

Directive of Strate (Pty) Ltd

Special Gazette No S3-2023
Strate Directive SC.4

Processing of Corporate Actions –
Equities

strate

To provide for the processing of corporate actions for equities, including announcements, notices and distributions

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1. DISCLAIMER

- 1.1. Strate does not make any representations or warranties, express or implied, as to the accuracy, completeness or reliability of information contained in any Announcements published by Issuers or an Exchange and sent by Strate.
- 1.2. Strate is not liable to any person for any delays in the sending or non-receipt of:
 - 1.2.1. Announcements or other information published by Issuers, Issuer Agents, or an Exchange; or
 - 1.2.2. payments and other entitlements.
- 1.3. Strate is not responsible or liable to any person for any loss or damage resulting from:
 - 1.3.1. any delay, act or omission on the part of any third party;
 - 1.3.2. incorrect, inaccurate, defective or misleading information furnished or supplied by the Issuer, Issuer Agent, an Exchange, or any third party; or
 - 1.3.3. the interruption or failure of communications links, power failure, the loss or destruction of any data and any loss or damage caused by natural disaster, riot, insurrection, acts of vandalism, sabotage or similar cause.
- 1.4. Strate is not liable for any loss incurred by any person as a result of amendment and/or cancellation of any Corporate Action by the Issuer, Issuer Agent, an Exchange or any third party.
- 1.5. Where the Issuer or Issuer Agent elects to make use of a trust account operated by Strate, Strate is not liable for any loss, damage or claim incurred by any person, including but not limited to Issuers, Participants and/or Clients, as a result of the bank, in whose system the cash entitlements are held, being declared insolvent, or becoming the subject of business rescue proceedings or resolution proceedings in terms of any law, prior to those cash entitlements being distributed.

2. INTERPRETATION AND DEFINITIONS

This Strate Directive should be read in conjunction with Strate Directive SZ.1 - *Interpretation and Definitions*.

3. ANNOUNCEMENTS

- 3.1. An Announcement is obtained by Strate from an Exchange, in the case of listed securities, or an Issuer, in the case of Unlisted Securities. On receipt, Strate creates a Corporate Action Announcement in the form of an MT564 message, even where this does not contain all the pertinent details. Strate distributes the Announcement to all Participants who, in turn, are responsible for notifying their Clients who hold the respective Securities.
- 3.2. A Participant may elect not to send an Announcement as set out in 3.1 where:
 - 3.2.1. the salient details of such Announcement are incorporated in a company notice, report or circular which has been, or will be, sent directly to a Client by an Issuer;
 - 3.2.2. the Client has elected not to receive such Announcements;
 - 3.2.3. the Client has mandated the Participant to act on its behalf without reference; or
 - 3.2.4. the Issuer is not required by the applicable Exchange and/or the Companies Act to send the Announcement.
- 3.3. As updated or additional information relating to the Corporate Action is published, the original Announcement is enhanced and updated information is distributed as set out in 3.1. Subject to 3.2, a Participant is responsible for notifying relevant Clients of any changes to the Announcement.
- 3.4. Strate sends an MT564 COMP message once all conditions for processing the corporate action are finalised. The issuer or Exchange may publish further information after the MT564 COMP message is distributed, in which event Strate will resend the message with the updated information.
- 3.5. Where a cash entitlement is announced by an Issuer as a number of cents per share, Strate, in order to comply with SWIFT standards, converts the cash rate in the Announcement to a number of Rands per share.
- 3.6. Where Strate calculates an entitlement based on the cash rate and/or Securities ratios, it does so to the nearest cent for cash, and down to the nearest whole number for Securities, unless otherwise stipulated by the Issuer, but in any event to not more than 15 (fifteen) decimal places.

4. DEMATERIALISATION AND REMATERIALISATION ORDERS

With respect to Securities affected by a Corporate Action:

- 4.1. Participants and Issuers or Issuer Agents must finalise the processing of any Dematerialisation or Rematerialisation orders that are outstanding on LDT by 13h00 on RD-1.
- 4.2. A Participant must not send any Dematerialisation or Rematerialisation order to Strate after LDT. A Participant must only recommence sending Dematerialisation or Rematerialisation orders from RD+1.

- 4.3. An Issuer or Issuer Agent must not send any instructions for the allotment of Securities or for the cancellation or reduction of Securities to Strate between LDT+1 and RD.

5. EX-DATE

- 5.1. A Participant must exclude from elections and entitlements all transactions concluded on or after Ex-date, except where such transactions are Off-market or Securities Lending and Borrowing Transactions which are due to settle on or before Record Date.

6. ELECTIONS

- 6.1 A Participant and its Clients must anticipate their Record Date holdings by taking into account all unsettled transactions which are due to settle on or before Record Date.
- 6.2 A Participant must obtain its Client's election instructions based on the anticipated Record Date holdings and must:
- 6.2.1 reconcile the holdings on which the Client has elected against the anticipated Record Date holdings, and
 - 6.2.2 aggregate its Clients' election instructions and send these to Strate for each of its CSAs in accordance with 6.3.
- 6.3. A Participant must send the election instructions for each option to Strate by Election Deadline Date. This instruction must take the form of an MT565 message, or a spreadsheet where manual processing has been agreed between Strate, the Participants and the Issuer or Issuer Agent. A Participant is liable for the accuracy, completeness, and validity of the election instructions it sends to Strate. In the event of an election being impacted by an Exchange's Failed Trade management, a Participant may send an amended election instruction by the cut-off time stipulated by the Issuer.
- 6.4 Where Strate facilitates the processing of voluntary Corporate Actions, including over-subscriptions, Strate reports and commits to Off-market transactions on behalf of a Participant upon receipt of the Participant's election instructions. Where Strate does not facilitate the processing of voluntary Corporate Actions, these are processed in accordance with Strate Directive SC.2 - *Operational Market Windows – Off-market – Equities* and Strate Directive SC.7 - *Operational Market Windows – Unlisted – Equities*.
- 6.5 Where a Participant sends election instructions in respect of elective Corporate Actions to Strate in the form of an MT565 message, any subsequent MT565 message sent to Strate cancels the previous MT565 message.
- 6.6 Where a Participant has not provided Strate with election instructions by the date and time stipulated in the Announcement sent by Strate, the Default Option will apply.
- 6.7 Where Strate facilitates the processing of voluntary Corporate Actions, including over-subscriptions, an Issuer Agent must send Strate an instruction, in the form of an agreed spreadsheet, advising Strate of any allotted Securities, and the applicable cash rate and/or Securities ratios.

- 6.8 Strate is not liable for any loss incurred by any person as a result of any under or over election by a Participant or Client.

7. RECORD DATE

- 7.1 Determining the Record Date holdings requires Participants and Clients to take into account all transactions that are due to settle on or before Record Date.
- 7.2 If, after Settlement has been concluded on Record Date, there is a discrepancy between the election received from the Participant and the holdings in the respective CSA of the Participant in Strate, Strate will advise the Participant to resolve the discrepancy and amend their election within 1 (one) hour of being notified. If no such amendment is received, Strate will undertake the following actions:
- 7.2.1 Where the Participant's election exceeds the holdings in the CSA, the election is reduced by the amount in excess;
 - 7.2.2 Where the Participant's election exceeds the holdings in the CSA and the election covers more than one option, the election in respect of the Default Option is reduced by the amount in excess;
 - 7.2.3 Where the discrepancy exceeds the quantity elected for the Default Option, this quantity is eliminated and the remaining discrepancy subtracted from the next option. If there are more than two options, the Participant must instruct Strate on the adjustment to be made to the election;
 - 7.2.4 Where the Participant's election is less than the holdings in its CSA, the Default Option is applied to the remaining holding.
- 7.3 Where Strate adjusts the election as provided in 7.2, it will advise the affected Participant of the adjusted election via MT564 message by EOD on Record Date.
- 7.4 Where Strate adjusts the election in accordance with 7.2, Strate will not be responsible or liable to any person for any loss or damage resulting from such adjustment, and the Participant indemnifies Strate from any loss resulting from such adjustment.
- 7.5 After Settlement has been completed on Record Date, Strate provides the Issuer or Issuer Agent with details of the aggregate number of Securities and or cash due to a Participant on Payment Date in respect of that Participant's entitlements.
- 7.6 After Settlement has been completed on Record Date, Strate advises a Participant of the holdings per CSA on which calculations for its entitlements are based, and the expected entitlements, based on such holdings.
- 7.7 In those cases where the entitlement is distributed through the Strate System used for the processing of Settlement, the details of the Settlement are advised as soon as the orders have been generated by Strate on RD+1.

8. PAYMENT DATE

- 8.1 On Payment Date, Strate notifies the Issuer's bank of the total cash entitlements in respect of the dematerialised holdings, and facilitates the distribution once the Issuer has irrevocably funded its designated bank account with the total cash entitlements required. This funding must be made by no later than 10h00 on Payment Date. Where the Issuer's designated bank account is only funded after:

- 8.1.1 10h00 on Payment Date, Strate may charge the Issuer an additional fee for the late payment; and
- 8.1.2 14h30 on Payment Date, Strate notifies Participants of the late payment and will process payment to Participants on the next Business Day. Strate may charge the Issuer an additional fee for the late payment.
- 8.2 Where the Corporate Action involves a distribution of Securities, the Issuer or Issuer Agent must ensure that the Securities are available for distribution by BOD on Payment Date to enable Settlement to take place.
- 8.3 Strate does not facilitate the distribution of cash entitlements or send an MT566 message to Participants until the cash has been credited to the Issuer's bank account and cleared, in full, within the time and method outlined in 8.1.
- 8.4 Where the Issuer does not fund in full in accordance with 8.1, or Strate does not receive either all or part of the Securities in accordance with 8.2, Strate has the right to withhold distribution of cash and/or Securities until after such cash and/or Securities have been received in accordance with 8.1 and/or 8.2.
- 8.5 Strate is not liable for any interest claims or other liability attaching to non-payment or late distribution of cash or Securities.
- 8.6 Where the Issuer does not fund in full in accordance with 8.1, or Strate does not receive all the Securities in accordance with 8.2 within 48 (forty-eight) hours from the Payment Date stipulated in the Announcement, Strate will withdraw the Corporate Action from the Strate System and notify the Participants accordingly. Any entitlements must thereafter be processed outside the Strate System. Strate may charge the Issuer an additional fee for withdrawing a Corporate Action for non-compliance.
- 8.7 Strate is not liable for any interest claims or other liability where a Participant or Client that is entitled to receive cash chooses to distribute those cash entitlements prior to actually receiving the cash.
- 8.8 Fractions of Securities are calculated and distributed in the manner stipulated by the Issuer in the Announcement.
- 8.9 A Participant must credit its Clients with cash or Securities on the same day that it receives a distribution.

9. DIVIDEND RE-INVESTMENTS

- 9.1 Where the event type provides the Client with the opportunity to reinvest a dividend, or where the terms of a Security provide for the compulsory reinvestment of a dividend, a Participant is required to re-pay to Strate the elected re-investment portion of any dividends received, less any applicable tax deducted.
- 9.2 A Participant must irrevocably fund Strate's designated bank account with the total cash entitlements (net of tax) that its Clients have elected to re-invest by 12h00 on PD+1.
- 9.3 Strate will pay to the Issuer or Issuer Agent any cash entitlements received from Participants where such cash has been credited to Strate's bank account, in full, within the time and method

outlined in paragraph 9.2. Any cash not received by Strate by 12h00 on PD+2 must be processed outside the Strate System.

- 9.4 Strate is not liable to any person for any interest claims or other liability relating to pre-payment, non-payment, early or late distribution of cash, or for any re-investment process.

10 PRIOR CONSULTATION

- 10.1 Where a Corporate Action does not conform to the procedures set out in the Corporate Actions Handbook, the Issuer and/or Issuer Agent must ensure that consultation with Strate takes place as early as possible and in any event after the preliminary Announcement is made by the Issuer, but prior to approval of the circular by the Exchange. This is to enable Strate to identify solutions and explore suitable processing methodologies to execute the Corporate Action and reduce exposure to risk.
- 10.2 Furthermore, the Issuer and/or Issuer Agent must ensure that consultation with Strate and its Participants takes place within 2 (two) Business Days of the approval by the Exchange in order to resolve any outstanding queries.
- 10.3 Should the Issuer and/or Issuer Agent fail to consult with Strate and its Participants as set out in 10.1 and 10.2, Strate will not initiate any process that does not conform to the procedures set out in this Strate Directive.
- 10.4 During the consultation set out in clause 10.1, Strate determines, in consultation with the Issuer, Participants and the relevant Exchange, whether a Corporate Action is classified as a standard event or a complex event.
- 10.5 If a Corporate Action is classified as a complex event, Strate and the relevant Exchange, in consultation with the Participants and Issuer, may agree to amend the timelines for processing the Corporate Action.

11. GENERAL

- 11.1 All messages referred to in this document are dispatched in terms of the Strate Directive SC.1 – *Operational Market Windows – On-market – Equities – JSE and A2X* and Strate Directive SC.7 – *Operational Market Windows – Unlisted – Equities*.