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Issuers and Company Secretaries

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GUIDANCE LETTER: DISCUSSIONS WITH JOURNALISTS & INVESTMENT ANALYSTS

The JSE has decided to issue guidance to issuers and their directors when having discussions with journalists and investment analysts (“**analysts**”) and the treatment of price sensitive information. Although this letter is focused on discussions with analysts it should have equal application to discussions with journalists.

The general principles that underpin the JSE Listings Requirements (the “**Requirements**”) ensure, amongst others, that full, equal and timeous public disclosure is made to all holders of securities and the general public at large regarding the activities of an issuer that are price sensitive.

It is therefore imperative that discussions with analysts are managed firmly and responsibly by issuers and their directors.

The general rule is that price sensitive information must be released publicly through SENS before being disclosed to analysts or any other parties.

General

This guidance letter, as per the heading above, merely serves as a guide to issuers and their directors when having discussions with analysts and the treatment of price sensitive information. In the event of any breach whatsoever of the provisions of the Financial Markets Act No 19 of 2012 (the “**FMA**”) and/or the Requirements, compliance or reliance on this guidance letter will not necessarily absolve an issuer and/or their directors from any liability.

It should further be noted that the contents of this guidance letter may be familiar or known to some directors and we kindly request that you indulge us for the benefit of (i) the broader group of directors, (ii) newly appointed directors and (iii) company secretaries.

Price Sensitive Information

For purposes of this guidance letter, price sensitive information will not be discussed in detail. Please refer to the definition of price sensitive information in the Requirements read together with Practice Note 2/2015 providing guidance on price sensitive information.

The Financial Markets Act

In applying this guidance letter, issuers and their directors must familiarise themselves with the market abuse provisions in the FMA dealing with market abuse and inside information. Refer to Sections 78 to 82 of the FMA. Issuers should be aware that price sensitive information pursuant to the provisions of Requirements may also qualify as inside information pursuant to the FMA and *vice versa*.

Analysts

Analysts are employed to produce detailed reports on the prospects and performance of issuers and have an important role to play in assisting the market in understanding the valuation of issuers. They compile and research their information via a number of methods including interviewing executives, clients, customers and company advisers. Investment analysis is a competitive industry and analysts are rated and remunerated on the quality and accuracy of their information, and the conclusions they draw.

The JSE understand that as a consequence of being listed, issuers are exposed to discussions with analysts. Issuers should therefore take a firm view when answering questions from analysts during discussions.

In dealing with analysts, issuers should note the following event types:

1 Questions from analysts

During discussions with analysts, issuers are allowed to expand on information already in the public domain or discuss the markets/industry in which they operate, provided that such expanded disclosure does not qualify as price sensitive information. Therefore, issuers must decline to answer questions from analysts where the answer would lead to divulging price sensitive information. In responding to certain comments or views from analysts which appear to be inaccurate, issuers should respond with information drawn from information released publicly to the market through SENS.

2 Draft reports from analysts

Issuers must not correct draft reports from analysts which are sent to them with a view to commenting on financial figures and/or assumptions. The issuer may consider the financial figures and/or assumptions and discuss them with the analyst, in broad terms and without providing any price sensitive information. Issuers can of course correct information in relation to financial figures and/or assumptions that do not constitute price sensitive information and drawn from information released publicly to the market through SENS.

3 Conduct of discussions with analysts

Issuers are sometimes concerned that they may be misinterpreted or mistakenly accused of providing price sensitive information following meetings with analysts. In this case, issuers must consider establishing internal procedures which reduce these risks.

In this regard the following recommendations could be considered:

- Issuers must have internal written policies for handling confidential and price sensitive information;
- Issuers must ensure that their directors and senior management are trained and understand the provisions of the Requirements dealing with price sensitive information and the provisions of the FMA dealing with market abuse and insider information;
- Issuers must make sure that more than one representative of the issuer is present during discussions with analysts and that accurate records of all discussions are kept in safekeeping for future reference;
- Authorising a spokesperson/spokespersons: Issuers must keep to a minimum the number of directors and senior staff authorised to speak on the issuer's behalf. Issuers must make sure that these persons are informed about the issuer's activities and are familiar with all the information that the issuer has previously released publicly through SENS, but they must avoid commenting on price sensitive information. A director or other person responsible for disclosure could further outline the issuer's disclosure history to analysts before entering into discussions. This will safeguard against inadvertent disclosure of price sensitive information;
- Body language: Spokespersons must be mindful of body language when answering questions. As an example, the shake of a person's head in a "yes" or "no" gesture or showing thumbs up or down in a "positive" or "negative" gesture, does constitute communication when answering questions although not in a verbal format.
- Reviewing discussions: Issuers must have a procedure for reviewing briefings and discussions with analysts afterwards to check whether any price sensitive information has

inadvertently been disclosed. If so, shareholders and the market must have access to it by the issuer announcing it immediately through SENS;

- Handling unanticipated questions: Issuers must be particularly careful when dealing with questions from analysts that raise issues outside the intended scope of discussion/s. Some useful ground rules are:
 - only discuss information that has been publicly released through SENS or is in the public domain;
 - if a question can only be answered by disclosing price sensitive information, decline to answer; and
- Responding to financial projections and reports: Issuers must confine comments on financial projections by analysts to errors in factual information and underlying assumptions that do not constitute price sensitive information. Avoid any response which may suggest that the current projections of an analyst are incorrect. The way to manage earnings expectations is by using the continuing obligations trading statement disclosure to establish a range within which earnings are likely to fall or improve. Announce through SENS any change in expectations before commenting to any party outside the issuer.

The above recommendations should not be considered to be an exhaustive list of measures to deal with discussions with analysts and the treatment of price sensitive information, however, the intention is to give issuers practical guidance on how to manage discussions with analysts.

Please contact Alwyn Fouchee on (011) 520 7678 if you have any questions regarding the above.

Yours faithfully



**A F VISSER: GENERAL MANAGER
ISSUER REGULATION**

CC: Sponsors and Designated Advisers