Amendments to the JSE Listings Requirements (the "Requirements")

Performance measures

May 2019

Item	Proposed Amendment	Nature of amendment and rationale
1	***New practice note and amendments to Section 3 and 8*** **New practice note 4/2019 and paragraph 3.95 and 8.67** The JSE intends to amend the Requirements to clarify its existing approach to additional performance measures ("**PMs**") and to ensure alignment to IOSCO principles on non-GAAP measures and international best practice. This will be achieved through: • the issue of Practice Note 4/2019; and • new paragraphs 3.95 and 8.67 of the Requirements The practice note will replace the following Guidance letters which will be withdrawn • FM 6 (issued March 2010) – Presentation of pro forma financial information; and • FM 7 (issued 16 August 2012) - Presentation of constant currency information	In September 2014 IOSCO issued a proposed statement on non-GAAP financial measures and issued its final report on this topic in June 2016. At that stage the JSE decided not to issue new regulation, as it had a long established practice of how to deal with 'non-GAAP measures' (as evidenced through the issue of guidance letters in 2010 and 2012). That practice was aligned with the IOSCO documents in many respects. Whilst the IOSCO document refers to non-GAAP measures, the accounting framework in SA is IFRS and therefore it is appropriate to rather use the term 'non-IFRS' measures. Non-IFRS measures can be useful to investors in providing additional insight into the issuers' performance and are therefore also useful to issuers in providing them flexibility in communicating useful and entity specific information. Problems can however arise as this information may not be adequately defined and consistently applied in a transparent manner. This leads to a risk that the information may become misleading. The JSE has decided that it is now necessary to issue standalone and enhanced regulation in this regard. This decision has been influenced by the following factors: • there has been an increased use of non-IFRS measures; • many issuers get confused with the use of the term 'pro forma' (per the guidance letters) being applied to non-IFRS measures; • the rules for pro formas (as contained in section 8), whilst valid for the original purpose for which they were written, create some

		tension in application for the various non-IFRS measures that are now being created; • there is uncertainty as to whether or not all non-IFRS measures are covered by the JSE's regulation; • the approach applied historically by the JSE is not entirely aligned with the IOSCO principles; • investors have requested that principles such as consistency and care in the use of labelling (for when using of the term recurring) be introduced in South Africa. These are principles contained in the IOSCO document; • regulation introduced in other international markets in response to the IOSCO document has been evolving and enhanced as the use and complexities of non-GAAP measures increased. For example, in October 2017 the European Securities Market Authority issued further guidelines on the use of PMs; in November 2017 the UK Financial Reporting Council issued a thematic review on PMs; and in April 2018 the SEC issued additional disclosure and compliance regulations on non-GAAP measures. A new and focused section on PMs will ensure that there is appropriate and consistent reporting around PMs. This will ensure transparency in our market and reduce the risk of misleading PMs. The practice note is detailed and lengthily for two reasons: (i) the JSE has tried to avoid the scenarios faced by fellow regulators where they that have had to issue further additional guidance; (ii) in drafting the practice note the JSE held discussions with various parties. The questions raised by those parties led the JSE to conclude that it was necessary to include has much clarity as possible
2	**Paragraph 3.19 (c) 8.56 (c) and 16.12 (g)** New paragraphs 3.19 (c) and 16.12 (g) have been inserted to deal with the new responsibility placed on directors as it relates to compliance with practice note 4/2019.	Paragraph 7.1 of practice note 4/2019 explains that the directors are responsible for ensuring compliance with the practice note. Consequential changes are therefore necessary in sections 3 and 16 of the Requirements.

	New paragraph 8.56(c) has been inserted to deal with the responsibility of the reporting accountant specialist in the context of circulars and pre-listing statements and compliance with practice note 4/2019.	Paragraph 7.2 of practice note 4/2019 explains that, for circulars and pre-listing statements the reporting accountant specialist must advise issuers on the application of practice note 4/2019 and must confirm that their advice was applied. Consequential changes are therefore necessary in paragraph 8.56 the Requirements.
3	**Paragraph 8.20** To cross reference paragraph 8.20 to the meaning of 'no greater prominence' as contained in paragraph 6.5 of practice note 4/2019.	 There is not always a clear understanding of the current wording of paragraph 8.20 with regards to 'no greater prominence' being given to pro forma information. Paragraph 6.5 of practice note 4/2019 sets this concept out very clear and has the same meaning in the context of all pro forma information as it does for the various performance measures detailed in the practice note .