

Directive of Strate Proprietary Limited

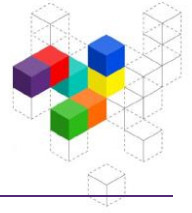
Special Gazette No S4-2018

Strate Directive SB.1

Procedures for Dematerialisation and Rematerialisation of Equity Securities

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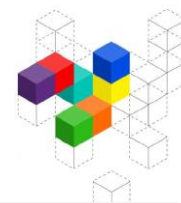




To define the process that Participants, and Issuers / Issuer Agents must follow for an orderly and regulated Dematerialisation/Immobilisation and Rematerialisation process so that there is no duplication of Securities on the register, the Securities holder is not dispossessed and to limit the risk faced by Strate, Participants and Issuers in this process

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1. DISCLAIMER

The content of this Strate¹ Directive is presented on a logical level to facilitate understanding of the business processes. Strate cannot accept responsibility and cannot be held liable for any consequential damages should any person misinterpret the contents or draw incorrect conclusions. Any assumptions or conclusions should be verified.

2. INTERPRETATIONS AND DEFINITIONS²

In this Strate Directive, any interpretation, word, or expression to which a meaning has been assigned in the Strate³ Rules bears a meaning so assigned to it.

‘Depository Receipt’ means a Security traded on a local Exchange or Off-market that represents an underlying foreign Security, traded on an external Exchange;

‘EOD’ means “End of Day” and is the time as stipulated in the Strate Directives;

‘Foreign Incorporated Company’ means those foreign incorporated companies, or Depository Receipt Issuers, granted a listing on an Exchange;

‘Issuer Agent’ means an entity that is appointed by an Issuer to act as an agent of, or on behalf of the Issuer in the performance of the Issuer’s role and functions in terms of the Strate Rules and Strate Directives. The Issuer may perform the roles assigned to the Issuer Agent in terms of this Strate Directive;

‘PLC Nominees’ means PLC Nominees Proprietary Limited, Registration Number 1989/002235/07;

‘Rematerialisation’ means “Withdrawal”, being the process of converting Uncertificated Securities to certificated Securities;

‘Same Day Settlement’ means a transaction reported to Strate on the same day on which Settlement occurs, irrespective of the actual trade date;

‘SWIFT’ means Society for Worldwide Interbank Financial Telecommunications; and

‘UCB’ means Unknown-Certificated Balances, which are described as balances on the Securities register where the certificate number details are unknown to the present Issuer Agent. During the course of taking over a Securities register from a previous agent this data was not in a readable format. It is important to note that the shareholder records reflect the number of shares held and that the Securities register balances with the issued share capital and that it is only the certificate or document of title number details that are missing.

¹ “Rule/s” and “Directive/s” become “Strate Rule/s” and “Strate Directive/s” throughout this document with effect from 11 July 2016

² Definitions amended with effect from 11 July 2016

³ “CSD” and “the CSD” amended to “Strate” throughout the document with effect from 11 July 2016



3. DEMATERIALISATION INITIATED BY THE CLIENT

If a Client initiates the Dematerialisation of the Securities held by that Client, then the following process will apply:

3.1. Participant Procedures⁴

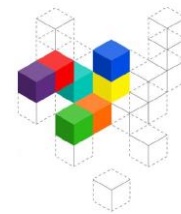
- 3.1.1. A Client submits a certificate or document of title to a Participant for the purposes of Dematerialisation.
- 3.1.2. A Participant must initiate the Dematerialisation process by preparing and sending a Dematerialisation initiation message to the Strate System to inform Strate that a certificate or document of title has been submitted to the Issuer Agent for Dematerialisation. The Dematerialisation initiation message must contain the details of the certificate or document of title.
- 3.1.3. The Participant must indicate that the certificate or document of title received from the Client is for Dematerialisation.
- 3.1.4. The Participant must allocate a Dematerialisation reference number to the certificate or document of title. The reference number must be the same reference number as that used on the Dematerialisation initiation message to Strate from the Participant, and must:
 - 3.1.4.1. be alphanumeric, maximum 16 characters long, derived from the SWIFT standard; and
 - 3.1.4.2. be unique per Participant (no cycles per day / week / month may be used).
- 3.1.5. The Participant must deliver the certificate or document of title to the Issuer Agent. In the case of Securities issued by a Foreign Incorporated Company whose Securities have been Immobilised and registered in the name of PLC Nominees, a completed and signed Securities transfer form transferring the Securities from the legal owner to PLC Nominees, must accompany the certificate or document of title that is delivered to the Issuer Agent.

3.2. Strate Procedures⁵

- 3.2.1. On receipt of the Dematerialisation initiation message from the Participant, the Strate System creates a pending Dematerialisation balance for that Participant.
- 3.2.2. The Strate System prepares and submits a Dematerialisation request message for Dematerialisation, containing details of the certificate or document of title to be Dematerialised. This notification informs the Issuer Agent that it can expect a certificate or document of title from a particular Participant.

⁴ 3.1 amended with effect from 15 October 2018

⁵ 3.2 amended with effect from 15 October 2018



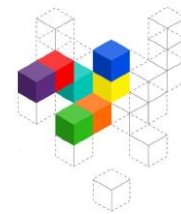
3.3. Issuer Agent Procedures⁶

- 3.3.1. The Issuer Agent must receive both the certificate or document of title and the Dematerialisation request message from Strate before the Dematerialisation process can continue, notwithstanding any time delay between receiving either the Strate System's Dematerialisation request message or the certificate or document of title.
- 3.3.2. On receipt of the certificate or document of title, the Issuer Agent must issue a receipt to the Participant.
- 3.3.3. The Issuer Agent must, once it has received both the certificate or document of title, and the Strate System's Dematerialisation request message, process the Dematerialisation request within 24 (twenty-four) hours.
- 3.3.4. Securities reconciliation between Strate and the Issuer Agent must be done daily as part of the EOD processing. The Issuer Agent must send the Statement of Holdings message to Strate before start of EOD.
- 3.3.5. The Issuer Agent:
 - 3.3.5.1. may conduct a confirmation of Dematerialisation orders for Same Day Settlement up until the Statement of Holdings processing (18h00); and
 - 3.3.5.2. must complete a confirmation of Dematerialisation orders within a maximum period of 24 (twenty four) hours.
- 3.3.6. Dematerialisation orders received without certificates must be rejected by the Issuer Agent within 24 (twenty-four) hours of receipt of the order.

Validation of Certificates and Documents of Title

- 3.3.7. The Issuer Agent must reconcile the total of Securities to be Dematerialised (as specified in the Dematerialisation request message from Strate's System) with the certificate or document of title total received from the Participant. If the totals are different, the certificate or document of title is invalid and must be rejected by the Issuer Agent.
- 3.3.8. The Issuer Agent must validate the certificate or document of title in terms of any applicable legislation, including the Companies Act, 2008 (Act No. 71 of 2008).
- 3.3.9. Any certificate or document of title that fails the validation carried out by the Issuer Agent must be rejected as invalid and returned by the Issuer Agent to the Participant.
- 3.3.10. The Issuer Agent must prepare and submit to the Participant a rejection letter stating the specific reason for rejecting the certificate or document of title, and a rejection message to the Strate System to inform Strate that the certificate or document of title was rejected. The Issuer Agent must reclaim the Dematerialisation receipt.

⁶ Section amended with effect from 11 July 2016 and 15 October 2018

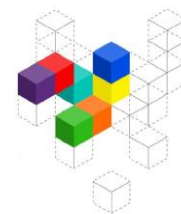
***Unknown-Certificated Balance (UCB)***

- 3.3.11. The Issuer Agent must record in the Securities register the UCB certificates or documents of title details which are not in the Securities register, but which the Issuer Agent finds are acceptable and valid. The Issuer Agent must also reduce the old UCB accordingly.

3.4. Dematerialisation⁷

- 3.4.1. Where certificates or documents of title are accepted for Dematerialisation by the Issuer Agent, the Issuer Agent must:
- 3.4.1.1. update the Dematerialised balance in the Securities register;
 - 3.4.1.2. reflect the certificate or document of title in the Securities register as Dematerialised; and
 - 3.4.1.3. send a Dematerialisation confirmation message to the Strate System to confirm that the amount of Securities in question has been Dematerialised.
- 3.4.2. By accepting the certificates or documents of title for Dematerialisation and sending the Dematerialisation confirmation message referred to in 3.4.1.3, the Issuer Agent warrants to Strate and the Participant that it has complied with any applicable legislation, including the Companies Act, 2008 (Act No. 71 of 2008).
- 3.4.3. On receipt of the Dematerialisation confirmation message from the Issuer Agent, the Strate System increases the Dematerialised balance for the relevant Participant, and updates the Participant's balance from "pending Dematerialisation" to "available".
- 3.4.4. The Strate System notifies the Participant that Dematerialisation of the certificates or documents of title has been completed (or partially completed).
- 3.4.5. The Participant must update the Securities Account or Segregated Depository Account of the relevant Client accordingly.

⁷ 3.4 amended with effect from 15 October 2018



4. DEMATERIALISATION INITIATED BY THE ISSUER

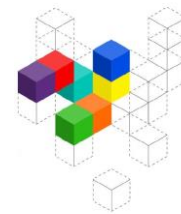
If an Issuer initiates the Dematerialisation of the Securities issued by that Issuer, then the following process will apply:

Validation of Certificates, Documents of Title and Records of Ownership

- 4.1. The Issuer Agent must reconcile and validate the Securities to be Dematerialised with the certificate, document of title or record of ownership that it has, in terms of any applicable legislation, including the Companies Act, 2008 (Act No. 71 of 2008).
- 4.2. The Issuer Agent must submit a Dematerialisation instruction with the relevant details of a certificate, document of title or record of ownership to the Issuer's preferred Participant for the purposes of Dematerialisation. By giving a Dematerialisation instruction to the Participant, the Issuer Agent warrants to Strate and the Participant that:⁸
 - 4.2.1. it has complied with any applicable legislation, including the Companies Act, 2008 (Act No. 71 of 2008); and
 - 4.2.2. the details of such certificate, document of title or record of ownership are valid, correct and accurate.
- 4.3. The Participant must:⁹
 - 4.3.1. prepare and send a Dematerialisation initiation message to the Strate System to inform Strate that a Dematerialisation instruction has been received from the Issuer Agent. The Dematerialisation initiation message must contain the relevant details of the certificate, document of title or record of ownership as received from the Issuer Agent;
 - 4.3.2. allocate a Dematerialisation reference number to the Issuer Agent's Dematerialisation instruction. The reference number must be the same reference number as that used on the Dematerialisation initiation message to Strate from the Participant, and must:
 - 4.3.2.1. be alphanumeric, maximum 16 characters long, derived from the SWIFT standard; and
 - 4.3.2.2. be unique per Participant (no cycles per day / week / month may be used).
- 4.4. In the case of Securities issued by a Foreign Incorporated Company whose Securities have been Immobilised and registered in the name of PLC Nominees, a completed and signed Securities transfer form transferring the Securities from the legal owner to PLC Nominees, must accompany the certificate, document of title or record of ownership.
- 4.5. On receipt of the Dematerialisation initiation message from the Participant, the Strate System:
 - 4.5.1. creates a pending Dematerialisation balance for that Participant; and

⁸ 4.2 amended with effect from 15 October 2018

⁹ 4.3 amended with effect from 15 October 2018



- 4.5.2. prepares and submits to the Issuer Agent, a Dematerialisation request message, containing details of the certificate, document of title or record of ownership to be Dematerialised.
- 4.6. Securities reconciliation between Strate and the Issuer Agent must be done daily as part of the EOD processing. The Issuer Agent must send the Statement of Holdings message to Strate before the start of EOD.
- 4.7. The Issuer Agent:
 - 4.7.1. may conduct a confirmation of Dematerialisation orders for Same Day Settlement up until the Statement of Holdings processing (18h00); and
 - 4.7.2. must complete a confirmation of Dematerialisation orders within a maximum period of 24 (twenty four) hours.

Unknown-Certificated Balance (UCB)

- 4.8. The Issuer Agent must record in the Securities register the UCB certificates or documents of title details which are not in the Securities register, but which the Issuer Agent finds are acceptable and valid. The Issuer Agent must also reduce the old UCB accordingly.

Dematerialisation

- 4.9. On receipt of a Dematerialisation request message from Strate, the Issuer Agent must:
 - 4.9.1. update the Dematerialised balance in the Securities register;
 - 4.9.2. reflect the certificate, document of title or record of ownership in the Securities register as Dematerialised; and
 - 4.9.3. send a Dematerialisation confirmation message to the Strate System to confirm that the amount of Securities in question has been dematerialised. By sending a Dematerialisation confirmation message to Strate in terms of this paragraph 4.9.3, the Issuer Agent warrants to Strate and the Participant that it has complied with any applicable legislation, including the Companies Act, 2008 (Act No. 71 of 2008).
- 4.10. On receipt of the Dematerialisation confirmation message from the Issuer Agent, the Strate System increases the Dematerialised balance for the relevant Participant, and updates the Participant's balance from "pending Dematerialisation" to "available".
- 4.11. The Strate System notifies the Participant that Dematerialisation of the certificates, documents of title or record of ownership has been completed (or partially completed).



- 4.12. The Participant must update the Securities Account(s) or Segregated Depository Account(s) of the relevant Client(s), or such Securities Account(s) or Segregated Depository Account(s) that the Issuer or Issuer Agent may have designated for Dematerialisation purposes.¹⁰

5. REMATERIALISATION¹¹

If a Client initiates the Rematerialisation of the Securities held by that Client in order to obtain a certificate or document of title in respect of all or part of those Securities, then the following process will apply:

- 5.1. A Participant must forward a Rematerialisation instruction to the Strate System detailing the Securities to be Rematerialised and the details of the name of the Client or the relevant person to be used for registration purposes.¹²
- 5.2. In the case Securities issued by a Foreign Incorporated Company whose Securities have been Immobilised and registered in the name of PLC Nominees, a Participant must:
 - 5.2.1. send a request to Strate to complete; and
 - 5.2.2. sign a Securities transfer form transferring the Securities from PLC Nominees to the legal owner.
- 5.3. The Strate System records the Securities as pending and places a hold on the relevant number of Securities, and sends a Rematerialisation receipt message to the Issuer Agent.
- 5.4. The Issuer Agent must:
 - 5.4.1. reduce the Dematerialised holding;
 - 5.4.2. create a position for the Client or the relevant person in the Securities register; and¹³
 - 5.4.3. initiate the registration process.
- 5.5. Once the registration process is complete and the certificate or document of title has been produced, the Issuer Agent must send a Rematerialisation confirmation message to confirm to the Strate System that the "hold" is removed and the balance of the Uncertificated Securities of the relevant Participant is reduced by the relative number of Securities. By making a confirmation into the Strate System in terms of this paragraph 5.5, the Issuer Agent warrants to Strate and the Participant that it has:
 - 5.5.1. complied with any applicable legislation, including the Companies Act 71 of 2008;
 - 5.5.2. recorded in the Issuer's Securities register the reduction of the Securities held in Strate in that class of Securities by the number of the Rematerialised Securities; and

¹⁰ 4.12 amended with effect from 15 October 2018

¹¹ Amended with effect from 15 October 2018

¹² Amended with effect from 15 October 2018

¹³ Amended with effect from 15 October 2018



- 5.5.3. issued a certificate or document of title in the name of the Client or the relevant person in whose name the Rematerialised Securities have been registered in the Issuer's Securities register.¹⁴
- 5.6. Securities reconciliation between Strate and the Issuer Agent must be done daily as part of the EOD processing. The Issuer Agent must send the Statement of Holdings message to Strate before the start of EOD.
- 5.7. The Issuer Agent:
 - 5.7.1. may conduct a confirmation of Rematerialisation orders for Same Day Settlement up until the Statement of Holdings processing (18h00); and
 - 5.7.2. must complete a confirmation of Rematerialisation orders within a maximum period of 24 (twenty four) hours.
- 5.8. The Strate System sends a Rematerialisation confirmation to the Participant who then collects the new certificate or document of title from the Issuer Agent.
- 5.9. The Issuer Agent must not mail the certificate or document of title to the Participant, but must ensure that the certificate or document of title is collected at its place of business, using the original message reference number as a means of identification.

¹⁴ Amended with effect from 15 October 2018