

JSE'S SRI INDEX PRINCIPLES NOW STANDARD BUSINESS PRACTICE

JOHANNESBURG, 1 DECEMBER 2010 – With a record number of listed companies having achieved the standards required to join the JSE's 2010 Socially Responsible Investment (SRI) Index, institutional investors now face pressure to consider sustainability criteria when assessing potential investments, the JSE commented at the announcement of the results of the annual SRI Index review today.

This pressure is heightened by today's announcement by the JSE and the Government Employees Pension Fund (GEPEF), South Africa's largest pension fund and a significant client of many local institutions. The two groups said they intend working together closely to support the GEPEF's strides in mainstreaming responsible investment. The intention is to make the SRI Index the benchmark for broad-based environmental, social and governance (ESG) practice amongst listed companies.

The SRI Index comprises listed companies which meet criteria related to their ESG policies, management practices and reporting. The intention of the index is two-fold: to encourage companies to operate responsibly and transparently and to prompt institutions to consider ESG factors when evaluating potential investments.

"This year's composition reflects the fact that companies now see ESG principles as part of normal business practice," says Corli Le Roux, Head of the JSE Socially Responsible Investment Index.

In the 2010 SRI Index review –

- 74 companies out of 106 assessed qualified for the SRI Index
- Five companies are in the Index for the first time
- 23 companies have been identified as best performers
- Two of these qualified as best performers for the first time
- 32 companies were not included in the index, with the most common cause for this being environmental policy and reporting

Of the 106 companies assessed in this year's review, just under 80% submitted detailed responses. This response rate is particularly high, also in global terms.

"The nature and extent of our discussions with various stakeholders who brought issues to our attention is a positive development. We were again impressed with how willing companies were to seriously engage on issues. This process has had an impact on the treatment of some companies relative to their inclusion in the Index," comments Le Roux.

In a move designed to build local capacity in the field of ESG research, the Unit for Corporate Governance in Africa at the University of Stellenbosch Business School (USB) assisted leading UK-based sustainability research provider EIRIS for the first time in conducting company assessments.

The review has two phases. First, EIRIS and USB reviewed all publicly available company information, such as annual reports, sustainability reports and web sites. Participating companies were then given the opportunity to provide further information, particularly about elements that were not met by information in the public domain.

Focus in 2010

In order to make sure that the SRI Index is an effective measure of how companies are faring in their ESG responsibilities, the review criteria are assessed continually to ensure that they take account of local and global developments. In line with recent developments, the 2010 review was updated to reference the third King Code of Corporate Governance, included climate change criteria and raised the best performer threshold.

Another focus of 2010 was the building of relationships with asset managers in a bid to grow the funds tracking the Index.

"Our ongoing consultations with the investment community show growing awareness of the importance of ESG issues in investment decision-making," says Le Roux. "Several institutions say

the SRI Index provides them with a useful benchmark which they use in research, stock picking or company engagement.”

Focus for 2011

Strengthening investor relationships, particularly with fellow signatories of the PRI, will be a focus area for 2011. Another focus area for the JSE is to expand the availability of analysis on company performance from the SRI Index process, an area which has been highlighted as a need for investors to strengthen their engagement with and investment in companies. The JSE will continue to identify opportunities to encourage transparency and responsibility in relation to ESG concerns.

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ISSUED BY:

Victoria Williams/Kamantha Pillay
Corporate Communications Consultants
Tel: +27 11463 2198
Cell: +27 72 452 1772
Email: victoria@corpcom.co.za
kamantha@corpcom.co.za

ON BEHALF OF:

Corli le Roux
Head of SRI Index
JSE Limited

Tel.: +27 11 520 7000
Email: CorliLR@jse.co.za