successful execution of the rest of the integrated testing phase. Overall, the JSE is on track for Strate's envisaged go-live in the first half of 2017.

Stakeholder focus

We have identified the preferred human resources (HR) system to implement. This will bring significant efficiencies to our HR team. The new software is a fully web enabled and unified human capital management solution. Once implemented, it will provide immediate access to accurate, up-to-date information on all employees and organisational aspects. It will also enable the automation of all our

critical reporting requirements, which will reduce manual errors and improve reporting times. The project is expected to commence in November 2016, will be implemented in three phases and will be completed during 2017.

We have done extensive work on staff engagement throughout the JSE's divisions:

- All envisaged restraints are in place.
- We have addressed the issues coming out of our 2015 staff engagement survey, including staff turnover and leave and overtime concerns. The insights from the survey have helped each division to develop action plans aimed at ensuring that staff remain engaged and are able to function optimally. We aim to conduct a further engagement survey in 2017.

A minimum shareholding requirement policy has also been agreed with the Human Resources, Social and Ethics (HRSE) Committee – please refer to our online remuneration report available at http://www.jsereporting.co.za/or2016/download_pdf/remuneration-report-2016.pdf

Stakeholder relationships

The JSE has a central and crucial role to play in corporate South Africa, both in operating a world-class environment that stakeholders can trust, and in using its voice to enable and support a robust and informed discourse at critical moments for our country.

On the regulatory front, our extensive engagements continue.

To promote a healthy South African business climate and reputation, we hosted the fourth, again well attended and very well received, annual SA Tomorrow conference in New York with UBS, Standard Bank, the National Treasury and Old Mutual (see further detail in the chairman's letter, on page 7). We have also been very involved in the CEO Initiative and, with other CEOs, in meeting the various ratings agencies to position the noisy democracy that is South Africa.

We maintain the JSE's engagement with our African exchange counterparts through the Committee of SADC Stock Exchanges (CoSSE) and the African Stock Exchanges Association (ASEA). The director of Marketing and Corporate Affairs has been appointed as chairman of CoSSE, which provides an opportunity to influence the growth of the capital markets with the SADC

capital markets regulators (the Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA)), ministers of finance and governors. The JSE holds an exco seat on ASEA.

All of these engagements contribute to our positioning as a South African organisation that, beyond its commercial focus, is making a meaningful contribution to South Africa and the growth of African capital markets.

Prospects

Despite the difficult economic environment in which, for the first time, we expect to see local licensed exchange competitors, we are clear about our 2017 priorities and hence the issues that we need to tackle to achieve our strategy and grow the business sustainably.

The JSE is a largely fixed-cost business. Therefore we will maintain our focus on costs, while making the necessary capital investments in areas that will enhance the Group's sustainability and diversify revenue.



Our revenues are variable and largely driven by activity on the various markets that we operate. For this reason, the Board makes no projections regarding the Group's financial performance in 2017.

Appreciation

This has been a challenging year, but the threats and opportunities we encountered in 2016 have renewed our focus and energised our business. I believe this focus and energy will be critical to establishing our long-term sustainability.

I would like to thank all our stakeholders for their interaction with me and with the JSE team. We have worked hard to build a more collaborative relationship and I look forward to continuing our work in this regard.

As we tackle 2017, I would like to thank all my colleagues at the JSE. It has been a privilege to lead this organisation at this time in its history. I look forward to the next stage of our journey.

Nicky Newton-King
Chief Executive Officer

Operations

The JSE's drive to build a resilient and sustainable business has many elements. This section focuses on the revenue elements in the business. This is therefore not a complete operating view; more detail on JSE initiatives can be found throughout the integrated report and in the CEO review. 2017 products, services and new initiatives are also detailed in the CEO review.

Capital Markets

Division responsibilities

The Primary Market:

- Sources issuers to list on the JSE's Equity and Interest Rate markets.
- Also supports potential and existing issuers.

The Secondary Market:

- Provides trading and ancillary trading and customer support services in the Equities, Bonds and Financial Derivatives, and Commodity Derivatives markets.

The Equity Market provides trading in equities. Products include:

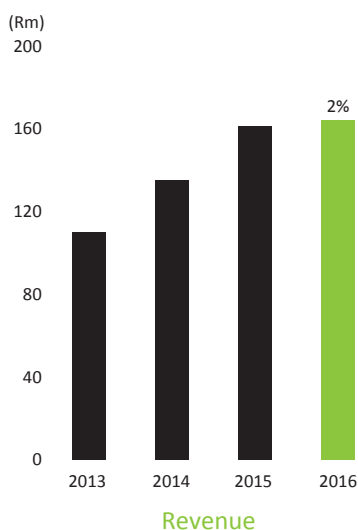
- Primary and dual-listed ordinary shares, preference shares, depository receipts, property entities like real estate investment trusts (REITs), special purpose acquisition companies (SPACs), warrants, structured products and exchange-traded products (ETFs and ETNs).

The Financial Derivatives Market and the Bond Market provide secondary market access to financial derivatives and to debt instruments.

- The Financial Derivatives Market's products include:
 - Index and single-stock futures and options, can-do futures and options, exchange-traded contracts for difference (CFDs) and other sophisticated derivative instruments in equities, currencies and interest rate asset classes.

- The Interest Rate Market's products include:
 - Bonds, floating rate notes, commercial paper and hybrid instruments and interest rate derivatives.
- The Commodity Derivatives Market's products include:
 - A range of cash-settled rand-denominated derivatives on various local and international benchmark commodities, including softs, energy and various metals, under license from the CME Group, as well as a beef carcass contract.

Primary Market



How money is made

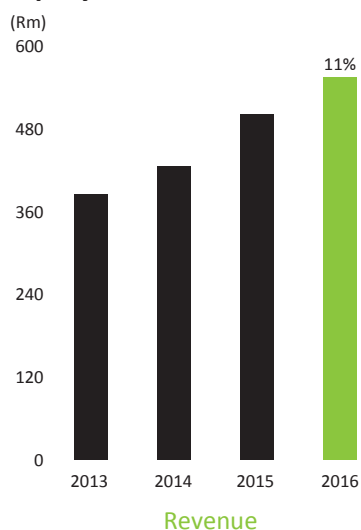
Fees for new issuances, annual listing fees for existing issuers, as well as documentation fees for dealing with specific corporate actions that companies undertake during the year generate revenue.

In 2016, the JSE aligned its empowerment segment listing fees to those of AltX and agreed to waive the documentation fees in respect of its debt instruments.

2016 in review

- Revenue increased by 2% to R164 million (2015: R161 million).
- Percentage of total operating revenue (excluding *Strate ad valorem* fees): 7%.
- 18 new company listings, two new ETFs, 1 ETN, 203 warrants and 77 structured products (2015: 23 listings; 2 ETFs; 1 ETN; 264 warrants; 49 structured products).
- New: 5 REITs, 1 SPAC and two fast-track listings.
- Seven new listings on AltX.
- Delistings: 25 (2015: 19).
- 858 new bonds issued (2015: 942). Total nominal value of listed bonds was R27 trillion (2015: R23 trillion).

Secondary Market Equity Market



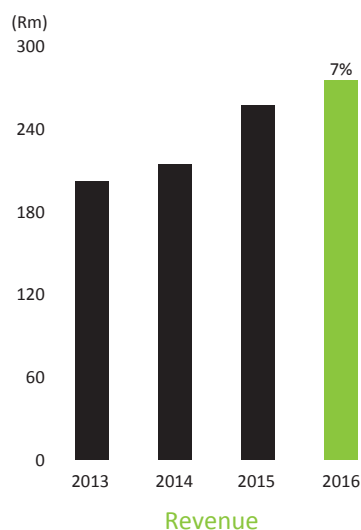
How money is made

- Charges on equity transactions, based on the value of each transaction leg with a 0.0053% value-based charge and a maximum fee per transaction of R335 in 2016, are the main revenue earners. The new Equity Market enhancement (EME) functionality charges a 0.0053% value-based charge with no cap.
- Zeroed the fees for certain report-only option trades.

2016 in review

- Revenue rose by 11% to R555 million (2015: R501 million).
- Percentage of total revenue (excluding Strate *ad valorem* fees): 26%.
- Billable value traded increased by 18%.
- The number of transactions year-on-year rose by 15% to 71 million (2015: 62 million).
- Colocation – 31% of overall value traded.
- Implemented Integrated Trading and Clearing Project Equity Market enhancements. Enhanced trade functionality on the new trading platform includes central order book cross, pegged orders and end-of-day (EOD) volume auctions.

Bonds and Financial Derivatives Markets



How money is made

- The use of a range of fee models, either based on the contracts traded or on the market value of transactions, generates revenue.
- In order to promote on-screen trading, the fee associated with on-screen trading is normally lower than that for reported trades.
 - Certain markets provide value-based incentives in their fees model.
 - For markets that require the support of market makers, the fee model may also include specific incentives for this activity.
- Certain fee models were reviewed during 2016.
 - Fee models on bond future and option products were changed.
 - Aligned market principles with the implementation of the new Equity Derivative Market fee model in August 2016.
 - Warrants and special products.

2016 review

- Total divisional revenue rose by 7% to R275 million (2015: R257 million).
- Percentage of total revenue (excluding Strate *ad valorem* fees): 13%.

Equity Derivatives Market

- Equity derivatives revenue rose by 2% to R177 million (2015: R173 million).
- Value traded rose to R6.9 trillion (2015: R6.6 trillion), a 4% increase.
- The number of contracts traded was down by 5% to 427 million (2015: 448 million).

Currency Derivatives Market

- Currency derivatives revenue rose by 12% to R38 million (2015: R34 million).
- The number of contracts traded increased by 7% year-on-year to 48.3 million (2015: 45.16 million).
- Open interest as at 31 December 2016 also decreased by 30% to 2.33 million contracts (2015: 3.33 million contracts).

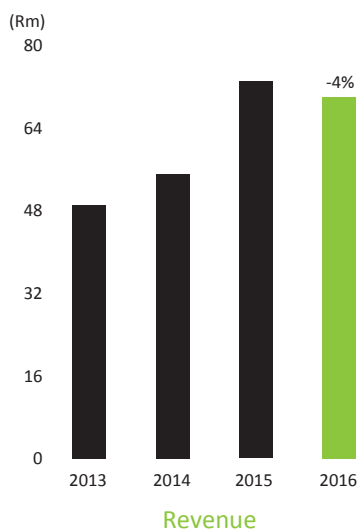
Interest Rate Market

- Interest Rate Cash Market revenue rose by 20% to R60 million (2015: R50 million).
- Bond Market volumes rose by 22% to a nominal value of R27 trillion in 2016 (2015: R23 trillion).
- The number of interest rate derivatives contracts traded rose by 66% to 9.4 million (2015: 5.7 million).
- Open interest in the Interest Rate Derivatives Market as at 31 December 2016 rose by 20% to 838 985 contracts from 696 991 contracts in 2015.
- Started developing the ETP for government bonds.
- Robust growth of the Interest Rate Futures Market in 2016, and in particular, the Bond Futures Market.
- First trade of the ERIS interest rate swap futures contract recorded in September 2016.

Operations

(continued)

Commodity Derivatives Market



How money is made

- A fee per contract traded, based on the underlying instrument, generates revenue.
- A fee collected per ton of grain physically delivered also contributes to revenue.

2016 in review

- Revenue decreased by 4% to R70 million (2015: R73 million).
- Percentage of total revenue (excluding Strate *ad valorem* fees): 3%.
- This was a tough year for the grains sector, as the drought significantly reduced the available deliverable supply of this commodity, which impacted trading volumes.
- The uncertainty regarding the wheat import tariff published by the National Treasury also negatively impacted trading volumes for the third most liquid grain contract, with the result that volume traded was down by 2%.

Trading and Market Services (TMS)

Division responsibilities

- TMS includes Trading Services, the Client Service Centre and Business Continuity.

How money is made

- The trading application programme interface (API) service.
- The customer test service.
- The London point of presence (PoP).

2016 in review

- The equities trading engine upgrade was completed.
- New Equity Market enhancements were implemented.
- The upgrade to the commodities derivatives platform was implemented in November.
- TMS conducted a successful client-facing resilience test as part of the business continuity plan.
- TMS has initiated a process to review its business continuity approach.

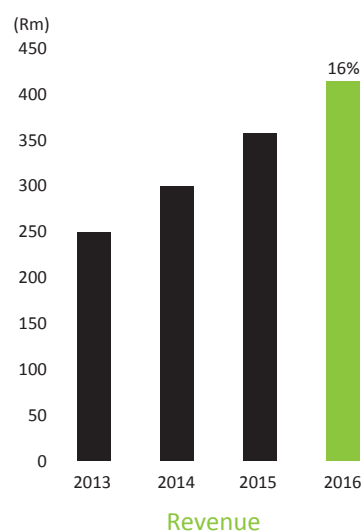
Post-Trade Services (PTS)

Division responsibilities

- PTS is responsible for risk management, clearing and settlement assurance of the markets operated by the JSE. The JSE acts as the settlement authority for the South African Exchange-Traded Equities Market and as the clearing house for the Exchange-Traded Derivatives Market (via the central counterparty (CCP), JSE Clear).
- PTS is responsible for managing key risks—particularly counterparty credit risk, credit contingent market risk and liquidity risk. It does so through a comprehensive risk management framework, and by providing accurate measurement, control, and appropriate protection from all identifiable risks arising in the markets cleared.
- PTS is also responsible for the management of the Broker Deal Accounting (BDA) back-office services for the Equities Market. BDA provides the JSE with world-class surveillance capabilities, allowing the JSE to see

certain transactions to client level in real time. Equity members are mandated to use the system. The system keeps the securities records and books of individual broking firms and of their clients. It also enables the Exchange to provide settlement assurance for central order book equity transactions.

Equity Clearing and Settlement

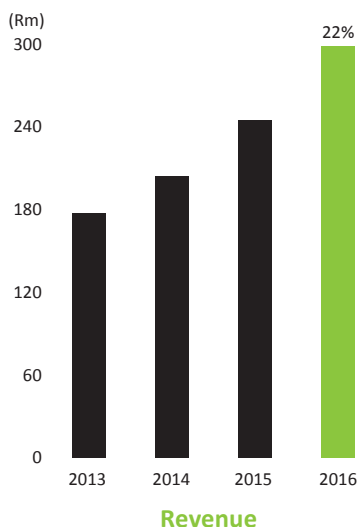


How money is made

- Risk management revenue reflects only the value-based Equity Market clearing and settlement fees, which were set at 0.0036, with a maximum fee per transaction leg of R145, for 2016.
- Although the division risk manages the clearing of derivative transactions, the JSE does not bill separately for this service. Derivative transactions are billed using a per contract fee, which is accounted for in the Capital Markets division.
- Revenues for back-office services are somewhat linked to the number of equity transactions that take place on the cash Equity Market. BDA fees are mostly charged on a per BDA transaction basis, with connectivity, subscription and dissemination fees being charged differently. The JSE gave a 20% reduction in BDA fees in September and a further 7.8% reduction in January 2017.

2016 in review

- Revenue rose by 16% to R413 million (2015: R357 million).
- Percentage of total revenue (excluding *Strate ad valorem* fees): 19%.
- A significant milestone was achieved with the successful finalisation of a three-year project to reduce the equities market settlement cycle from a T+5 cycle to a T+3 cycle. The JSE has maintained a zero failed trade record.
- JSE Clear achieved recognition of its equivalency to CCPs in the European Union from the European Securities and Markets Authority (ESMA). ESMA recognition strengthens the JSE's global credibility and fulfils a key requirement for multinational clearing members operating in the local market.

Information Services (includes Market Data)**Division responsibilities**

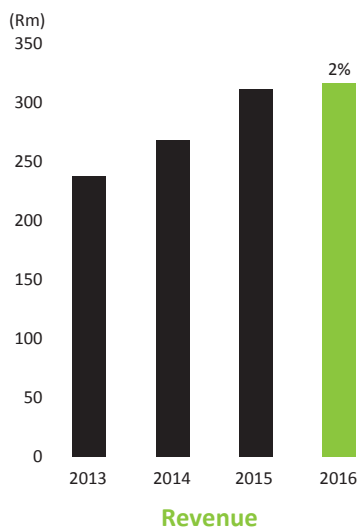
The JSE formed the Information Services (IS) division in 2016. This comprises market data, colocation, reference data, corporate actions, client data, indices, valuations, business intelligence and statistics.

How money is made

- IS is responsible for the promotion, licencing and sale of all JSE information products and services across all JSE markets.
- Revenue is generated by selling data products across all of the JSE's markets and licencing the distribution and usage of the data products. Licencing fees include end user terminal fees, non-display usage fees and passively tracking products on indices.
- Rental is charged for racks in the colocation facility.

2016 in review

- Revenue rose by 22% to R298 million (2015: R245 million).
- Percentage of total revenue (excluding *Strate ad valorem* fees): 14%.
- 44 new clients have signed up for Market Data products: (29 local clients and 15 international clients).
- The number of passive tracking products linked to JSE indices increased by 10 in 2016.
- The number of terminals accessing JSE data increased by 6.59%.
- Launched indices and indices data products in 2016.
- Real-time equity and commodity derivatives data has been made available through JSE London PoP from February 2016.

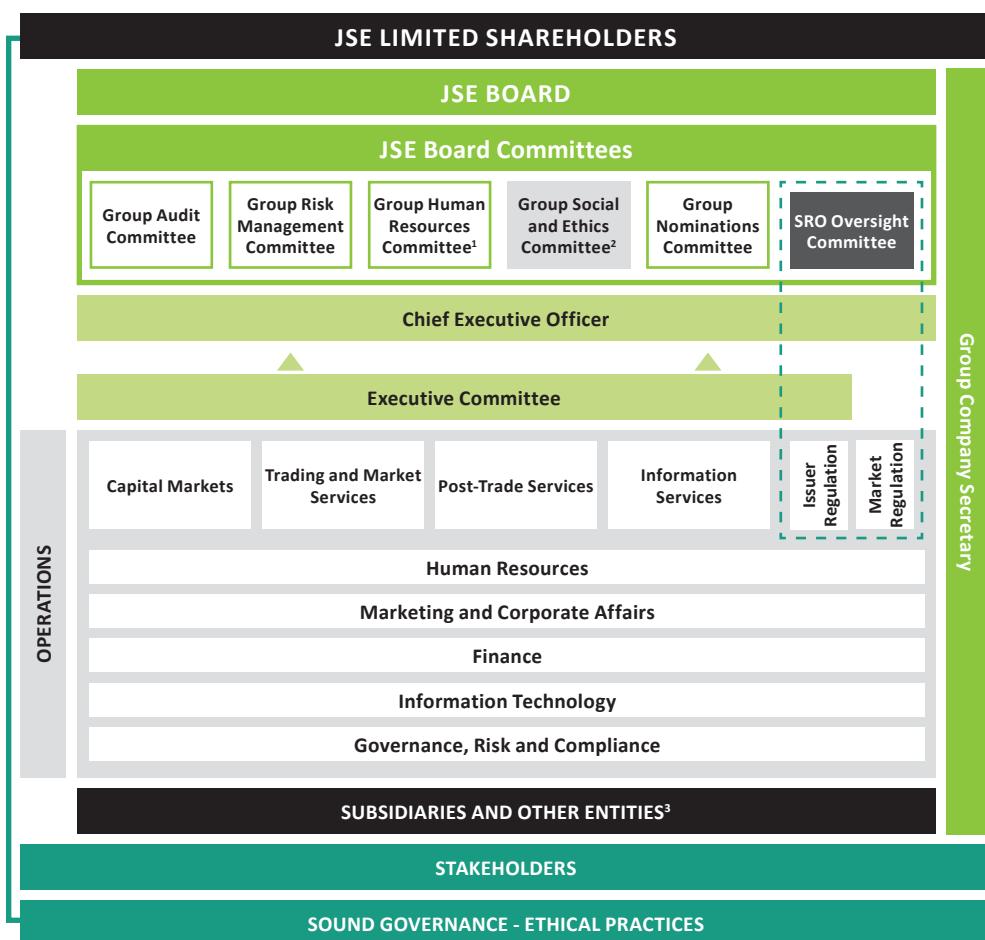
Back-Office Services (BDA)**2016 in review**

- Revenue rose by 2% to R316 million (2015: R311 million).
- Percentage of total revenue (excluding *Strate ad valorem* fees): 14%.
- Net R34 million impact owing to a 20% fee reduction.

Governance, risk and compliance

Governance

- In 2016, the Board continued to discharge its fiduciary duties, acting in good faith, with due diligence and care, and in the best interests of the JSE and all its stakeholders. It does this within the context of the Companies Act, 71 of 2008, the JSE’s memorandum of incorporation, the JSE Listings Requirements and the principles set out in the King Code on Corporate Governance.
- Through these practices, the directors are able to contribute to the future sustainability of the Company; enhance long-term shareholder value creation and ensure that other key stakeholders, such as clients, employees, regulators and suppliers, benefit from ongoing success.
- The JSE’s philosophy of Board leadership is premised on the principle that the running of the Board and the executive responsibility for the running of the Exchange’s business are two separate and distinct tasks. Consistent with this approach, the roles of Chairman and CEO are separate, with specific responsibilities divided between them to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making, nor can dominate the Board’s decisions. Only decisions of the Board acting as a unitary body are binding on the CEO.
- The Board retains full and effective control over all the companies and entities in the Group and assumes overall responsibility for the JSE’s compliance with the applicable legislation and governance provisions.



¹For 2016, the committee was referred to as the Human Resources, Social and Ethics Committee and discharged the social and ethics mandate set out in the Companies Act, 71 of 2008.

²Committee established in January 2017.

³Refer to legal Group structure at http://www.jsereporting.co.za/ar2016/download_pdf/iar_2016.pdf



Application of the King Code on Corporate Governance

The JSE Board regards corporate governance as fundamentally important to the achievement of the JSE's mission, its financial objectives and the fulfilment of its corporate responsibilities. The Board remains committed to applying the core governance principles set out in the King Code, which prescribe accountability, integrity, fairness and transparency in all of the JSE's business dealings with its stakeholders.

For the year under review, the directors confirm that the Company applied the principles as set out in the King III Code. Where the Company departs from the King III principles for practical or business reasons, this is explained in the detailed narrative statement on King III compliance, to be found at http://www.jsereporting.co.za/ar2016/download_pdf/invested-report-2016.pdf. This governance, risk and compliance report sets out the key governance principles adopted by the directors in governing the Company.

The process for ensuring compliance with the King IV Code, which launched in November 2016 and is applicable from April 2017, has commenced. To the extent that specific principles and recommended practices have already been adopted, these are noted in this report.

Composition of the Board

Composition		Tenure (Years)			Diversity		
		0-5	6-9	>9	% Female	% Black	% Black female
Non-executive directors	8 independent	Dr SP Kana Dr M Jordaan Dr M Matooane NP Mnxasana	N Nyembezi-Heita	AD Botha AM Mazwai NG Payne	33%	56%	33%
	1 non-independent		DM Lawrence				
Executive directors	2 executives	A Takoordeen (CFO)		NF Newton-King (CEO)	100%	50%	50%
TOTAL	11	5	2	4	45%	55%	36%

Average non-executive director tenure	6.8 years	3 years	8 years	11 years
Average age (all directors)	52.8 years	49.2 years	60.5 years	53.5 years

The Board embraces diversity – in the composition of the Board, the executive team, and throughout the Company – as a cornerstone of a progressive organisation and as a moral and strategic business imperative. Board diversity, in particular, is a critical component for sustaining the competitive advantage of the Company. Building a board relevant to the challenges faced by the Company requires a mix of technical and behavioural competencies across a range of disciplines (knowledge, skills, experience and attributes) together with diversity in the age, race and gender profile of Board members. This approach is intended to mitigate the potential for cultural biases and dynamics and “group thinking”.

At a policy level the objective is to maintain, where feasible, broad parity in the gender balance of the Board, and to maintain and improve the current race diversity of the Board. The Group Nominations Committee is guided by these policy imperatives when preparing recommendations for new appointees to the Board. This approach also extends to the search process and the specific talent pools and networks that are utilised to identify candidates from diverse backgrounds.

Since 2014 the Board has maintained a 50/50 gender representation. With the resignation of Dr Leila Fourie during the course of 2016, the Board now comprises eleven members, 5 of whom (45%) are female, including the Chairman of the Board, the chairman of the Group Risk Management Committee, the CEO and the CFO. The current programme of work underway by the Group Nominations Committee to identify new candidates for appointment to the Board explicitly takes into account the need to address parity in the gender balance of the Board. Six members of the Board (55%) are ACI and the need to further broaden the diversity of the Board is also a fundamental element in this Board succession process. Appointments that address both these requirements are expected to be made during the course of 2017, to ensure the orderly succession of directors.

Governance, risk and compliance

(continued)

Profile of Board Committees

Five standing committees, established by the Board, provide assistance and expert insight to the Board as a whole on key areas of the Company's business, and serve to strengthen the governance and oversight of key functions within the Company.

Board Committee	Mandate
Group Audit Committee	<ul style="list-style-type: none"> Constituted as a statutory committee of the Company under section 94(7) of the Companies Act with responsibility for the duties set out in the Act. Key responsibilities include: <ul style="list-style-type: none"> Oversight and assessment of the Company's finance function Nomination of the independent auditor of the Company, and evaluating the independence, effectiveness and performance of the independent auditor, the fees to be paid and the allowable non-audit services Reviewing the accounting policies, procedures and financial reports of the Company Reviewing, evaluating and reporting on the effectiveness of the Company's system of internal controls and the combined assurance model and overseeing the Company's internal audit function
Group Risk Management Committee	<ul style="list-style-type: none"> Provides independent oversight of all enterprise-wide risk management policies, procedures and activities of the JSE Group. Specifically ensures that the Company has implemented an effective policy and plan for risk management that will enhance the JSE's ability to achieve its strategic objectives; and that disclosure of all enterprise and business risks is comprehensive, timely and relevant.
Group Human Resources Committee	<ul style="list-style-type: none"> Provides an independent oversight role with responsibility for all strategic human resource issues facing the JSE, and in particular, the governance of remuneration for directors, executives and staff, and for ensuring accurate, complete and transparent disclosure of remuneration paid by the JSE. For the 2016 year, this committee also executed the social and ethics mandate prescribed by the Companies Act. As from 2017, this mandate will be the responsibility of the newly formed Group Social and Ethics Committee.
Group Nominations Committee	<ul style="list-style-type: none"> Provides expert input to and oversight of board governance policies, and specifically the process for ensuring the appropriate composition of the Board and Board committees, including succession planning for the Board. Undertakes the annual review of the effectiveness of the Board.
SRO Oversight Committee	<ul style="list-style-type: none"> Provides independent oversight of all regulatory matters, policies and related activities of the JSE Group.

Board Committee	Independence %	Chairman ¹	Members ²	Classification of members ³	Number of meetings held in 2016	< 75% attendance in 2016
Group Audit Committee	100%	NG Payne	AD Botha Dr S Kana AM Mazwai NP Mnxasana	5 INEDs	3 meetings	All members > 75% attendance
Group Risk Management Committee	67%	Dr MA Matookane	Dr S Kana DM Lawrence ⁴ AM Mazwai NG Payne NF Newton-King ⁵	4 INEDs 1 NED 1 ED	3 meetings	All members > 75% attendance
Group Human Resources Committee⁶	80%	AD Botha	DM Lawrence ⁴ AM Mazwai NP Mnxasana N Nyembezi-Heita	4 INEDs 1 NED	3 meetings	All members > 75% attendance
Group Nominations Committee	67%	N Nyembezi-Heita	AD Botha DM Lawrence ⁴	2 INEDs 1 NED	3 meetings	All members > 75% attendance
SRO Oversight Committee	100%	AM Mazwai	Dr S Kana NP Mnxasana NG Payne	4 INEDs	3 meetings	All members > 75% attendance

¹ The chairmen of the Board committees are all independent non-executive directors.

² Unless otherwise indicated, all committee members are independent non-executive directors.

³ INED = Independent non-executive director; NED = Non-executive director; ED = Executive director.

⁴ Non-executive director.

⁵ Executive director.

⁶ For 2016, this committee executed the social and ethics mandate as prescribed by the Companies Act, and the committee was known as the Human Resources, Social and Ethics Committee.



Corporate Governance matters addressed by the Board during 2016

DIRECTOR INDUCTION AND DEVELOPMENT

- One of the outcomes of the 2014 Board evaluation process was directors expressing the need for a formal programme to induct incoming directors and to provide for the ongoing education and awareness of existing directors.
- A formal director induction programme was approved by the Board in 2015. The chairman encouraged directors to take up the opportunity to attend the formal programme by arrangement with the Group Company Secretary.
- The programme was designed to be flexible enough to cater for an individual director's particular knowledge, background, experience and skills, thus focusing on areas of development.
- Dr Suresh Kana was the first director to participate in the new programme during 2015/2016.
- Regarding ongoing director development, the Board was kept abreast of the following:
 - regulatory developments;
 - bond market evolution;
 - capital requirement developments; and
 - industry trends

NON-EXECUTIVE DIRECTOR EMOLUMENTS

- As required by the Companies Act, every two years the emoluments of non-executive directors (NEDs) are required to be approved by shareholders in an annual general meeting. Following input from management and external advisors, the HRSE Committee recommended the emoluments for the next two-year period to the Board. The Board endorsed the proposed new fee emoluments and these was approved by shareholders at the annual general meeting held on 26 May 2016.
- The Board adopted a policy on NED shareholding in the Company, in terms of which policy all NEDs are encouraged to hold shares in JSE Limited, equivalent in value to the annual Board retainer. This is an elective rather than a mandatory policy. As at December 2016, five NEDs (45%) hold shares in the JSE totalling 84 010 shares (0.09% of the issued shared capital).

BOARD EVALUATION

- During October, the Board engaged an external service provider to conduct and report on the effectiveness of the Board and the operation of the Board committees, and to assess the performance of the CFO and Group Company Secretary.
- The results of this effectiveness review were presented to the Group Nominations Committee and to the Board. The Group Company Secretary will address the findings from this review in conjunction with the Chairman and the chairmen of the Board Committees during the course of 2017.

ANNUAL GENERAL MEETING (AGM)

- The Board recommends to shareholders to consider and approve at the next AGM, that directors who retire by rotation, being eligible and having offered themselves for re-election, be re-appointed to serve on the JSE Board.
- The Board recommends to shareholders to consider and approve at the next AGM, that Mr Nigel Payne (Group Audit Committee chairman), Mr Anton Botha, Ms Nomavuso Mnxasana and Dr Suresh Kana be elected as members of the Group Audit Committee for the ensuing year.
- The Board has set the date for the twelfth annual general meeting of shareholders of the JSE. Please see the AGM notice available online at http://www.jsereporting.co.za/ar2016/download_pdf/notice-agm-2016.pdf and the SENS announcement, available online at http://www.jsereporting.co.za/ar2016/download_pdf/sens-2016.pdf.

Governance, risk and compliance

(continued)

Non-executive directors



Nonkululeko Nyembezi-Heita (56)

Independent non-executive chairman
BSc (EE); MSc (EE); MBA
Tenure as director: 7 years
 Non-executive director of Old Mutual plc, Old Mutual Group Holdings (Pty) Ltd, Macsteel International Holdings BV, Macsteel Services Centres SA (Pty) Ltd, CEO of IchorCoal N.V.
Appointed to the Board in 2009



Anton Botha (63)

Independent lead non-executive director
BCom (Hons); BProc; Stanford Executive Programme
Tenure as director: 11 years
 Director and co-owner of Imalivest; non-executive director of Sanlam Ltd and African Rainbow Minerals Ltd; chairman of Vukile Property Fund Ltd; member of University of Pretoria Council.
Appointed to the Board in 2005



Dr Suresh Kana (61)

Independent non-executive director
CA(SA); MCom; PhD (Honorary)
Tenure as director: 1 year
 Retired CEO and territory partner of PwC Africa. Non-executive director of Murray & Roberts Holdings Ltd and Ilovo Sugar Ltd; chairman of Imperial Group Ltd.
Appointed to the Board in 2015



Dr Mantsika Matooane (41)

Independent non-executive director
BSc (Maths); PhD (Comp Sc); MBA
Tenure as director: 4 years
 Experience as IT executive and director. Non-executive director of NMG Consultants and Actuaries (Pty) Ltd; director of Truesport Investments (Pty) Ltd.
Appointed to the Board in 2012



Andile Mazwai (45)

Independent non-executive director
BCom (Hons)
Tenure as director: 11 years
 Chief executive officer of National Stokvel Association of South Africa (NASASA).
Appointed to the Board in 2005



David Lawrence (65)

Non-executive director
BA; MCom
Tenure as director: 9 years
 Deputy chairman of Investec Bank Ltd. Director of various companies.
Appointed to the Board in 2008



Nomavuso Mnxasana (60)

Independent non-executive director
BCompt (Hons); CA(SA)
Tenure as director: 4 years
 Director of Nedbank Group Ltd, AWCA Investment Holdings, Noma Namuhla Trading and Projects, Pareto Ltd; non-executive director of Acelor Mittal.
Appointed to the Board in 2012



Dr Michael Jordaan (48)

Independent non-executive director
MCom (Economics); PhD (Banking Supervision)
Tenure as director: 3 years
 CEO of Montegray Capital (Pty) Ltd; chairman of Consumer Data Bureau, Compuscan Holdings.
Appointed to the Board in 2014

Executive directors



Nigel Payne (56)

Independent non-executive director

BCom (Hons); HDip (Acc); CA(SA); Certified Internal Auditor; MBL

Tenure as director: 11 years

Independent non-executive chairman of Mr Price Group Ltd. Independent non-executive director of Bidvest Group Ltd, Bidcorp Limited, Vukile Property Fund Ltd, BSI Steel Ltd and Strate (Pty) Ltd.

Appointed to the Board in 2005



Nicky Newton-King (50)

Chief executive officer

BA LLB; LLM

Tenure as director: 11 years

Director of JSE-related companies. World Economic Forum Young Global Leader; Yale World Fellow 2006.

Appointed to the Board in 2005

Appointed CEO in January 2012



Aarti Takoorden (36)

Chief financial officer

BCompt (Hons); CTA; CA(SA)

Tenure as director: 4 years

Appointed CFO in March 2013

Alternate directors and Group Company Secretary



Leanne Parsons (51)

Director of Information Services

BCom

Tenure as director: 11 years

Director of JSE-related companies.

Appointed to the Board in 2005



John Burke (50)

Director of Issuer Regulation

BCom (Hons); HDip (Corporate Law)

Tenure as director: 11 years

Chairman of the Issuer Services Advisory Committee; member of the King Committee on Corporate Governance; director of the Institute of Directors.

Appointed to the Board in 2005



Graeme Brookes (49)

Group Company Secretary

BCom

Number of years served as Group Company Secretary: 2 years, 5 months

Director of JSE-related companies.

Appointed Group Company Secretary in 2014

Note: Biographical details are correct as at 31 December 2016. Tenure as director is calculated from the date that an appointment is first ratified by shareholders to the date of the 2017 AGM.

Governance, risk and compliance

(continued)

Executive committee



Nicky Newton-King (50)

Chief executive officer

BA LLB (University of Stellenbosch); LLM (University of Cambridge)

Number of years in service: 20 years, 7 months

Number of years as CEO: 5 years

Director of JSE-related companies. World Economic Forum Young Global Leader; Yale World Fellow 2006.

Appointed to EXCO in March 1997



Aarti Takoordeen (36)

Chief financial officer

BCompt (Hons); CTA (University of South Africa); (CA)SA

Number of years in service: 3 years, 11 months

Number of years as CFO: 3 years, 10 months

Appointed to EXCO in February 2013



Tshwantsho Matsena (42)

Director of Trading and Market Services

BSc (University of the North); Programme in Business Leadership and MBL (Unisa Graduate School of Business)

Number of years in service: 1 year, 4 months

Numbers of years as Exco member: 6 months

Member of the South African Institute of Stockbrokers.

Appointed to EXCO in July 2016



Donna Nemer (59)

Director of Capital Markets

MA in Comparative Area Studies/Economics – Cum Laude (Georgetown University, Washington DC); BA in Latin American Studies/Economics (Duke University Durham, North Carolina)

Number of years in service: 2 years, 5 months

Chairman of the Trading Advisory Committee; Member of the New Products Committee and invitee to the Group Risk Management Committee; board Member of AMCHAM, Operation HOPE and Junior Achievement.

Appointed to EXCO in August 2014



Donald Khumalo (40)

Director of Human Resources

BA (University of the North); BA (Hons) (RAU, now University of Johannesburg); Management Development Programme, Unisa School of Business Leadership; Advanced Executive Programme (Vodacom Programme in collaboration with the Gordon Institute of Business Science)

Number of years in service: 2 months

Appointed to EXCO in November 2016



Leanne Parsons (51)

Director of Information Services

BCom (University of South Africa)

Number of years in service: 31 years, 7 months

Invitee to the Group Risk Management Committee.

Appointed to EXCO in March 1997



Zeona Jacobs (53)

Director of Marketing and Corporate Affairs

**Diploma: Business Management (Damelin);
Diploma: Management Advancement
Programme (Wits Business School)**

Number of years in service: 4 years, 4 months

Chairman of the Johannesburg Social Housing Company.

Appointed to EXCO in September 2012



Riaan van Wamelen (47)

Chief information officer

**BCom (Hons) Informatics (University of Pretoria);
MBA (Stellenbosch)**

Number of years in service: 8 years, 8 months

Appointed to EXCO in May 2008



John Burke (50)

Director of Issuer Regulation

**BCom (Hons) Investment Management;
HDip Corporate Law (RAU, now University of
Johannesburg)**

Number of years in service: 26 years, 11 months

Chairman of the Issuer Services Advisory Committee; member of the King Committee on Corporate Governance; director of the Institute of Directors.

Appointed to EXCO in August 1997



Alicia Greenwood (45)

Director of Post-Trade Services

**PhD (University of Cape Town); BSc (Hons) (University
of Cape Town)**

Number of years in service: 11 months

Invitee to JSE Group Risk Management Committee, JSE Clear Risk Committee. Member of JSE Clear board and Strate board.

Appointed to EXCO in February 2016



Graeme Brookes (49)

*Director of Governance, Risk and Compliance and Group
Company Secretary*

BCom (University of the Witwatersrand)

Number of years in service: 7 years, 6 months

Director of JSE-related companies

Appointed as Group Company Secretary in August 2014

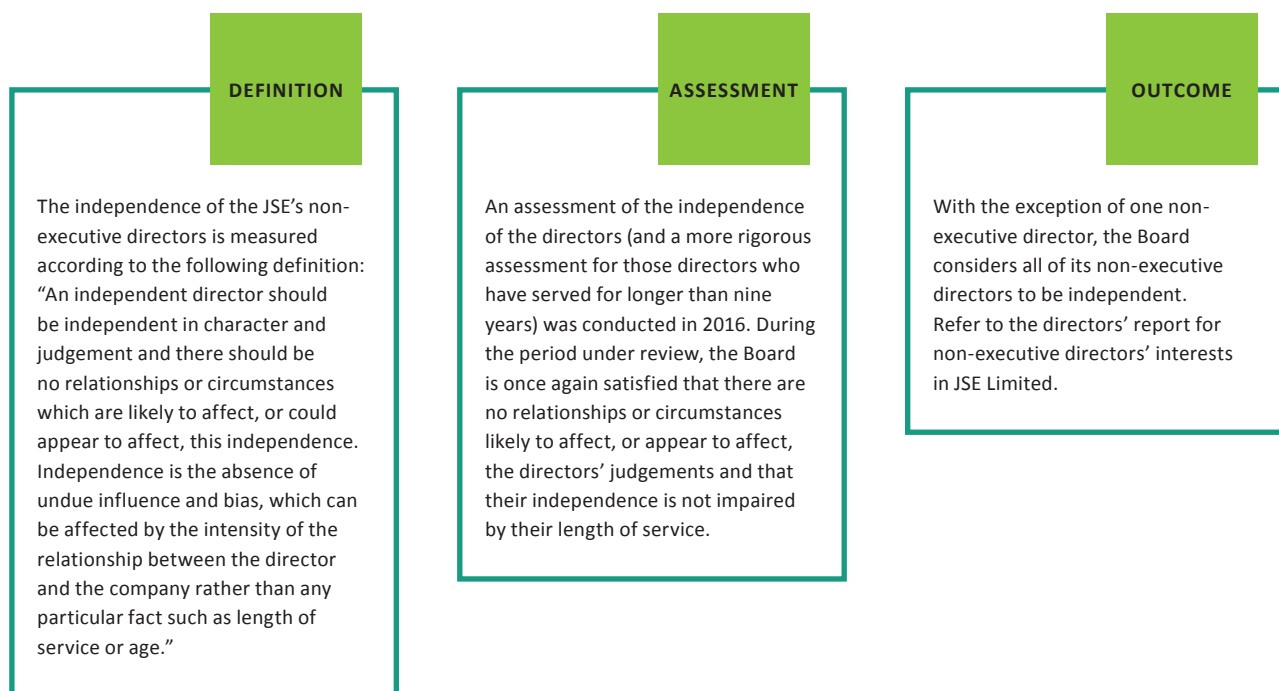
Appointed to EXCO in August 2014

Note: Biographical details are correct as at 31 December 2016.

Governance, risk and compliance

(continued)

Independence of the Board of directors



Lead independent director

The Chairman of the Board is supported by the lead independent director, specifically in scenarios where the Chairman is conflicted. All directors are encouraged to raise any matters of concern with the Chairman, or with the lead independent director, where the matter directly involves the Chairman.

Evaluation of JSE Board effectiveness

Each year, the Board undertakes an assessment of its effectiveness as well as that of the Board committees, the individual directors, including the chairman, the CFO and the Group Company Secretary.

In 2015, the Board appointed an independent service provider to undertake the evaluation process and provide insights and recommendations to the Board. This same process was extended for the 2016 year. The Chairman and the Group Company Secretary remain responsible for designing and managing the annual effectiveness review in conjunction with the service provider. The review is structured around two customised online questionnaires that address strategic and compliance matters relevant to the Company and the Board. Individual interviews are then held with each Board member and with the Group Company Secretary.

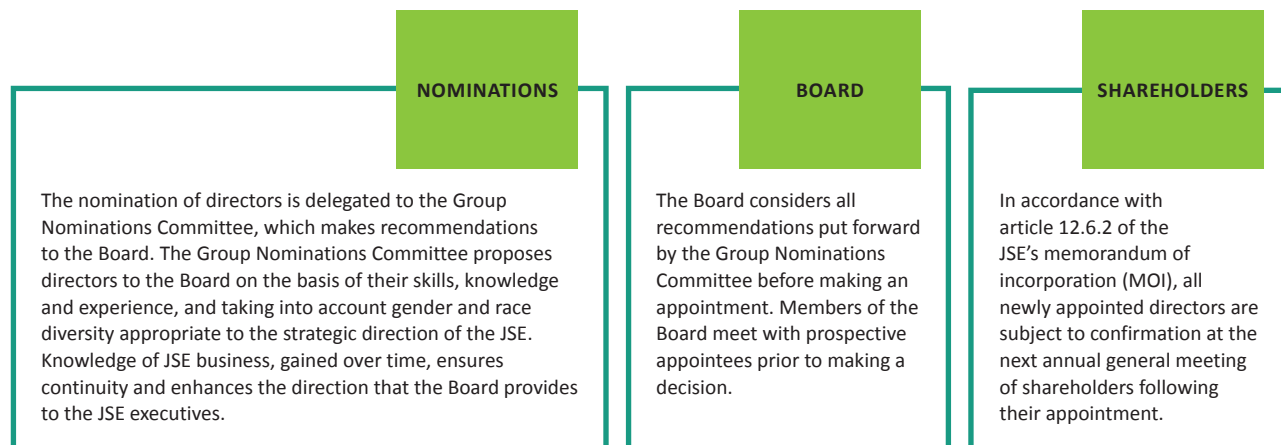
Findings from the effectiveness review are discussed by the Chairman in one-on-one meetings with the directors, where required. The full report is presented to the Group Nominations Committee for discussion, and is tabled for consideration by the Board. The 2016 report was reviewed by the Group Nominations Committee and by the Board at their respective meetings in November 2016.

During Q1 2017, each Board Committee reviewed the findings pertaining to that Committee and agreed action plans on how to address the findings, as required.

In overall terms, the directors are of the view that the Board is functioning well, is effective and is independent. The Board will continue to strive for a balance between trust in executive management and challenging management's views, and to ensure there is space for fresh perspectives on the risks and opportunities facing the JSE.

Appointment of directors

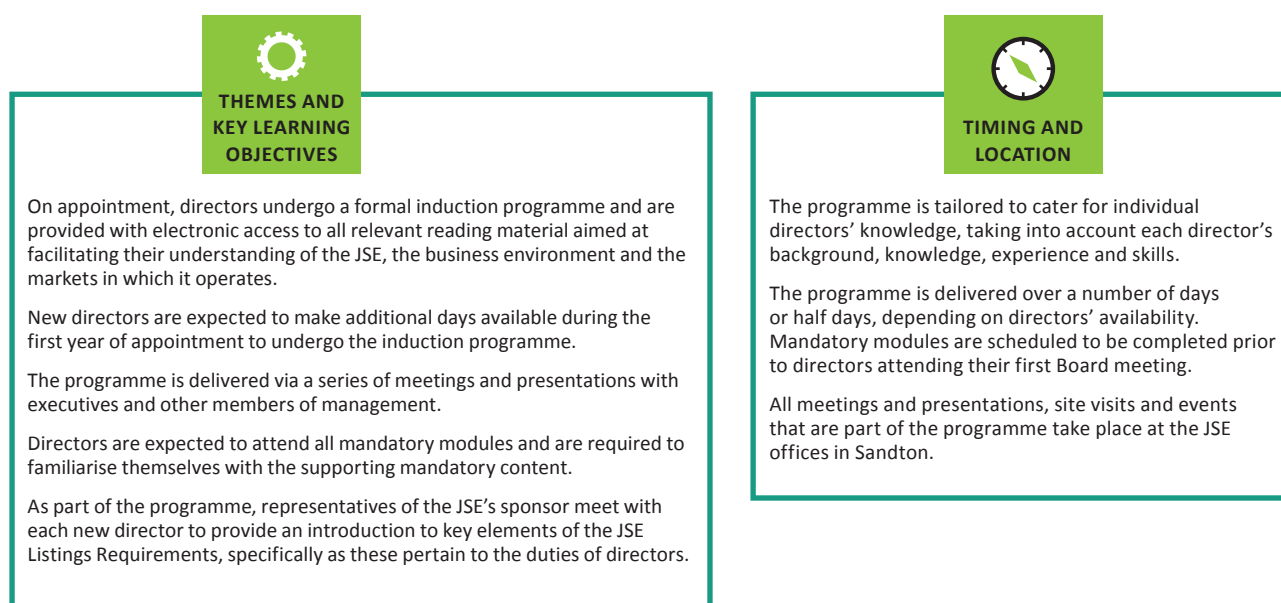
The company has a formal and transparent policy regarding the appointment of directors to the Board.



- The Board has arrangements in place for the periodic, staggered rotation of the non-executive directors so as to introduce over time directors with new skills, insights and perspectives as well as to ensure appropriate diversity of gender and race on the Board, while retaining valuable knowledge, skills and experience and maintaining continuity.
- The Group Nominations Committee will first consider a proposed director's curriculum vitae (CV) and undertake the necessary interviews to establish the integrity and skills of the prospective appointee and ensure that the individual has not been disqualified from being a director. In most instances, a service provider is contracted to perform the required reference checks.
- The Group Nominations Committee ensures that all statutory requirements for the appointment are complied with and that the new director is properly briefed on his/her role. The Group Company Secretary assists the committee in discharging these duties.
- Non-executive directors are required to sign a letter of appointment, setting out all salient terms of their engagement, including but not limited to key responsibilities, time commitment, committee service, outside interests, director evaluation and emoluments.

Director induction and development

The objective of the induction programme is to provide all new directors with the information they require in order to be effective in their role as a director of the Company. In line with the King Code, the induction programme is a formal one-year process and is supplemented with ongoing education. The programme equips new directors with the requisite knowledge of company strategy, risks, operations and industry perspectives, thus enabling them to participate and be fully effective from their first Board meeting. Existing members of the Board are encouraged to attend relevant elements of the programme from time to time in order to stay abreast of new developments.



Governance, risk and compliance

(continued)

Board tenure

In terms of article 12.6.1 of the JSE's memorandum of incorporation, at least one-third of all directors (including executive directors) are required to retire by rotation each year. Retiring directors, if eligible, may be re-elected by shareholders.

In line with good governance practices, the Board has also adopted a formal policy on non-executive director tenure, which policy is effective from 1 January 2017. This tenure policy provides, inter alia, that:

- non-executive directors of the Company who have served for nine consecutive years shall thereafter stand for annual re-election by shareholders at each subsequent AGM; and
- non-executive directors of the Company shall serve for no more than twelve consecutive years, unless in the opinion of the Board, exceptional circumstances exist for motivating an extended term in office beyond twelve years.

This policy recognises that the Company operates in a specialised niche within the financial services sector. The policy therefore aims to balance the need to retain knowledge, skills and experience on the Board over an appropriate timeframe, while adhering to the recommendations of the King Code on Corporate Governance regarding independence and diversity.

In motivating the annual re-election of those directors who have served for nine consecutive years, the Board undertakes an assessment of the director's interests, independence and contribution before recommending such directors for annual re-election.

NEXT AGM 2017



At the next annual general meeting, to be held on 18 May 2017, shareholders are being asked to:

- re-elect the three directors retiring in accordance with the usual triennial rotation requirement set out in article 12.6.1 of the memorandum of incorporation, for a further three-year term; and
- re-elect the three non-executive directors retiring in accordance with the Company's tenure policy, for a one-year term.

Shareholders are referred to the online version of the AGM Notice at http://www.jsereporting.co.za/ar2016/download_pdf/notice-agm-2016.pdf for biographical details of all retiring directors.

The appointments of Messrs Botha, Mazwai and Payne as directors were first ratified by shareholders at the 2006 AGM, and accordingly, as at the date of the 2017 AGM, each will have served for eleven years. The Group Nominations Committee has assessed the interests, independence and contributions of these three directors and the guiding roles played by each as chairs of the Group Human Resources Committee, SRO Oversight Committee and Group Audit Committee, respectively. The Group Nominations Committee has recommended to the Board that these directors be proposed for re-election for a further year.

The Board has considered this proposal and the important roles filled by each of these directors. The Board is satisfied that each of these directors continue to make valuable and diverse contributions to the Board as well as exercising independent and objective judgement, and that there is no interest, position, association or relationship which would unduly influence or cause bias in decision-making. The Board is therefore recommending the re-election of these three directors, by way of separate resolutions, for a further one-year term. These directors are eligible for such re-election in terms of the Company's memorandum of incorporation.

Board and Board committee meetings

The Board is required to meet a minimum of four times a year and more frequently, should circumstances require. The Board also participates in an annual Board strategy session. Meetings are conducted according to a formal agenda, with supporting documentation delivered to directors one week prior to the scheduled meetings. The Board may establish, and delegate authority to, committees and may delegate authority to one or more designated members of the committees.

The Board has established a number of standing committees to facilitate efficient decision-making and to assist the Board in the execution of its duties, powers and authority. The chairman and members of each standing committee are nominated by the Board with each committee comprising of at least three non-executive directors. The committee as a whole must have sufficient qualifications and experience to fulfil the duties of the committee. The duties and responsibilities of the members of each committee are in addition to those assigned to them as members of the Board. Each committee of the Board acts in terms of its mandate and has access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities. For the year under review, each committee has confirmed that it has executed its responsibilities in accordance with its terms of reference.

A summary of attendance at Board and Board committee meetings during 2016 is shown below.

Director attendance

	Status of director*	Board committees					
		Board	Audit	Risk	HRSE	SRO	Nom
Number of scheduled meetings held during the year		4**	3	3	3	3	3
NMC Nyembezi-Heita (chairman of Board; Nominations)	INED	4	3 ¹	2 ^{1,3}	3	2 ^{1,3}	3
NF Newton-King (CEO)	ED	4	3 ¹	2 ²	3 ¹		3 ¹
A Takoordeen (CFO)	ED	4	3 ¹	3 ¹			
L Fourie*	ED	2 ⁴		0 ^{3,4}			
AD Botha (chairman of HRSE)	INED	4	3		3		3
NG Payne (chairman of Group Audit)	INED	4	3	3		3	
AM Mazwai (chairman of SRO)	INED	4	3	3	3	3	
DM Lawrence	NED	4		3	3		3
MA Matooane (chairman of Risk Management)	INED	4		3			
NP Mnxasana	INED	4	3		3	3	
M Jordaan	INED	3 ³					
S Kana	INED	4	3	3		3	
LV Parsons (alternate)	ED	3 ²					
JH Burke (alternate)	ED	3 ²					
GA Brookes	Company Secretary	4	3	3	3	3	3

*INED = independent non-executive director, NED = non-executive director and ED = executive director.

**A Board strategy session was held on 27 May 2016 in addition to the four scheduled Board meetings.

¹Attendance is by invitation only.

²Away on JSE business apologies received.

³Apologies received for not being able to attend.

⁴Ms L Fourie resigned as an Executive Director of the JSE Board, with effect from 18 July 2016.

Invitee attendance

(These persons are not entitled to vote on any matter at the meeting) ¹	Board committees					
	Board	Audit	Risk	HRSE	SRO	Nom
Financial Services Board representative	4	3	3		3	
Investment advisors		3				
CIO			3			
Internal Audit		3				
Director of Trading and Market Services			2 ²			
Director of Issuer Regulation					3	
Director of Market Regulation					3	
Director of Post-Trade Services			3			
Director of Capital Markets			1 ²			
Director of Human Resources				3		

¹Attendance is by invitation only for all attendees listed in this table.

²Away on JSE business apologies received.

Governance, risk and compliance

(continued)

Company Secretary

The JSE's Group Company Secretary plays a pivotal role in the functioning of the Board, ensuring that all directors have full and timely access to the information that helps them to perform their duties and obligations properly, and enabling the Board to function effectively. He is responsible for the duties set out in section 88 of the Companies Act and for ensuring compliance with the JSE Listings Requirements and providing guidance and assistance in line with the King Code on Corporate Governance. All directors have unlimited access to the Group Company Secretary.

The Group Company Secretary, Graeme Brookes, is not an executive director of the JSE, nor is he related to or connected to any of the directors. The appointment and removal of the Group Company Secretary is a matter for the Board as a whole.

The Board confirmed that the Company Secretary is suitably qualified. In addition to his role as Group Company Secretary, Graeme Brookes also serves as the executive responsible for governance, risk and compliance (GRC), and reports to the chief executive officer. Refer to page 39 for his biography.

In compliance with paragraphs 3.84(i) and (j) of the JSE Listings Requirements, the performance of the Group Company Secretary is monitored by the chief executive officer and formally assessed by the Board on an annual basis. The Board and the chief executive officer are satisfied that the Group Company Secretary:

- is competent, suitably qualified and experienced;
- has the requisite skills, knowledge and experience to advise the Board on good governance;
- maintains an arm's length relationship with the Board and the directors; and
- has discharged his responsibilities for the period under review.

In reaching their assessment, the Board and the chief executive officer have considered and concluded:

- explicit independence: There is no direct or indirect relationship between the directors and the Group Company Secretary; and
- implicit independence: The company secretariat is properly resourced, and the Group Company Secretary has provided advice and guidance to the Board during the period under review in an independent and objective manner in accordance with the principles of the King Code, the JSE's Board charter and the Company's code of ethics.

The Group Company Secretary is accountable to the chairman of the Board, and his specific responsibilities include:





Risk management

The JSE recognises that effective risk management is fundamental to the achievement of its objectives. Through a robust enterprise risk management (ERM) programme and an embedded risk management culture, the JSE drives business performance, innovation and growth, while protecting and enhancing its value.

A dynamic business environment, significant regulatory change and the volatile, uncertain, complex and ambiguous world has necessitated refocusing the JSE ERM programme in order to ensure the JSE remains value-adding, effective and resilient. This includes updating the JSE ERM policy and supporting policies and frameworks.

The JSE regards risk management as a strategic management tool that enables the Company to respond to its environment in an agile and effective way while laying a strong foundation for business success. The JSE strategy house (see page 18) is pivotal to all risk evaluations. The enterprise-wide approach to risk management enables the JSE to consider the potential impact of its universe of risks on its stakeholders, services, processes and enabling technology.

The ERM framework is aligned with the ISO 31000 international risk management standard. The JSE is committed to the principles of good risk governance and strives to apply the principles contained in the King Code on Corporate Governance.



Key principles

VALUE-ADDING

Risk management processes must protect and enhance JSE value through the JSE's risk drivers in order to enhance competitive advantage, improve business performance and optimise risk management and compliance value.

The risk management process must add value to business through the application of insight and skills.

RELEVANCY

The risk profile must be compiled and applied in the context of achieving business goals and objectives and the risk appetite. Risk processes focus on hazards (possibilities of negative events) and recognise that opportunities arise from the relationship between risk and return through opportunities.

AGILITY

The dynamic nature of the business environment requires the JSE to address risk management collaboratively and continuously. Risk processes must be incorporated in strategic decision-making processes and embedded into day-to-day business operations.

CONSISTENCY

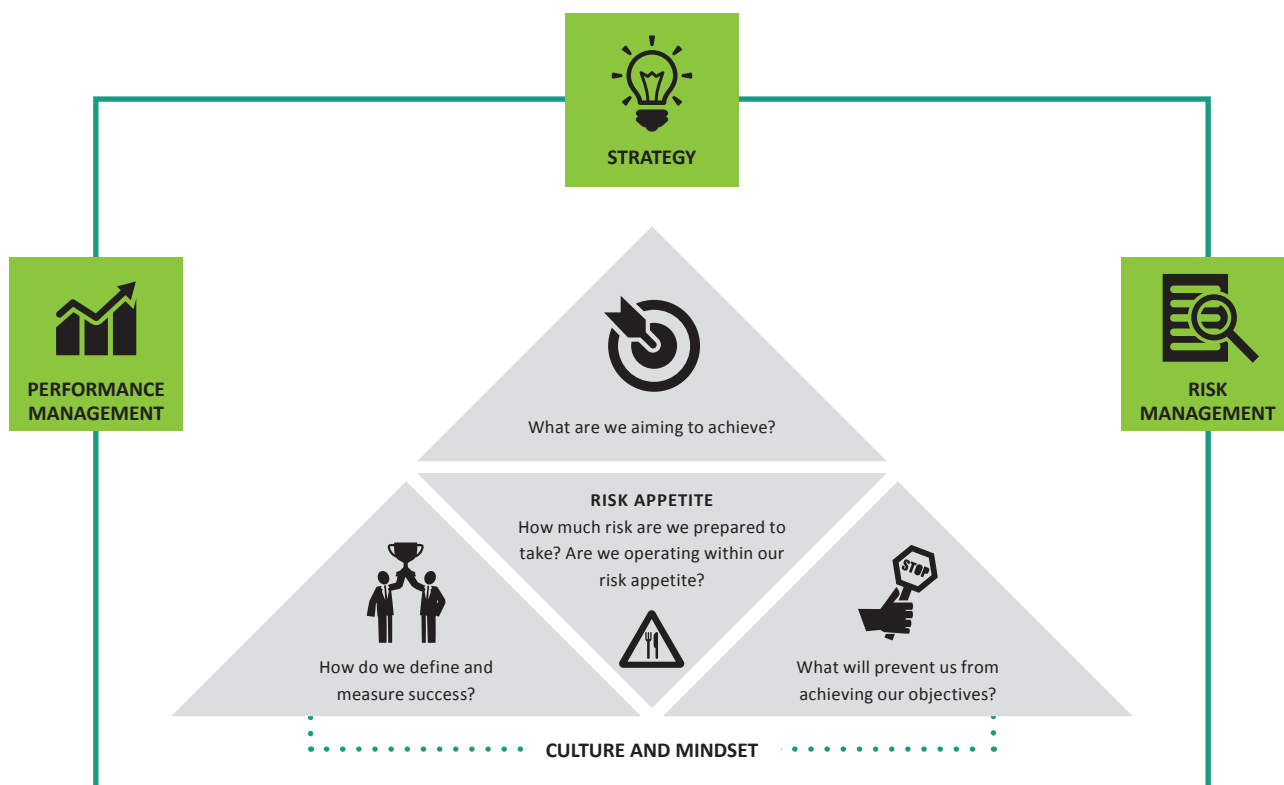
The risk management process must be structured and consistently and systematically applied across the JSE. Risk processes must incorporate perspectives of management, risk management and independent assurance (audit) views.

ACCOUNTABILITY

A system of clear accountability must exist to ensure adequate and appropriate action is taken on governance, risk management, and compliance risks, issues, events, incidents, and unresolved findings, with individuals accountable for their resolution.

Governance, risk and compliance

(continued)



The JSE strives for sustainable strategy execution through a risk-based approach, acknowledging the relationship between strategy management, performance management and risk management.

Risk culture

The JSE's risk principles support its participative and "risk challenge" culture, which encourages openness and frankness in risk discussions. This is driven by the Board and supported by the empowering supposition that "every JSE employee is a risk manager".

The JSE's approach of linking strategy, performance management and risk management promotes its embedded risk culture, which is infused into the Company's DNA through various risk initiatives and awareness programmes. Risk management is also incorporated into performance measurements, with clear risk accountability.

Risk appetite

Risk appetite is a measure and allocation of the amount of risk that the JSE is willing to accept in pursuit of its strategy. The Board and management use a balanced approach in determining the acceptable levels of risk to undertake. The JSE's risk appetite approach therefore reflects its position that risk management is as much about enabling risk taking as it is about constraining adverse risk.

The JSE will only tolerate risks that permit it to:

- achieve its stated strategic business objectives;
- comply with all applicable laws and regulations;
- conduct its business in a safe and sound manner; and
- protect and/or enhance its value.

In 2016, we commenced the process of defining specific risk appetite statements with corresponding measurements. These will be refined and monitored during 2017 as well as reported through the appropriate reporting channels in support of the JSE's strategy.

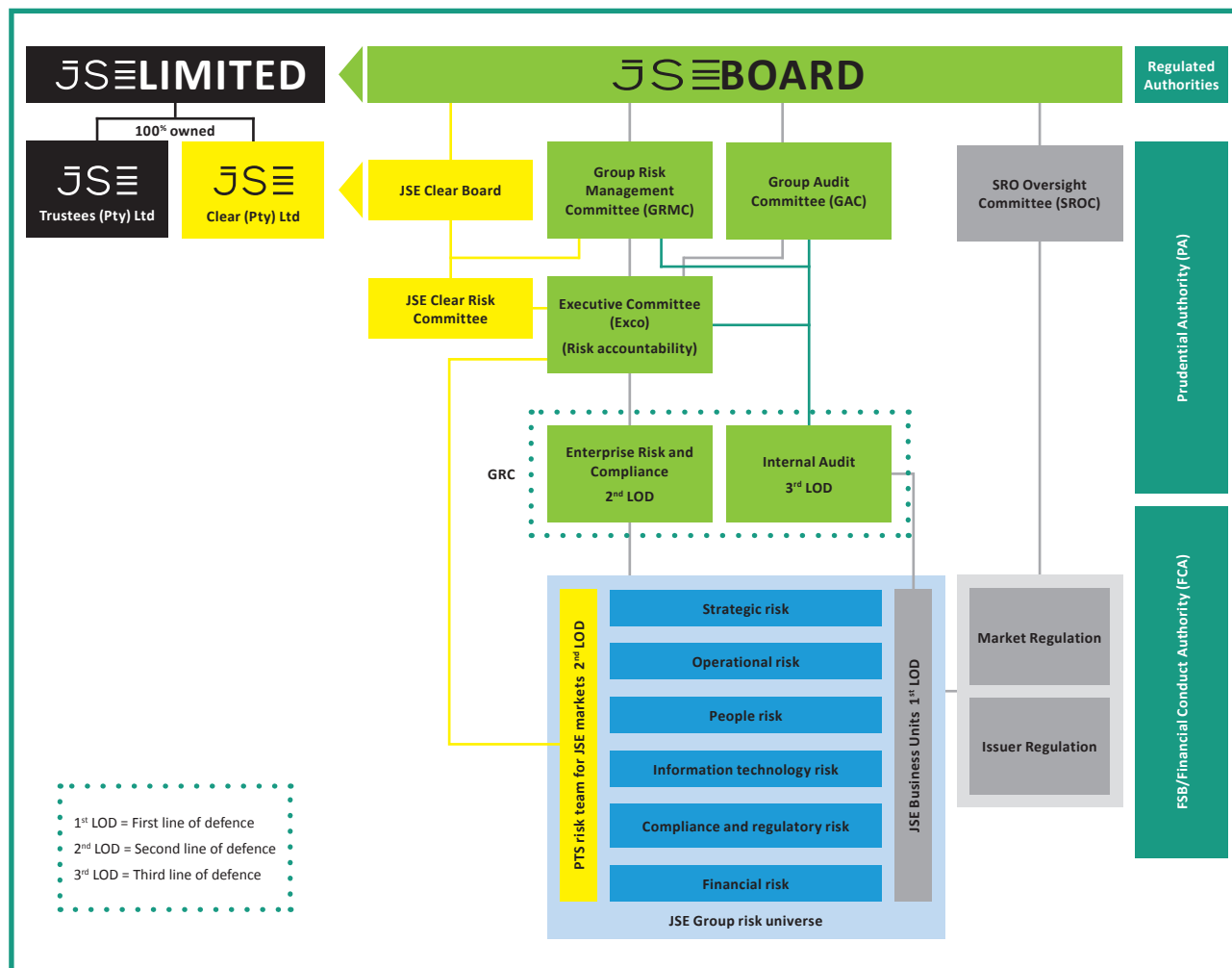
Roles and responsibilities

The JSE Board retains the ultimate responsibility for the oversight of risk.

The Board has constituted the Group Risk Management Committee (GRMC) to assist with discharging its duties and responsibilities with regard to risk management. The GRMC provides enterprise risk management oversight by monitoring the implementation of the JSE enterprise risk management framework and driving corrective actions. The Board reviews the ERM policy, framework and roadmap annually to ensure alignment to the Board's stance on risk management.

Business unit management is accountable to the Board for implementing and monitoring the processes of risk management and integrating risk management into day-to-day operations.

The risk governance structure is represented below.



As at 31 December 2016, the Board is satisfied that the Group’s risk management and compliance processes are generally operating effectively and that management has adequately managed the Company’s risk profile.

Approach

The ERM policy governs the management of the full spectrum of risks faced by the JSE Group: strategic, people, information technology, operational, financial and compliance and regulatory risks. The ERM framework defines the structure and methodology within which the JSE manages its risks.

Risk-based compliance with laws, rules, codes and standards

Compliance remains a focus area for the JSE. The JSE has continued with its risk-based compliance approach. During 2017, the GRC division will focus on maturing the compliance profile. Compliance training for all employees is planned for 2017.

JSE site management risk

JSE occupational health and safety requirements have been further embedded in the way the JSE operates after assessments carried out in 2015.

Information security

Since 2014, information security has been managed under the auspices of the chief information officer (CIO). The JSE information security framework encompasses components that address the governance, risk, compliance, process, people and technology aspects of information security. A number of technical and non-technical security controls were implemented successfully during 2016 and more are planned for 2017 as part of the JSE information security strategy. These security controls are part of a defence-in-depth strategy to ensure the confidentiality, integrity and availability of the JSE’s

Governance, risk and compliance

(continued)

information assets. The status and efficiency of security controls are continuously managed, monitored and reported through an information security management system (ISMS) that provides constant assurance of an adequate security posture. The JSE information security programme, which is aligned with information security best practices, includes cybercrime defences and considers the efforts of the JSE's counterparts through participation in the WFE's Global Cyber Security Working Group.

Risk reporting and oversight

Risk reporting forms a fundamental component of risk management.








Risk reports are submitted to the JSE Executive Committee prior to being tabled at the GRMC. This reporting flows into Board reporting (including the Board receiving the JSE GRMC minutes). The reporting structure supports the oversight function of Enterprise Risk and Compliance (ERC) by allowing, in extreme cases, for independent escalation to the JSE GRMC on items where agreement on reporting could not be reached through the management reporting structures.

The Enterprise Risk and Compliance team has increased its oversight activities in order to bolster the JSE's risk lines of defence. Close cooperation with Internal Audit further facilitates this. ERC provides oversight on specialised risk management areas to ensure a standardised and consistent approach to risk management. These areas include:

- Strategic projects;
- IT governance;
- Information security;
- Business continuity; and
- Information governance.

Risks and opportunities

Achieving sustainable strategy execution and optimising JSE value requires a balanced view on the JSE's risks and opportunities. This is achieved through a structured formalised review process in which key risks and opportunities facing the strategic objectives are identified, managed and reported on.

	Material theme	Key risks presented through:
	Remaining competitive through efficiency, integration and diversification	The complex business environment, including changing customer expectations, rapid advances in technology and disruptive technology, and new market entrants, may negatively impact delivery of JSE's strategic objectives and result in a loss of market share.
	Regulatory readiness	The pervasive and heightened regulatory environment may negatively impact on the JSE's people, processes and systems, resulting in an increased cost of compliance and inefficient business processes. Non-compliance may result in fines and penalties being imposed by regulators.
	Sustaining growth within a challenging environment	The tough economic climate, including slow economic growth, low commodity prices and exchange rate fluctuations, may place pressure on the JSE's clients and impact on the JSE's execution of strategy.
	Technological reliability, security and governance	Inefficient customer facing processes, operational vulnerabilities and the instability and unavailability of critical systems and applications may negatively impact the customer experience and business performance.
	Stakeholder responsiveness	
	Technological reliability, security and governance	If the integrity of information is compromised, reputation damage, the loss of investor, client and public confidence, and the imposition of fines and penalties by regulators may result.
	Optimising human capital	Achieving transformation objectives results in a positive reputational impact, retention of clients and the ability to attract and retain skills. The JSE's wide-ranging and transformational change agenda may impact negatively on its people by increasing workload pressure, creating an unstable environment and affecting attrition rates.

Key risk themes

The more material risk themes emerging from the JSE's deliberations in 2016 as well as future focus areas are summarised below. This is not the exhaustive set of risk themes that is reported to the JSE Board.

Risk theme	Description with mitigating strategies
Business environment	<p>The complex business environment, including changing customer expectations, rapid advances in technology and disruptive technology, and new market entrants, may negatively impact delivery of JSE's strategic objectives and result in a loss of market share.</p> <p>The JSE's success depends on its ability to be relevant in the environment in which it operates. Its 2017 strategic objectives are based on the constantly demanding and ever-changing business environment. The JSE drives innovation and change in order to be agile and responsive. The JSE's technology developments (T+3 in 2016 and the Integrated Trading and Clearing Project) further enhance its capabilities and relevance.</p> <p>In 2017, the JSE will monitor strategy execution against a risk appetite framework.</p>
Regulatory and compliance	<p>The pervasive and heightened regulatory environment may negatively impact on the JSE's people, processes and technology, resulting in an increased cost of compliance and inefficient business processes. Non-compliance may result in fines and penalties being imposed by regulators.</p> <p>The JSE ensures that the impact of new or pending regulatory changes is proactively identified and appropriately managed. This includes the regulatory requirements of the twin peaks model, which will be a focus area in 2017.</p> <p>The impact of regulatory change on the JSE's people, processes and technology remains a key focus area and the Company will actively monitor and report on these aspects.</p> <p>The JSE strives to engage actively and continually enhance its relationships with its regulators.</p> <p>In 2017, the JSE will make changes to the compliance function to ensure it effectively addresses the demands of the changing regulatory environment.</p>
Economic and financial market risk	<p>The tough economic climate, including slow economic growth, low commodity prices and exchange rate fluctuations, may place pressure on the JSE's clients and impact on the JSE's execution of strategy.</p> <p>The JSE continually monitors its internal and external environment, actively engaging with stakeholders, performing regular analysis and stress testing and adjusting its planning assumptions to ensure it remains relevant in the changing economic environment.</p> <p>The socio-political and geo-political environment is closely monitored and the JSE continues to play an active role in promoting a positive image of South Africa to investors.</p>
Customer experience and service delivery platforms	<p>Inefficient customer facing processes, operational vulnerabilities and the instability and unavailability of critical systems and applications may negatively impact the customer experience and business performance.</p> <p>The JSE drives innovation and continuous improvement to improve its service delivery and the customer experience in order to retain and grow its customer base.</p> <p>In 2016, the JSE embarked on a programme to address key customer concerns and redesign some key customer-facing processes to ensure a more streamlined, efficient experience. This will remain on the agenda for 2017.</p> <p>Since the launch of the back-to-basics (BTB) log in April 2016, the JSE has made progress on "getting the basics right." Its objective of delivering a consistently reliable and trusted service to its customers requires a sustained executive and management focus on addressing service and compliance challenges.</p> <p>Further steps to refine the process, analyse trends and proactively prevent issues from materialising are planned for 2017.</p> <p>The JSE has appropriate contingency plans to ensure that key operations are resilient. Its business continuity crisis management plan will be invoked should an unexpected event occur.</p>

Governance, risk and compliance

(continued)

Risk theme	Description with mitigating strategies
<p>Information governance: Integrity of information</p>	<p>If the integrity of information is compromised, reputation damage, the loss of investor, client and public confidence, and the imposition of fines and penalties by regulators may result.</p> <p>A few high profile incidents relating to the compromising of JSE data in 2016 have led to a refocusing of efforts to regain stakeholder trust. These include executive attention on all priority 1 incidents; clear accountability; and ensuring various quality assurance processes are in place to monitor the integrity of data.</p> <p>The back-to-basics initiative, as discussed under the customer experience risk theme, is a key strategic objective in 2017. The JSE is therefore driving accountability and awareness through various initiatives planned for 2017.</p>
<p>Transformation</p>	<p>The risk of failing to achieve transformation objectives may result in a negative reputation impact, a loss of clients and a loss of ability to attract and retain skills.</p> <p>In 2016, the JSE established a Transformation Committee to drive transformation targets.</p> <p>The Company continues to implement its BBBEE strategy.</p>
<p>Digestibility</p>	<p>The JSE's wide-ranging and transformational change agenda may impact negatively on its people by increasing workload pressure, creating an unstable work environment and affecting attrition rates.</p> <p>Various ongoing mitigating strategies are in place. These include a structured change management approach, talent pipelining and employee retention initiatives.</p>

Compliance

The JSE recognises its accountability to all its stakeholders under legal and regulatory requirements applicable to its business and is committed to high standards of integrity and fair dealing in the conduct of its business. The JSE is committed to complying with both the spirit and the letter of the applicable requirements and to always acting with due skill, care and diligence. The JSE Group Board is ultimately accountable to its stakeholders for overseeing compliance requirements. The Board is aware that compliance risks include the loss of reputation, fines, civil claims, and/or the loss of authorisation by regulators, which could jeopardise the business of the JSE.

The responsibility to facilitate compliance throughout the JSE has been delegated to the director of Governance, Risk and Compliance, who manages the Enterprise Risk and Compliance (ERC) team. The JSE compliance programme will be updated and refocused in 2017 to ensure that the JSE remains value-adding, effective and resilient.

While the ERC team assists the various business units with reviewing, monitoring and recording the necessary and required compliance, JSE business units and all employees remain primarily responsible for compliance with the applicable laws, rules, codes and standards. Internal Audit also plays a critical role in highlighting any areas of potential non-compliance.

Dealing in Company securities and insider trading

A dealing policy is in place for employees and directors dealing in JSE shares. These rules prohibit directors and employees from dealing in JSE shares when they possess price-sensitive information. Dealing is permitted only during two limited open periods of the year, immediately following the release of the annual and interim financial statements. Directors and employees may not deal during other periods. A director may not deal in JSE shares without obtaining prior written approval from the Chairman of the Board or, failing her, the CEO. In the case of the Chairman of the Board, approval must be obtained from the lead non-executive director or, failing the Chairman, the CEO.

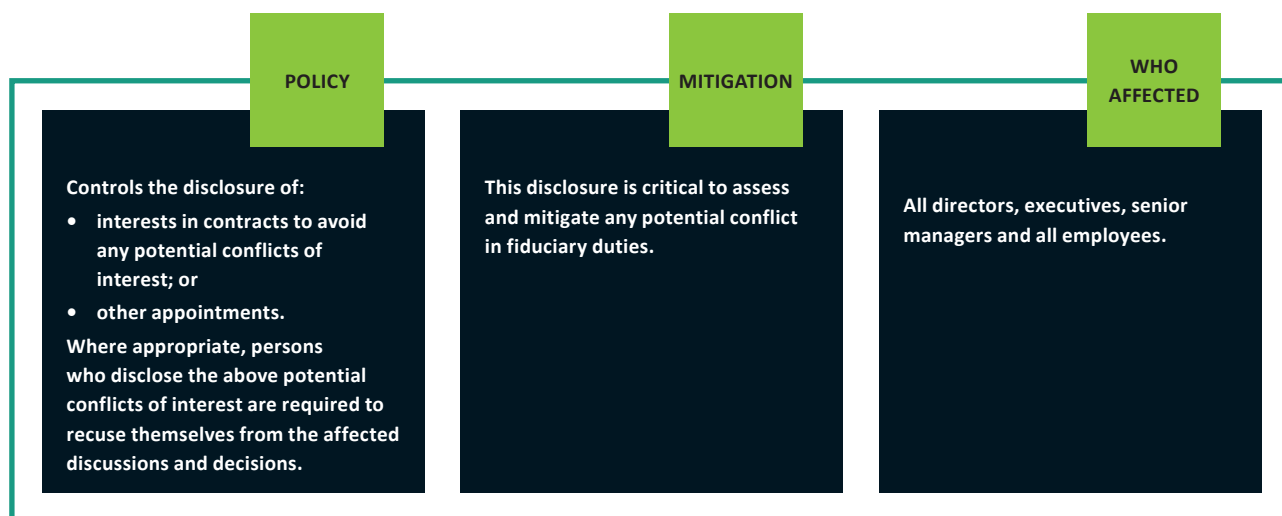
A dealing policy is also in place for employees and directors dealing in all listed securities other than JSE shares. Prior approval for these transactions is mandatory. Employees in excluded divisions are prohibited from dealing in any listed securities as a result of their ongoing exposure to company information. Refer to the directors' report for a listing of dealings by directors and prescribed officers.

Conflicts of interests and interests in contracts

During the year under review, none of the directors, executives or employees had any significant interest in any material contract or arrangement entered into by the Company or its subsidiaries and associates.

As a market infrastructure, the JSE is required to take necessary steps to avoid, eliminate, disclose and otherwise manage possible conflicts of interest between its regulatory functions and commercial services. These steps include the implementation and documentation of appropriate arrangements in accordance with the provisions set out in Board Notice 1 of 2015 (Board Notice) on conflicts of interest, issued by the Registrar.

The conflicts of interest policies prescribed in the Board Notice have been in effect for the year under review and the operation and effectiveness of these policies has been assessed by PwC on behalf of JSE Internal Audit. The SRO Oversight Committee has reviewed the reports prepared by PwC and is satisfied with the conclusions that the JSE's regulatory functions are sufficiently separated from its commercial activities, and that access to confidential information and potential conflicts is correctly managed.



Governance, risk and compliance

(continued)

Anti-corruption approach

Approach	During the year under review
<p>The JSE does not engage in, accept or condone engaging in any illegal acts, including but not limited to any form of bribery, facilitation payments, political donations or any corruptive practice in the conduct of its business.</p> <p>The Board's policy is to actively pursue and encourage the prosecution of perpetrators of fraudulent and other illegal activities, should it become aware of such acts.</p> <p>A strict zero-tolerance approach has been adopted.</p>	<p>No fraud misdemeanours, bribery or corruptive practices were reported during the period under review.</p>

Approach to privacy legislation

In 2017, the ERC team will embark on a protection of private information (PoPI) programme to further enhance the JSE's capabilities and to address gaps in compliance with PoPI Act provisions, as well as to boost employee awareness.

Ombudsman for JSE complaints and disputes

Creation of ombudsman	During the year under review
<ul style="list-style-type: none"> On 21 February 2007, the JSE was authorised in terms of section 14(a) of the Financial Services Ombud Scheme Act, 37 of 2004, (Ombud Act) to operate a financial services ombud scheme in terms of the Ombud Act. 	<ul style="list-style-type: none"> The monitoring body of the scheme confirms that it complied with its constitution and provisions and with the Ombud Act.
<ul style="list-style-type: none"> The rules applicable to the scheme are set out in the Rules of the JSE. The rules regulate the resolution of complaints and disputes between authorised users and clients, and authorised users and authorised users. 	<ul style="list-style-type: none"> One matter involving a client and a member firm was referred to the JSE at the end of 2016. This matter has been presented to the Ombud for resolution, and a decision in the matter is expected in early 2017.
<ul style="list-style-type: none"> The Ombud Act requires that a monitoring body be appointed by the scheme to monitor the ongoing compliance of the scheme. The monitoring body of the scheme is the JSE Executive Committee. 	
<ul style="list-style-type: none"> 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 legal proceedings. 	
<ul style="list-style-type: none"> Section 16(1)(b) of the Ombud Act requires the monitoring body of the scheme to confirm that, insofar as it is required to, the scheme has, during the period under review, complied with its constitution and provisions and with the Ombud Act. 	

Tax reporting and compliance

During the year under review, there were no contraventions or fines with respect to tax compliance across all tax types for all Group entities. Where complex treatment is required as a result of tax law amendments, tax opinions are sought from external experts in order to ensure correct treatment and full compliance.

Whistle-blowing

The JSE makes a whistle-blowing hotline available to all staff, stakeholders and the public at large via an independent service provider. This service ensures the anonymity of all the callers to the hotline. A whistle-blower may report any breach or alleged breach of the Company's governance and ethic code or policies as well as any illegal acts, bribery, corrupt practices, procurement failures, grievances or malfeasance. No calls to the hotline were received during 2016.



SUMMARISED CONSOLIDATED ANNUAL FINANCIAL RESULTS

Contents

JSE directors' responsibility statement	56
Statement regarding summarised consolidated annual financial results	56
Declaration by Company Secretary	56
Group Audit Committee report	57
Directors' report	63
Consolidated statement of comprehensive income	68
Consolidated statement of financial position	69
Consolidated statement of changes in equity	70
Consolidated statement of cash flows	71
Selected notes to the summarised consolidated annual financial results	72
Shareholder information	78
Analysis of shareholdings	79
Corporate information and directorate	80

Declaration in terms of the Companies Act, 71 of 2008 (Companies Act)

The preparation of these financial statements has been supervised by the chief financial officer, Aarti Takoordeen, CA(SA), in terms of sections 29 and 30 of the Companies Act. The financial statements have been audited in compliance with the applicable requirements of the Companies Act.

JSE directors' responsibility statement

For the year ended 31 December 2016

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of the JSE Limited, comprising the statements of financial position at 31 December 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

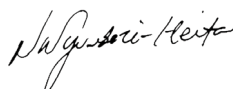
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether owing to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of the JSE Limited, as identified in the first paragraph, were approved by the Board of directors on 28 February 2017 and signed by:



N Nyembezi-Heita
Chairman



N Newton-King
Chief Executive Officer

Statement regarding summarised consolidated annual financial results

For the year ended 31 December 2016

This integrated annual report contains the summarised consolidated annual financial results of the JSE for the financial year ended 31 December 2016. The full annual financial statements for the year then ended, including the independent auditor's report on the full annual financial statements, are available online at http://www.jsereporting.co.za/ar2016/download_pdf/afs_2016.pdf.



Declaration by Company Secretary

For the year ended 31 December 2016

The JSE Limited has complied with all statutory and regulatory requirements in accordance with the Financial Markets Act, and all directives issued by the Financial Services Board. In terms of section 88 of the Companies Act, as amended, I hereby confirm that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



G Brookes
Group Company Secretary

Group Audit Committee report

Prepared by the chairman of the Group Audit Committee, Nigel Payne

GROUP AUDIT COMMITTEE	
COMPOSITION	INVITED TO ATTEND
<i>Independent non-executive directors:</i>	Chairman of the Board
Nigel Payne (Committee chairman)	CEO
Anton Botha (Lead independent director)	CFO
Dr Suresh Kana	Director: GRC
Andile Mazwai	Internal Audit
Nomavuso Mnxasana	External Auditors
	Financial Services Board



Summary of the Group Audit Committee's statutory and governance mandate:

Finance function	External auditor and external audit	Financial statements/ Integrated report	Internal financial control/ Internal audit	Complaints
Appropriateness and expertise of CFO	Nominate independent auditor for appointment by shareholders	Review all financial reports	Responsible for appointment, performance and assessment of the internal audit function	Regarding accounting practices and internal audit
Appropriateness and expertise of senior members of the finance team	Determine terms of engagement and fees	Prepare report on how duties are discharged	Approve internal audit annual plan	Regarding content or audit of financial statements
Annual review of the finance function	Approve nature and extent of non-audit services	Make submissions to Board regarding accounting policies, records and reporting	Make submissions to Board regarding internal financial control	Regarding internal financial controls
Review and approval of annual budgets and forecasts		Have regard for factors and risks affecting integrity of integrated report	Undertake formal annual assessment of internal audit performance	Any related matters
	Companies Act Sections 90-92; 94	Companies Act Section 94	Companies Act Section 94	Companies Act Section 94
King Principles	King Principles	King Principles	King Principles	King Principles
Oversight role underpinned by combined assurance model				

Group Audit Committee report

(continued)

Composition and meeting procedures	Primary roles and responsibilities
<ul style="list-style-type: none"> During the year under review, three Group Audit Committee meetings were held, in accordance with the requirements of the committee's terms of reference. The Group Audit Committee is composed of its chairman, who is an independent non-executive director, and four other independent non-executive directors. The Chairman of the Board, CEO, CFO, director of GRC, Company Secretariat, and representatives of the external auditors and Internal Audit, as well as the Financial Services Board, attend meetings by invitation only. The Chairman of the Board is not a member of the Group Audit Committee. The committee is suitably skilled to perform the role required. The collective skills of the committee include an understanding of financial and sustainable reporting, internal financial controls, the internal audit function, the external audit process, corporate law, risk management, IT governance as it relates to integrated reporting, and the governance processes of the Company. However, it is not expected that each member should possess all the required qualifications, skills and experience. The members of the Group Audit Committee satisfy the requirements of section 94(4) of the Companies Act. 	<ul style="list-style-type: none"> The committee acts in accordance with its statutory duties, the delegated authority of the Board as recorded in its terms of reference, and within the guidelines of the King Code of Governance. The committee must prepare a report describing how it carried out its functions as specified in section 94(7) of the Companies Act, and this report serves that purpose. The committee has power to investigate any activity within the scope of its terms of reference. The committee has an independent role with accountability to both the Board and shareholders. The committee, in the fulfilment of its duties, may call upon the chairmen of other Board committees, any of the executive directors, officers or the Group Company Secretary to provide it with information. The committee has reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Appointment of Audit Committee/Audit Committee members

In terms of the Companies Act, at the annual general meeting of the Company, shareholders are required to approve Audit Committee members. The members who were approved by shareholders at the 11th annual general meeting of the Company and who serve until the next annual general meeting in 2017 are:

Name	Qualification(s)	Director	Appointed as director in	Group Audit Committee meeting attendance in 2016
Nigel Payne (chairman)	CA(SA)	Independent non-executive	July 2005	100% (3/3 meetings)
Anton Botha	BCom; BProc; BCom (Hons)	Independent non-executive	July 2005	100% (3/3 meetings)
Dr Suresh Kana	CA(SA)	Independent non-executive	July 2015	100% (3/3 meetings)
Andile Mazwai	BCom (Hons)	Independent non-executive	July 2005	100% (3/3 meetings)
Nomavuso Mnxasana	CA(SA)	Independent non-executive	December 2012	100% (3/3 meetings)

The Board appointed Andile Mazwai, an independent non-executive director, as a member of the Group Audit Committee with effect from 1 January 2016. The appointment of Andile Mazwai was approved by shareholders at the annual general meeting held in May 2016.

The Board is satisfied that:

- the Group Audit Committee, acting as a collective, is adequately skilled to perform its role having regard to the size and circumstances of the Company;
- individual members of the Group Audit Committee possess appropriate financial and related qualifications, skills and financial expertise to discharge their responsibilities; and
- individual members of the Group Audit Committee are not involved in day-to-day management of the Company.

Subsequent to year-end, Andile Mazwai stepped down from the Group Audit Committee in order to devote time to his responsibilities on other Committees of the JSE Board. The Board is satisfied that the remaining members of the Group Audit Committee, as shown in table above, meet the provisions of the Companies Act and are independent, and is therefore recommending their appointment to the Group Audit Committee for the ensuing year.

The re-election of these four independent non-executive directors to the Group Audit Committee will take place by way of separate resolutions to be considered by shareholders at the AGM to be held on 18 May 2017. The text of these ordinary resolutions is set out in the AGM Notice distributed separately to shareholders.



In line with the Companies Act and the King Report, the Group Audit Committee presents its report for the financial year ended 31 December 2016.

The committee has discharged all its responsibilities and carried out all the functions assigned to it, and these activities are set out in the remainder of this report:

Responsibilities in terms of the Companies Act/Terms of reference	How discharged
<p>In respect of the finance function:</p> <p>Annually assessed and confirmed the appropriateness of the expertise and experience of the chief financial officer (CFO) and the appropriateness of the expertise, resources and experience of the senior members of management responsible for the finance function.</p>	<p>The Company employs a full-time CFO who is also an executive director of the JSE. The CFO holds a CA (SA) qualification and has extensive senior-executive experience in finance across various industries. The performance, effectiveness and resourcing of the Company's finance function was assessed as part of the annual Board effectiveness review for the year ended December 2016, which review was undertaken by an independent service provider. The Group Audit Committee considered the results of this effectiveness review as it pertained to the committee and to the Company's finance function, and is satisfied as to the quality and effectiveness of the finance function and the level of resourcing within the finance division.</p>
<p>Responsible for the appointment and dismissal of the CFO.</p>	<p>Not applicable for the year under review.</p>
<p>In respect of the external auditor and the external audit:</p> <p>Nominated for appointment as auditor of the Company a registered auditor who, in the opinion of the committee, is independent of the Company and determined their terms of engagement and fee [section 94(7)(a) and (b)].</p>	<p>At the February 2016 meeting, the committee reviewed and confirmed the independence of the external auditors and recommended KPMG Inc for appointment by shareholders at the 2016 AGM, with Joelene Pierce as the designated auditor. This resolution was adopted by shareholders with a 99.8% majority vote at the AGM held on 26 May 2016.</p>
	<p>At the February 2016 meeting the committee also reviewed and confirmed the terms of engagement for the external auditors and the nature and extent of non-audit services to be provided by KPMG Inc. The fee proposed by KPMG Inc for the independent audit in 2016 was negotiated by executive management, and reviewed and finalised by the Group Audit Committee. This audit fee, for the independent audit of JSE Group entities for the year ended 31 December 2016, amounted to R3.9 million (2015: R4.3 million) and has been fully disclosed in the audited annual financial statements.</p> <p>During the course of 2016 the Group Audit Committee adopted a formal policy on audit firm rotation. In terms of this policy, the Company's external audit account was put to tender during the year.</p> <p>KPMG Inc has served for an extended period as the independent auditors of the Company, and has executed these responsibilities with diligence and distinction. Given the tenure of KPMG Inc as independent auditors, the firm was not considered for re-appointment for the 2017 financial year.</p> <p>In accordance with the Company's audit firm rotation policy, the Group Audit Committee is proposing that shareholders consider and approve the appointment of EY South Africa as the new independent auditors for the Company for the ensuing year, at the AGM to be held on 18 May 2017.</p>
<p>Ensured that the appointment of the auditor complies with the applicable legislation [section 94(7)(c)].</p>	<p>Ensured that the appointment process complied with the statutory requirements. Refer to the 2016 and 2017 AGM notices at http://www.jsereporting.co.za/ar2016/download_pdf/notice-agm-2016.pdf.</p>

Group Audit Committee report

(continued)

Responsibilities in terms of the Companies Act/Terms of reference	How discharged
Evaluated the independence, effectiveness and performance of the external auditors.	The Group Audit Committee reviewed the detailed audit report and findings in respect of the financial statement audit for the year ended 31 December 2016 as presented by KPMG Inc at the committee meeting on 14 February 2017.
	The Group Audit Committee is satisfied that KPMG Inc remains independent of the Company. No matters of concern regarding the performance of the external auditors were noted by the committee. The external auditors continue to have unrestricted access to the Group Audit Committee and to its chairman.
	The Group Audit Committee confirmed that the independent auditors have executed their audit responsibilities in accordance with the International Standards on Auditing.
Determined the nature and extent of non-audit services that the auditor may provide and pre-approved any agreement for the provision of these services by the auditor to the Company, or a related company. Approved the internal and external audit plan of the said services on the basis that the provision of the services does not affect the auditor's independence [section 94(7)(d)and(e)].	The Company's policy on audit and non-audit services was revised at the 13 August 2015 meeting of the JSE Board. This policy was applied for the 2015 and subsequent years, and the Group Company Secretary tabled a report in respect of non-audit services for 2016 at the meeting of the Group Audit Committee held on 14 February 2017. All non-audit services (as defined) provided by the external auditors in 2016 were in compliance with this approved policy. The total value of these non-audit services amounted to R0.25 million, or 6% of the independent audit fee, which is within the 30% guideline set out in the Company's policy on non-audit services.
In respect of the financial statements: Confirmed the going concern principle as the basis of preparation of the interim and annual financial statements.	The Group Audit Committee reviewed the report of the CFO regarding the going concern status of the JSE Group for the year ended December 2016, and concluded that the JSE Group is a going concern and that the financial statements have been prepared correctly, in accordance with the going concern concept. The JSE Board has reviewed and accepted the recommendation of the Group Audit Committee that the Company is operating as a going concern, and has reported that status in the 2016 integrated annual report.
Reviewed the accounting policies and procedures adopted by the Group and the JSE and ensured that financial statements were prepared on the basis of appropriate accounting policies and International Financial Reporting Standards [section 94(7)(f)].	Applied.
	The CFO prepares financial statements in accordance with all applicable legislation and submits them to the Group Audit Committee for review. Recommended to the Board for approval.
Reviewed financial reports, which should encompass the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive financial information and prospectuses, trading statements, circulars and similar documents.	Applied.
	At the first meeting of the year, the committee reviewed the full integrated annual report and recommended it to the Board for approval. The Board has subsequently approved the integrated annual report for publication to shareholders
Reviewed the areas of focus in the financial statements.	The Group Audit Committee is of the view that there are no significant judgements involved in the preparation of the financial statements that could have a material impact on those financial statements. The committee also believes that the internal control system and governance structures that have been put in place have operated effectively throughout the year in order to ensure that there were no significant matters for the independent auditors to deal with during their audit of the financial statements or to report in their auditor's report.

Responsibilities in terms of the Companies Act/Terms of reference	How discharged
Consider the report on pro-active monitoring of financial statements and ensure appropriate actions are taken, to the extent required.	At its meeting held on 28 July 2016 the Group Audit Committee reviewed the report on the pro-active monitoring of the Company's interim financial statements for the six months ended June 2014 and the annual financial statements for the year ended December 2015, as presented by the University of Johannesburg (Department of Accountancy).
	The committee noted that the pro-active monitoring report did not reflect any material matters of concern affecting the financial statements. The committee re-affirmed the commitment of the Company to continue adhering to the highest standards of financial disclosure.
	The pro-active monitoring report for 2016 (dated 15 February 2017) will be considered at the July 2017 meeting of the Group Audit Committee.
In respect of internal control: Reviewed the effectiveness of management information, the annual audit, the internal audit function and other systems of internal control, ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its functions.	This role was performed in part by this committee and in part by the Group Risk Management Committee. Internal Audit forms part of the Governance, Risk and Compliance division. PricewaterhouseCoopers and Deloitte are contracted to assist the internal audit function in carrying out its duties and to ensure the required degree of independence. Internal Audit has a direct reporting line to both the Group Audit Committee and the Group Risk Management Committee.
Reported on the effectiveness of the internal financial controls and risk management.	This role was performed in part by this committee and in part by the Group Risk Management Committee.
Monitored the appropriateness of the Company's combined assurance model overseeing risk.	This role was performed in part by this committee and in part by the Group Risk Management Committee.
Ensured that the combined assurance from both internal and external assurance providers and management was sufficient to cover key risks facing the organisation.	This role was performed in part by this committee and in part by the Group Risk Management Committee.
Annually evaluated the nature and extent of the formal documented reviews of the design, implementation and effectiveness of the system of internal financial controls, which covered all significant areas of financial reporting.	Applied each year in consultation with the internal audit function and the external auditor.
Other: Received and dealt with complaints and concerns from within and outside the Company relating to accounting practices and Internal Audit; the content or auditing of the financial statements; internal financial controls; or any other related matter [section 94(7)(g)].	No complaints were received.
Made submissions to the Board on any matter concerning the accounting policies, financial controls, records and reporting [section 94(7)(h)].	Applied.
The Group Audit Committee should be responsible for overseeing Internal Audit.	At its February 2016 meeting: <ul style="list-style-type: none"> • Approved the internal audit plan for 2016. • Reviewed and approved the internal audit charter. At its meeting on 14 February 2017: <ul style="list-style-type: none"> • Reviewed the performance and effectiveness of the Internal Audit function for the 2016 year, and concurred with the assessment thereof by the CEO.

Group Audit Committee report

(continued)

Responsibilities in terms of the Companies Act/Terms of reference	How discharged
Annual review of terms of reference and workplan.	<p>The committee was satisfied with the annual review of its terms of reference and submitted these to the Board for review and approval.</p> <p>Reviewed and submitted the 2016 workplan to the Board for approval. The Board approved the 2016 workplan.</p>
In the year ahead, the Group Audit Committee will:	<ul style="list-style-type: none"> • review management; enhancements to the financial forecast process; • oversee the on-boarding of the new independent auditors of the Company, once the appointment of EY South Africa is approved by shareholders; and • execute an oversight role in respect of the investment of funds mandate.

The Group Audit Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's expense. The committee has decision-making authority with regard to its statutory duties and is accountable in this regard to both the Board and the shareholders. On all responsibilities delegated to it by the Board, apart from the statutory duties, the committee makes recommendations for approval by the Board.

The JSE continues to prepare Group accounts that comply with International Financial Reporting Standards and the statutory requirements of the Companies Act 2008, and these responsibilities are discharged within an acceptable timeframe.

The Group Audit Committee's composition, purpose and duties are set out in the committee's charter. The Board approved the latest terms of reference at its November meeting.

The chairman of the Group Audit Committee attends annual general meetings and is available to answer any questions in relation to matters pertaining to the Group Audit Committee.



N Payne

Chairman: Group Audit Committee

Directors' report

The JSE's business

A description of the JSE's business, its value chain and Group structure is set out on pages 2 – 13.

The Company does not have a controlling shareholder and is managed by its directors for its stakeholders. The JSE Limited has its primary and only listing in South Africa on the securities exchange operated by the JSE.

Regulatory and supervisory structure

The Financial Services Board (FSB) is responsible for supervising the JSE's listing and regulates its ongoing compliance with the JSE Listings Requirements. During the year under review, the JSE complied with all its rules, Listings Requirements and procedures in a manner that warrants its continued listing.

To mitigate the possibility of any potential conflict of interest, an SRO Oversight Committee was established in 2011, as a standing committee of the Board. This committee has an independent role, providing oversight of all regulatory matters, policies and related activities of the JSE Group. The SRO Oversight Committee also functions as the appointed committee pursuant to section 2(c) of Board Notice 1 of 2015, in respect of conflicts of interest between the Company's regulatory functions and commercial services. Its terms of reference have been refined to take into account the requirements of the Financial Markets Act and to report to the FSB where required.

Corporate governance

The governance report is set out on pages 34 – 55.

Financial results

The operating results and the state of affairs of the Company and the Group are fully set out in the attached statement of financial position and described in the CEO's statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto.

It should be noted that the JSE maintains the JSE Guarantee Fund Trust, the BESA Guarantee Fund Trust and the JSE Derivatives Fidelity Fund Trust for investor protection purposes, as required under the Financial Markets Act. In view of the control that the JSE exercises over these trusts, the JSE is required to consolidate them into the results of the Group in terms of International Financial Reporting Standards.

Major operating subsidiary: JSE Clear (Pty) Ltd

JSE Clear (Pty) Ltd is a licensed associated clearing house in terms of the provisions of the Financial Markets Act, 19 of 2012, and subject to an annual review conducted by the FSB. Partly as a consequence of the recent global financial crisis, global financial regulators have issued directives (Basel III) for the capitalisation of bank exposures to central counterparties (CCPs). At the end of 2012, JSE Clear was deemed a qualifying CCP by the FSB in terms of the Principles for Market Infrastructures issued by these global regulators (CPSS-IOSCO).

JSE Clear Derivatives Default Fund (Pty) Ltd

JSE Clear's objective is to act as an associated clearing house and to operate as a CCP by interposing itself between parties to derivative contracts listed on the JSE. Significant refinements have been implemented with regard to its risk management processes. One of these is the creation of a new fund, the JSE Clear Derivatives Default Fund. This default fund reduces systemic risk and, more specifically, clarifies and limits clearing members' exposure to counterparty credit risk when clearing through JSE Clear. Clearing members that are banks will consequently need to hold less capital for centrally cleared exposures under Basel III regulations.

The JSE Clear Derivatives Default Fund policy requires that fund contributions by the clearing members and the JSE must be held in a legal entity separate and bankruptcy remote from JSE Clear and the JSE. The JSE Clear Derivatives Default Fund (Pty) Ltd was constituted for the purpose of ring-fencing the abovementioned contributions, which are to be used only in the event of a clearing member default. It operates as the JSE Clear Derivatives Default Fund.

Authorised users of the JSE (members of the JSE)*

As at 31 December 2016, there were 343 authorised users (2015: 342), categorised as follows:

Category of members	2016	2015
Equity members	62	59
Equity derivatives members	95	93
Commodities derivatives members	66	65
Interest rate and currency derivatives members	95	99
Clearing members	25	26
Total	343	342

* These numbers include passive and active members. During 2016, the respective membership liaison teams continued the process of cleaning up the lists of passive members.

Ordinary share capital

The Company did not issue any shares during the year under review. Full details of the authorised, issued and unissued capital of the JSE are contained in note 19 to the annual financial statements.

Rights attaching to shares

Each ordinary JSE share is entitled to identical rights in respect of voting, dividends, profits and a return of capital. The variation of rights attaching to JSE shares requires the prior consent of at least three-fourths of the issued shares of that class or the sanction of a special resolution passed at a special general meeting of the holders of the JSE shares of that class.

The issue of JSE shares, whether in the initial or in any increased capital, is subject to shareholder approval.

Directors' report

(continued)

Directors' interests and shareholding

(including directors' associates)

as at 31 December 2016

Director	Status of director	Direct beneficial	Indirect beneficial				% of issued share capital
		Share register (own name)	LTIS 2010 Trust: Unvested ¹	Other trusts ²	Held by associates ³	Total	
N Newton-King (CEO)*	Executive	37 910	149 140	3 352		190 402	0.219
A Takoordeen (CFO)*	Executive		69 560	133		69 693	0.080
L Parsons*	Alternate	26 015	83 840	1 133		110 988	0.128
J Burke*	Alternate	27 416	77 970	133		105 519	0.121
N Nyembezi-Heita	Non-executive	2 050				2 050	0.002
A Botha	Non-executive				72 960	72 960	0.084
A Mazwai	Non-executive	100				100	0.000
D Lawrence	Non-executive	3 000				3 000	0.003
Dr M Jordaan	Non-executive	5 900				5 900	0.007
Other directors	Non-executive	0				0	0
Total		102 391	380 510	4 751	72 960	560 612	0.645
G Brookes (Group Company Secretary)*		14 108	45 620	133		59 861	0.069

*There has been no change in directors' interests from the end of the financial year until the approval of the JSE annual results and release thereof on SENS on 28 February 2017.

Note: Subsequent to the 2016 annual results announcement, holdings by executive directors and prescribed officers will increase as a result of the 2016 Bonus Share award which will be announced on SENS in March 2017.

Directors' interests and shareholding (including directors' associates)

as at 31 December 2015

Director	Status of director	Direct beneficial	Indirect beneficial				% of issued share capital
		Share register (own name)	LTIS 2010 Trust: Unvested ¹	Other trusts ²	Held by associates ³	Total	
N Newton-King (CEO)*	Executive (CEO)	17 952	147 550	1 052		166 554	0.192
A Takoordeen (CFO)*	Executive (CFO)		47 410	52		47 462	0.055
Dr L Fourie*	Executive		58 060	52		58 112	0.067
L Parsons*	Alternate	16 287	67 060	1 052		84 399	0.097
J Burke*	Alternate	18 360	62 390	52		80 802	0.093
A Botha	Non-executive				72 960	72 960	0.084
A Mazwai	Non-executive	5 000				5 000	0.006
D Lawrence	Non-executive	3 000				3 000	0.003
Other directors	Non-executive					0	0
Total		60 599	382 470	2 422	72 960	518 451	0.597
G Brookes (Group Company Secretary)*		11 300	25 790	52		37 142	0.043


*These directors and officers participate in the LTIS 2010 scheme and are recipients of shares that vested from 2013 onwards. For further details, refer to note 20.6.

²The 2005 broad-based employee share scheme and JSE bonus share scheme (various employees).

³The Imalvest Flexible Fund is an associate of A Botha.

Details of transactions in JSE Limited shares by directors and prescribed offices were disclosed on SENS during 2016 and are summarised in the tables below. For the executive and alternate directors, the Group Company Secretary and the prescribed officers, the purchases are in relation to the grant of shares under allocation 7 of the Long-term incentive scheme and the bonus shares awarded in March 2016.

Name of director/prescribed officer	Status	Purchase	Sale
N Nyembezi-Heita	Non-executive director	2 050	
Dr M Jordaan	Non-executive director	5 900	
A Mazwai	Non-executive director		4 900
N Newton-King	Executive director (CEO)	43 540	15 208
A Takoordeen	Executive director (CFO)	30 081	7 285
Dr L Fourie	Executive director		14 232
L Parsons	Alternate director	35 661	7 413
J Burke	Alternate director	33 161	6 901
G Brookes	Group Company Secretary	24 861	2 140
Remaining members of the executive committee	Prescribed officers	129 129	18 153

 For further details, refer to note 25 to the annual financial statements and the remuneration report, which can be found online at http://www.jsereporting.co.za/or2016/download_pdf/remuneration-report-2016.pdf

Shareholders other than directors

 Information on shareholders is set out on page 79.

Dividend policy

In considering the payment of the dividends, the Board will, with the assistance of the Group Audit Committee, take the following into account:

- The current financial status of the Company and the solvency and liquidity test as set out in section 4 of the Companies Act, 71 of 2008.
- The future funding and capital requirements of the Company.

The Board and management remain confident as to the underlying strength of the JSE's operations and its continued strong cash flows. All planned investments and capital requirements for 2016 were funded from own resources.

Declaration of ordinary dividend

The Board has decided to declare an ordinary dividend for the year ended December 2016 at 560 cents per ordinary share. Accordingly, notice is hereby given that the directors have declared the following:

Dividend	Annual gross Amount	Withholding tax%	Net amount
Ordinary	560 cents	20%	448 cents

The dividend has been declared from retained earnings. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The dividends are payable to shareholders recorded in the register of members of the Company at the close of business on 24 March 2017.

In compliance with the Companies Act, the directors of the JSE confirm that the Company will satisfy the solvency and liquidity test immediately after completion of the dividend distribution. In compliance with the requirements of Strate, the following salient dates for the payment of the ordinary dividend are applicable:

Dividend paid In respect of financial year-end	31 December 2016	31 December 2015
Ordinary dividend per share	560 cents	520 cents
Special dividend per share	—	105 cents
Rand value	R487 million	R543 million
Declaration date	Tue, 28 February 2017	Thur, 25 February 2016
Last date to trade JSE shares cum dividend	Mon, 20 March 2017	Fri, 11 March 2016
JSE shares commence trading ex-dividend	Wed, 22 March 2017	Mon, 14 March 2016
Record date for purposes of determining the registered holders of JSE shares to participate in the dividend at close of business on	Fri, 24 March 2017	Fri, 18 March 2016
Date of payment of dividend	Mon, 27 March 2017	Tues, 22 March 2016

Directors' report

(continued)

Share certificates may not be dematerialised or rematerialised from Wednesday, 22 March 2017 to Friday, 24 March 2017, both days inclusive.

On 27 March 2017, the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility. In respect of those who do not use this facility, cheques dated 27 March 2017 will be posted on or about that date. The accounts of those shareholders who have dematerialised their shares (which are held at their central securities depository participant or broker) will be credited on 27 March 2017.

The issued share capital of the Company as at the declaration date was 86 877 600 ordinary shares. The tax number of the Company is 9313008840.

Service contracts with directors

The chief executive officer, all executive directors, the Group Company Secretary and the executive management of the JSE have signed contracts of employment with the JSE. Apart from the contract with the chief executive officer, all such contracts have a three-month notice period for resignation or termination of employment. The chief executive officer's notice period for resignation or termination of employment is four months. The chief executive officer's service contract makes provision for a 12-month restraint of trade payable on termination of the chief executive officer's employment. Other members of the executive committee are also subject to restraint arrangements. All the other clauses of the service contracts are standard clauses for contracts of this nature.

External audit and external auditor independence

The Group financial statements have been audited by independent auditors KPMG Inc.

KPMG Inc has served for an extended period as the independent auditors of the Company, and has executed these responsibilities with diligence and distinction. The Board is of the view that KPMG Inc has observed the highest level of business and professional ethics. The Board concurs with the view of the Group Audit Committee that KPMG Inc has at all times remained independent of the Company.

The audit fees paid to KPMG Inc for the independent audit of JSE Group entities for the year ended 31 December 2016 are fully disclosed in the financial statements – these audit fees amounted to R3.9 million (2015: R4.3 million).

KPMG Inc also provided various non-audit services to the Company during the year under review. The total value of these non-audit services amounted to R0.25 million, or 6% of the independent audit fee, which is within the 30% guideline set out in the Company's policy on non-audit services.

During the course of 2016 the Group Audit Committee adopted a formal policy on audit firm rotation. In terms of this policy, the Company's external audit account was put to tender during the year.

Given the tenure of KPMG Inc as independent auditors, the firm was not considered for re-appointment in 2017. The Board has endorsed the recommendation of the Group Audit Committee to shareholders that EY South Africa be appointed as the new independent auditors of the Group with effect from the date of the AGM to be held on 18 May 2017. The Group Audit Committee has confirmed that EY South Africa is independent of the Company as required by section 90 of the Companies Act. The Board agrees with the Group Audit Committee's assessment.

The proposed audit fee to be paid to EY South Africa for the independent audit of JSE Group entities for the year to 31 December 2017 amounts to R3.75 million.

Systems of internal control

Executive management is responsible for the design, establishment and maintenance of systems of internal control that provide substantial assurance against the risk of material loss or misstatement of financial performance. The Board, and in particular the Group Audit Committee, bears ultimate responsibility to ensure that the systems of internal control that are implemented are suitable for addressing the material risks to which the JSE is exposed and are operating effectively.

To assist the Board in meeting the above obligations, JSE Internal Audit develops an annual audit programme based on the inherent risk profiles of the various areas of the JSE's operations. The following three steps are followed to support the risk-based approach to internal audit:

- Annually review the key enterprise-level risks of the JSE to ensure the planned internal audit assignments are focused on high-risk areas.
- Engage with the Enterprise Risk Management team to understand their responsibilities as the second line of defence and to highlight areas where Internal Audit can provide independent assurance on their behalf.
- Meet with key JSE decision-makers such as the CEO, CIO and CFO to ensure that the internal audit objectives are supportive of the JSE's overall strategic objectives.

The appropriateness of this programme was considered by both the Group Audit Committee and the Group Risk Management Committee, and approved without amendment. This programme served as the basis for the internal audit work performed during the year.

All Internal Audit reports in respect of audit assignments performed during the year are discussed with relevant line management, together with any remedial actions that may be warranted as a result of the internal audit findings. All reports are then tabled for consideration by the executive committee. Internal Audit reports are also tabled for review at meetings of both the Group Audit Committee and the Group Risk Management Committee.

The reports of Internal Audit are also made available to the JSE's external auditors to assist them in meeting their responsibilities.

Although the audit procedures performed by Internal Audit during the past year identified some areas for improvement in the internal controls of the JSE, none of the perceived deficiencies were of a nature to suggest that they expose the Company to material loss or misstatement of financial performance. Internal Audit has identified the need for management to implement various process improvements, mainly as a result of legacy systems and manual processes still in place.

Resolutions passed at AGM in May 2016

The following resolutions were adopted by shareholders in 2016:

Resolutions		% vote in favour
Ordinary resolutions		
1.	Adoption of annual financial statements and reports	100%
2.1	To elect Dr SP Kana as a director	99.82%
2.2	To re-elect Mr DM Lawrence as a director	99.29%
2.3	To re-elect Mr AM Mazwai as a director	99.79%
2.4	To re-elect Mr AD Botha as a director	99.19%
3.	To re-appoint KPMG Inc. as external auditors	99.82%
4.1	Re-elect Mr NG Payne – Audit Committee chairman	99.71%
4.2	Re-elect Mr AD Botha – Audit Committee member	98.68%
4.3	Re-elect Ms NP Mnxasana – Audit Committee member	94.99%
4.4	Elect Dr SP Kana – Audit Committee member	100.00%
4.5	Elect Mr AM Mazwai – Audit Committee member	99.69%
5.	Non-binding advisory vote on the remuneration policy	99.51%
6.	Authorisation of a director or company secretary to implement resolutions	100.00%
Special resolutions		
7.	Special Resolution 1: Authorising the provision of financial assistance in terms of section 44 and 45 of the Companies Act	99.73%
8.	Special Resolution 2: General authority to repurchase shares	100.00%
9.	Special Resolution 3: Authorising the provision of specific financial assistance for purposes of the JSE LTIS 2010 long-term incentive scheme	99.59%
10.	Special Resolution 4.1: Proposed non-executive director emoluments for 2016	99.58%
11.	Special Resolution 4.2: Proposed non-executive director emoluments for 2017	99.58%

Change to directorate

In 2016, there was the following change to the Board:

- Dr Leila Fourie, executive director and head of the Post-Trade and Information Services division, resigned with effect from 18 July 2016, following her emigration.

State of affairs at the Company – material matters

Contingent liabilities and commitments	The JSE's contingent liabilities and commitments are disclosed in note 28 to the annual financial statements.
Related-party transactions	To the knowledge of the Company, none of the directors or major shareholders of the Company or their families had an interest directly or indirectly in any transaction during the period under review or in any proposed transaction that has or will materially affect the Company or its subsidiaries, other than the disclosure made in note 27 to the annual financial statements.

Going-concern statement

In accordance with the solvency and liquidity test set out in section 4 of the Companies Act, the Board is of the opinion that, after making enquiries, it has reasonable expectation that the Group has sufficient resources to maintain its operational existence for the foreseeable future and that:

- the Group's assets fairly valued exceed its liabilities fairly valued; and
- the Group will be able to pay its debts as they become due in the ordinary course of business for the 12 months following 31 December 2016.

Post-reporting-date events

There have been no changes to the directors' interests in the ordinary share capital of the Company and no material events that would require adjustment or disclosure in the annual financial statements have occurred between 31 December 2016 and the date of this report.

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Notes	Group	
		2016 R'000	2015 R'000
Revenue	8	2 338 796	2 133 548
Other income		46 402	145 887
Personnel expenses	9	(564 996)	(495 759)
Other expenses	10	(845 144)	(760 920)
Profit from operating activities		975 058	1 022 756
Finance income		3 249 286	2 133 136
Finance costs		(3 035 497)	(1 967 342)
Net finance income		213 789	165 794
Share of profit of equity-accounted investee (net of income tax)		59 066	46 568
Profit before income tax		1 247 913	1 235 118
Income tax expense	11	(328 211)	(335 640)
Profit for the year		919 702	899 478
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets		(22 331)	24 191
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(16 328)	(20 644)
Other comprehensive income for the year, net of income tax		(38 659)	3 547
Total comprehensive income for the year		881 043	903 025
Earnings per share			
Basic earnings per share (cents)	12.1	1 074.8	1 051.0
Diluted earnings per share (cents)	12.2	1 062.1	1 040.3
Other earnings			
Headline earnings per share (cents)	12.3	1 063.2	1 026.3
Diluted headline earnings per share (cents)	12.4	1 050.7	1 015.8

Consolidated statement of financial position

As at 31 December 2016

	Notes	Group	
		2016 R'000	2015 R'000
ASSETS			
Non-current assets		1 244 388	1 115 895
Property and equipment		173 047	165 073
Intangible assets	13	452 039	358 700
Investment in equity-accounted investee		223 151	187 030
Other investments		293 470	312 564
Loan to the JSE Empowerment Fund Trust		25 098	25 271
Deferred taxation		77 583	67 257
Current assets		44 713 700	37 462 906
Trade and other receivables		555 091	466 930
Income tax receivable		1 064	594
JSE Clear Derivatives Default Fund collateral deposit		500 000	500 000
Margin deposits		41 538 835	34 447 066
Collateral deposits		23 926	140 687
Cash and cash equivalents		2 094 784	1 907 629
Total assets		45 958 088	38 578 801
EQUITY AND LIABILITIES			
Total equity		3 269 531	2 956 152
Stated capital		26 693	66 507
Reserves		475 700	478 360
Retained earnings		2 767 138	2 411 285
Non-current liabilities		137 391	126 464
Employee benefits		8 796	10 845
Due to Safex members		1 347	1 347
Deferred taxation		17 771	13 620
Operating lease liability		97 287	87 435
Deferred income		12 190	13 217
Current liabilities		42 551 166	35 496 185
Trade and other payables		434 442	339 561
Income tax payable		–	32 713
Employee benefits		153 963	136 158
JSE Clear Derivatives Default Fund collateral contribution		400 000	400 000
Margin deposits		41 538 835	34 447 066
Collateral deposits		23 926	140 687
Total equity and liabilities		45 958 088	38 578 801

Consolidated statement of changes in equity

For the year ended 31 December 2016

Group	Stated capital R'000	NDR R'000	Share-based payment reserve R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 January 2015	71 889	405 551	43 937	449 488	1 952 617	2 473 994
Profit for the year	–	–	–	–	899 478	899 478
Other comprehensive income	–	3 547	–	3 547	–	3 547
Total comprehensive income for the year	–	3 547	–	3 547	899 478	903 025
LTIS Allocation 2 – shares vested	8 457	–	(8 457)	(8 457)	–	–
LTIS Allocation 3 – shares vested	12 177	–	(12 177)	(12 177)	–	–
Distribution from the BESA Guarantee Fund Trust ¹	–	(3 591)	–	(3 591)	3 591	–
Dividends paid to owners	–	–	–	–	(416 516)	(416 516)
Equity-settled share-based payment	–	–	21 665	21 665	–	21 665
Transfer of profit from investor protection funds	–	27 885	–	27 885	(27 885)	–
Treasury shares	(25 802)	–	–	–	–	(25 802)
Treasury shares – share issue costs	(214)	–	–	–	–	(214)
Total contributions by and distributions to owners of the Company recognised directly in equity	(5 382)	24 294	1 031	25 325	(440 810)	(420 867)
Balance at 31 December 2015	66 507	433 392	44 968	478 360	2 411 285	2 956 152
Profit for the year	–	–	–	–	919 702	919 702
Other comprehensive income	–	(38 659)	–	(38 659)	–	(38 659)
Total comprehensive income for the year	–	(38 659)	–	(38 659)	919 702	881 043
LTIS Allocation 3 – shares vested	10 288	–	(10 288)	(10 288)	–	–
LTIS Allocation 4 – shares vested	15 636	–	(15 636)	(15 636)	–	–
Distribution from the BESA Guarantee Fund Trust ¹	–	(4 422)	–	(4 422)	4 422	–
Dividends paid to owners	–	–	–	–	(542 658)	(542 658)
Equity-settled share-based payment	–	–	40 732	40 732	–	40 732
Transfer of profit from investor protection funds	–	25 613	–	25 613	(25 613)	–
Treasury shares	(65 281)	–	–	–	–	(65 281)
Treasury shares – share issue costs	(457)	–	–	–	–	(457)
Total contributions by and distributions to owners of the Company recognised directly in equity	(39 814)	21 191	14 808	35 999	(563 849)	(567 664)
Balance at 31 December 2016	26 693	415 924	59 776	475 700	2 767 138	3 269 531

¹ The BESA Guarantee Fund Trust Deed makes specific provision for the utilisation of excess funds for the purpose of reducing the risk of claims being made against the Trust. To this effect, R4.4 million (December 2015: R3.6 million) before intercompany adjustments was transferred to JSE Limited to defray market regulatory expenditure.

Consolidated statement of cash flows

For the year ended 31 December 2016

	Group	
	2016 R'000	2015 R'000
Cash flows from operating activities		
Cash generated by operations	1 136 998	1 058 178
Interest received	3 151 306	2 081 875
Interest paid	(2 948 179)	(1 919 176)
Dividends received	3 546	6 455
Taxation paid	(367 569)	(339 029)
Net cash generated by operating activities	976 102	888 303
Cash flows from investing activities		
Proceeds on sale of other investments	77 408	74 090
Acquisition of other investments	(80 648)	(69 712)
Dividends from equity-accounted investee	22 945	18 823
Proceeds from disposal of property and equipment	310	759
Leasehold improvements	(5 076)	(893)
Acquisition of intangible assets	(145 600)	(123 594)
Acquisition of property and equipment	(49 890)	(54 875)
Net cash used in investing activities	(180 551)	(155 402)
Cash flows from financing activities		
Proceeds from sale of treasury shares	–	13 969
Loan repaid	–	(13 977)
Acquisition of treasury shares	(65 738)	(39 986)
Dividends paid	(542 658)	(416 516)
Net cash used in financing activities	(608 396)	(456 510)
Net increase in cash and cash equivalents	187 155	276 391
Cash and cash equivalents at 1 January	1 907 629	1 631 238
Cash and cash equivalents at 31 December 2016	2 094 784	1 907 629

Selected notes to the summarised consolidated financial statements

For the year ended 31 December 2016

1. Reporting entity

JSE Limited (the "JSE" or the "Company") is a company domiciled in South Africa. The registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the Financial Markets Act, No. 19 of 2012. The JSE has the following main lines of business: Capital Markets, Trading and Market Services, Information Services and Post-Trade Services. The address of the Company's registered office is One Exchange Square, 2 Gwen Lane, Sandown. The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries and controlled structured entities (collectively referred to as the "Group" and individually as "Group entities") and reflect the Group's interest in associates.

2. Basis of preparation

Statement of compliance

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

3. Changes in accounting policies

All accounting policies applied by the Group in these summarised consolidated financial statements are in terms of IFRS and are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

4. Comparative figures

Unless otherwise indicated, comparative figures refer to the 12 months ended December 2015.

5. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

6. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2016.

7. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Costs in the JSE are managed holistically across the Exchange and variances against budget are closely monitored. Information technology and other corporate overheads are not generally allocated to a particular segment.

	Group	
	2016 R'000	2015 R'000
8. Operating segments and revenue		
Revenue comprises:		
Capital Markets		
Equity market fees	555 439	501 190
Equity derivatives fees	177 335	173 434
Currency derivatives fees	37 573	34 009
Interest rate market fees	60 318	50 240
Commodity derivatives fees	69 725	73 069
Primary market fees	164 368	160 644
Post-Trade Services		
Clearing and settlement fees	412 741	356 677
Back-office services (BDA)	315 981	310 717
Funds under management	94 940	86 415
Information services		
Indices net of FTSE	42 150	35 882
Colocation fees	19 938	16 621
Other market data fees	235 956	192 434
Trading and market services		
Trading services	23 401	19 944
Total revenue excluding <i>Strate ad valorem</i> fees	2 209 865	2 011 276
<i>Strate ad valorem</i> fees	128 931	122 272
	2 338 796	2 133 548
9. Personnel expenses		
Remuneration paid	522 233	465 464
Gross amount paid	541 576	483 091
<i>Less: Capitalised to intangible assets</i>	<i>(19 343)</i>	<i>(17 627)</i>
Long-term incentive schemes	42 763	30 295
	564 996	495 759
10. Other expenses		
Other expenses	562 486	526 340
Technology costs	282 658	234 580
	845 144	760 920
11. Income tax expense		

The Group's consolidated effective tax rate for the year ended 31 December 2016 was 26% (2015: 27%).

The investor protection funds are exempt from income tax in terms of S(10)(i)(d)(iii) of the Income Tax Act, No 58 of 1962.

Selected notes to the consolidated financial statements (continued)

For the year ended 31 December 2016

	Group	
	2016 R'000	2015 R'000
12. Earnings and headline earnings per share		
12.1 Basic earnings per share		
Profit for the year attributable to ordinary shareholders	919 702	899 478
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	86 877 600	86 877 600
Effect of own shares held (JSE LTIS 2010)	(1 305 370)	(1 297 984)
Weighted average number of ordinary shares at 31 December	85 572 230	85 579 616
Basic earnings per share (cents)	1 074.8	1 051.0
12.2 Diluted earnings per share		
Profit for the year attributable to ordinary shareholders	919 702	899 478
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares at 31 December (basic)	85 572 230	85 579 616
Effect of LTIS Share Scheme	1 016 489	885 896
Weighted average number of ordinary shares (diluted)	86 588 719	86 465 512
Diluted earnings per share (cents)	1 062.1	1 040.3
The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the year.		
12.3 Headline earnings per share		
Reconciliation of headline earnings:		
Profit for the year attributable to ordinary shareholders	919 702	899 478
Adjustments are made to the following:		
– Gross amount	4 934	(536)
– Profit or loss on disposal of property and equipment	(92)	(745)
– The SA SME Fund Limited – write-down of investment	5 000	–
– Taxation effect	26	209
Net realised gain on disposal of available-for-sale financial assets (no taxation effect)	(14 820)	(20 644)
Headline earnings	909 816	878 298
Headline earnings per share (cents)	1 063.2	1 026.3
12.4 Diluted headline earnings per share		
Diluted headline earnings per share (cents)	1 050.7	1 015.8

13. Intangible assets

Included in the intangible assets of R452 million (2015: R359 million), are newly developed intangible assets of R171 million (2015: R137 million), mainly in respect of bond ETP, Umnotho and integrated trading and clearing.

14. Share-based payments

i. Vesting of Allocation 3 Tranche 2 shares during the period under review

The third award ("Allocation 3") under LTIS 2010 was granted in June 2012 with the following vesting profile:

Tranche 2: 50% of the total award, vesting in June 2016 (during the period under review).

114 350 Personal performance shares vested for those participants still in the employ of the JSE on 1 June 2016.

In respect of Tranche 2 corporate performance shares, the Board assessed performance over the four-year vesting term against the pre-set financial and strategic targets and determined that 80% of these Tranche 2 shares should vest for those participants still in the employ of the JSE on 1 June 2016. The remainder of the Tranche 2 corporate performance shares (being 9 770 shares) were forfeited by participants.

As at 31 December 2016, details of Tranche 2 were as follows:

	Personal performance shares	Corporate performance shares	Total shares
Tranche 2 – fully vested			
Original number of Tranche 2 shares awarded in June 2012	131 800	51 500	183 300
Forfeited by leavers to date	(17 450)	(2 650)	(20 100)
Tranche 2 shares forfeited for missing performance targets	–	(9 770)	(9 770)
Accelerated for good leavers	(7 300)	(5 360)	(12 660)
Tranche 2 shares vested on 1 June 2016	(107 050)	(33 720)	(140 770)
Tranche 2 shares outstanding	–	–	–

ii. Vesting of Allocation 4 Tranche 1 shares during the period under review

The fourth award ("Allocation 4") under LTIS 2010 was granted in May 2013 with the following vesting profile:

Tranche 1: 50% of the total award, vesting was completed during the current period.

Tranche 2: 50% of the total award, vesting on 1 June 2017.

150 450 Personal performance shares vested for those participants still in the employ of the JSE on 1 June 2016.

In respect of Tranche 1 corporate performance shares, the Board assessed performance over the four-year vesting term against the pre-set financial and strategic targets and determined that 86.54% of these Tranche 1 shares should vest for those participants still in the employ of the JSE on 1 June 2016. The remainder of the Tranche 1 corporate performance shares (being 8 211 shares) were forfeited by participants.

As at 31 December 2016, details of Tranche 1 were as follows:

	Personal performance shares	Corporate performance shares	Total shares
Tranche 1 – fully vested			
Original number of Tranche 1 shares awarded in June 2012	164 250	64 300	228 550
Forfeited by leavers to date	(13 800)	(3 250)	(17 050)
Tranche 1 shares forfeited for missing performance targets	–	(8 211)	(8 211)
Accelerated for good leavers	(3 250)	(3 246)	(6 496)
Tranche 1 shares vested on 1 June 2016	(147 200)	(49 593)	(196 793)
Tranche 1 shares outstanding	–	–	–

Selected notes to the consolidated financial statements (continued)

For the year ended 31 December 2016

iii. Grant of Allocation 7 under LTIS 2010 during the period under review

At the annual general meeting held on 26 May 2016, shareholders approved two special resolutions authorising the acquisition of shares for the purposes of awards under the LTIS 2010 scheme as well as the provision of financial assistance to the JSE LTIS 2010 Trust for a period of two years, for the purpose of acquiring such JSE ordinary shares in the open market for allocation to selected employees in accordance with the rules of LTIS 2010. In accordance with the terms of these resolutions, the Board approved a fresh annual allocation of 342 090 shares ("Allocation 7") to selected employees for the 2016 year. These individual allocations were accepted by all scheme participants on 4 March 2016. As at this date, the grant date as defined in IFRS 2 had not been determined as the detailed terms of the vesting conditions were in the process of being finalised. These were finalised and communicated to all affected parties on 21 October 2016, which was established as the grant date as defined in IFRS 2. The initial award under Allocation 7 comprised a total of 342 090 JSE ordinary shares and these shares were acquired in the open market by 10 March 2016, at a volume-weighted average price (including all execution costs) of R158.25 per ordinary share. An additional purchase of 9 684 shares was executed in respect of the Human Resources Director who joined the Company on 25 November 2016, at a volume-weighted average price (including all execution costs) of R161.01 per ordinary share. All Allocation 7 shares are held in trust and are restricted until all vesting conditions are fulfilled, whereupon the shares vest.

Included in the total number of shares granted of 351 774, a total of 177 214 corporate performance shares have been granted to members of the JSE's Executive Committee. No personal performance shares were allocated under Allocation 7.

Information on Allocation 7 is as follows:

	Corporate performance shares
Share price at grant date (rand per share)	158.25
Total number of shares granted	342 090
Dividend yield	3%
Grant date	21 October 2016
Vesting profile:	
50% of the shares awarded vest on 1 March 2019 (Tranche 1)	171 045
50% of the shares awarded vest on 1 March 2020 (Tranche 2)	171 045
Share price at grant date (rand per share)	161.01
Total number of shares granted	9 684
Dividend yield	3%
Grant date	25 November 2016
Vesting profile:	
50% of the shares awarded vest on 1 March 2019 (Tranche 1)	4 842
50% of the shares awarded vest on 1 March 2020 (Tranche 2)	4 842

The profit or loss charge for the period, calculated using the Black-Scholes valuation methodology, in respect of allocations granted under LTIS 2010 is as follows:

	2016	2015
Allocation #2 (granted in May 2011)	–	R0.7m
Allocation #3 (granted in June 2012)	R1.1m	R5.3m
Allocation #4 (granted in May 2013)	R8.3m	R6.6m
Allocation #5 (granted in May 2014)	R8.7m	R5.5m
Allocation #6 (granted in June 2015)	R9.5m	R3.1m
Allocation #7 (granted in October 2016)	R3.2m	–
	R30.8	R21.2m

15. Fair value estimation

Financial instruments measured in the statement of financial position at fair value require disclosure. The following is the fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
2016				
Assets				
Other investments				
– Equity securities (available-for-sale)	135 108	140 116	–	275 224
– Debt investments (available-for-sale)	18 245	–	–	18 245
Total assets	153 353	140 116	–	293 469
2015				
Assets				
Other investments				
– Equity securities (available-for-sale)	154 775	129 098	–	283 873
– Debt investments (available-for-sale)	28 690	–	–	28 690
Total assets	183 465	129 098	–	312 563

The carrying values approximates the fair value.

16. Audit opinion

KPMG Inc, the Group's independent auditor, has audited the consolidated annual financial statements of the JSE Limited from which the summarised consolidated results contained in this report have been derived, and has expressed an unmodified audit opinion on the consolidated annual financial statements. The summarised consolidated financial results comprise the statements of financial position at 31 December 2016 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and selected explanatory notes. A copy of the auditor's report is available for inspection at the JSE's registered office.

The auditor's report does not necessarily report on all of the information contained in these summarised annual results and cash dividend declaration. Shareholders are therefore advised to obtain a copy of the auditor's report together with the accompanying financial information from the JSE's registered office.

One Exchange Square, 2 Gwen Lane, Sandown, South Africa

Private Bag X991174, Sandton, 2146, South Africa

Tel: +27 11 520 7000, Fax +27 11 520 8584

Sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)

28 February 2017


Shareholder information

Shareholder diary

Events or reports in relation to the 2017 financial year

Summarised annual financial statements with the declaration of a dividend	28 February 2017
Annual results presentation	1 March 2017
Record date to determine which shareholders are entitled to receive the AGM Notice	17 March 2017
Publication of 2016 integrated annual report	24 March 2017
Record date for annual general meeting	12 May 2017
Annual general meeting	18 May 2017
Summarised interim report for the six months ended 30 June 2017	3 August 2017

Ordinary dividend

 A gross dividend of 560 cents per share was declared and approved by the Board on 28 February 2017. Refer to page 65 of the directors' report.

Salient dates for dividend

Last day to trade JSE shares cum dividend	Monday, 20 March 2017
Record date to participate in the dividend	Friday, 24 March 2017
Payment date of dividend	Monday, 27 March 2017

Share information

The JSE Limited has a primary listing on the Johannesburg Stock Exchange. There are no secondary listings.

Share code: JSE ISIN: ZAE000079711
Sector: Financial Services Subsector: Investment Services

	Shares in issue	Closing price (R)	Market capitalisation (R)
31 December 2016	86 877 600	164.14	14 260 089 264
30 June 2016	86 877 600	185.02	16 074 093 552
31 December 2015	86 877 600	128.00	11 120 332 800

Analysis of shareholdings

Shareholder spread as at 31 December 2016

	Number	Direct holdings	Indirect holdings			Total	% of total issued shares
			LTIS ¹	Other ²	Associates ³		
Total: Public shareholders	6 224					85 008 206	97.85
Total: Non-public shareholders	459	335 672	1 355 599	105 163	72 960	1 869 394	2.15
Directors	9	102 391	380 510	4 751	72 960	560 612	0.65
Prescribed officers	6	28 420	270 594	694	–	299 708	0.34
Other employees	444	204 861	704 495	99 718	–	1 009 074	1.16
Overall totals	6 683					86 877 600	100.00

The following registered shareholders also indirectly hold shares on behalf of non-public shareholders:

¹ The JSE LTIS 2010 Trust is the registered shareholder that holds unvested shares on behalf of various executives and senior employees.

² The 2005 broadbased employee share and JSE bonus share scheme (various employees).

³ The Imalivest flexible fund is an associate of A Botha.

Major shareholders

Pursuant to section 56(7) of the South African Companies Act, 71 of 2008, the following beneficial shareholdings equal to or exceeding 5% as at 31 December 2016 were disclosed or established from enquiries:

Name	Number of shares held	% of total issued ordinary shares
Government Employees Pension Fund	11 142 164	12.83
Northern Trust Global Services	8 887 355	10.23

No individual shareholder's beneficial shareholding in the any JSE employee incentive scheme is equal to or exceeds 5%.

Furthermore, the directors have ascertained that some of the shares registered in the names of nominee holders are managed by various fund managers and that, at 31 December 2016, the following fund managers were responsible for managing investments of 2.5% or more of the share capital of JSE Limited.

Fund managers

Name	Number of shares held	% of total issued ordinary shares
Public Investment Corporation Limited	11 128 817	12.81
Somerset Capital Management, LLP	4 729 163	5.44
Investec Asset Management (Pty) Ltd	4 460 264	5.13
Skagen AS	3 514 971	4.05
Abax Investments (Pty) Ltd	3 136 212	3.61
Acadian Asset Management LLC	2 767 398	3.19
The Vanguard Group, Inc.	2 645 013	3.04
Aberdeen Asset Managers Ltd	2 420 326	2.79
36ONE Asset Management (Pty) Ltd	2 168 420	2.50

Corporate information and directorate

Administration

JSE Limited (Incorporated in the Republic of South Africa) Registration number: 2005/022939/06

Share code: JSE

ISIN: ZAE000079711

Registered office	One Exchange Square 2 Gwen Lane Sandown Sandton 2196	Transfer secretary	Computershare Investor Services (Pty) Ltd Rosebank Tower 15 Biermann Avenue Rosebank 2196
Postal address	Private Bag X991174 Sandton 2146	Telephone	+27 (0) 11 370 5000
Telephone	+27 (0) 11 520 7000	Auditors	KPMG Inc, 85 Empire Road, Parktown, 2193
Web	www.jse.co.za	Sponsor	Rand Merchant Bank, 1 Merchant Place, Corner Fredman and Rivonia Road, Sandton, 2196
IR email	ir@jse.co.za	Bankers	First National Bank of SA Limited, Corporate Account Services, 4 First Place, Bank City, Simmonds Street, Johannesburg, 2001

Directors*	N Nyembezi-Heita (chairman) NF Newton-King (CEO) A Takoordeen (CFO) AD Botha (lead independent director; chairman of the Group Human Resources Committee) NG Payne (chairman of the Group Audit Committee) AM Mazwai (chairman of the SRO Oversight Committee) DM Lawrence Dr MA Matooane (chairman of the Group Risk Management Committee)* NP Mnxasana Dr M Jordaan Dr SP Kana
Alternate directors	LV Parsons JH Burke
Group Company Secretary	GA Brookes



* Refer to pages 38 – 39 for brief biographies of the directors.

All investor queries directed to ir@jse.co.za will be attended to and, where applicable, redirected to the chairman, the CEO or another mandated officer for an appropriate response.



www.jse.co.za