

THE JSE'S SUSTAINABILITY STRATEGY

The JSE's organisational strategy, which is referred to on page 11, acknowledges the need to build a resilient organisation that is positioned for the future. This includes having a clear picture of the sustainability context and what that means for the Group's ability to create value in the longer term.

As noted in the sustainability framework and expressed in previous reports, the JSE's approach to sustainability is informed by the different dimensions within which it is relevant to the JSE:

- How the Group runs its business and addresses internal corporate sustainability concerns to ensure sustainable value creation for shareholders and broader stakeholders; in comparison with
- The Group's external circle of control and ability to influence the broader debate with regard to the entities connected to it (issuers, investors and the intermediaries that facilitate interaction between them).

These two dimensions (how the Group ensures internal sustainability concerns and its external circle of control) are intertwined in various aspects, for example in the way that our efforts to achieve internal efficiencies not only support the JSE's own business prospects but also inform affect the impact of the outward influence that the Group exerts through these efforts and otherwise.

The four sustainability themes that inform the JSE's efforts blend inward-looking and outward-focused elements to ensure a holistic approach. They link closely to the corporate scorecard key performance indicators and the material issues and are grounded in the organisational strategy. As an overarching objective, the Group wants to ensure that it can position itself positively relative to the key value drivers: efficiency, integration, growth and innovation.

Progress during 2014 is summarised below:

SUSTAINABILITY THEMES AND FOCUS AREAS FOR 2014			
OPERATIONS AND TECHNOLOGY 	PEOPLE 	PRODUCTS AND SERVICES 	STAKEHOLDER RELATIONSHIPS 
<ul style="list-style-type: none"> • Governance and regulation • Technology • Managing footprint 	<ul style="list-style-type: none"> • Performance management • Remuneration principles 	<ul style="list-style-type: none"> • Expanded markets and client bases • Evolution of the SRI Index 	<ul style="list-style-type: none"> • Thought leadership, engagement and transparency • Communities in need

Operations and technology

As reflected in the material issues, technological stability and responsiveness remain a priority for the JSE, not only to achieve operational efficiencies and integration, but also to facilitate growth and encourage innovation by ensuring it remains at the forefront of developments. A range of significant technology projects are under way at the JSE in this regard (see *CEO's review* and *key performance indicators*), and this is likely to continue being a core focus area.

From an operational perspective, the recent internal restructuring (see page 20), which moves to a separation in vertical services (across trading, clearing and settlement) while achieving horizontal integration in those services across the various markets of the JSE, enables the JSE to have a holistic perspective of its client base across markets and ensures that the necessary governance and operational structures are in place to optimise service delivery, regulatory responsiveness and product development.

The JSE continues to manage its basic environmental footprint through the initiatives already in place relating to climate change, water and waste (see the *environmental report*; www.jsereporting.co.za/ar2014/environment.asp). 

The JSE has sustained its inclusion in the SRI Index, achieving best practice level in the environmental criteria for its impact category. It lacked disclosure on only two core indicators in the governance area to achieve a perfect score. However, it needs to improve on disclosure of how it manages social issues across all areas.

People

To continue embedding a culture of excellence throughout the JSE, the focus during 2014 remained on enhancing the efficiency of the performance management process (while ensuring a smooth transition for the individuals and teams affected by the internal restructuring) and re-aligning the remuneration policies and timelines to the corporate scorecard. The process of accessing and profiling the range of positions throughout each area of the organisation to ensure proper benchmarking and job sizing will be completed in early 2015.

THE JSE'S SUSTAINABILITY STRATEGY (CONTINUED)

Products and services

Please refer to the *CEO's review* and *key performance indicators* for progress on the ETP project and the Africa strategy. June 2014 saw the listing of the first green bond on the JSE, a R1.46 billion (US\$140 million) bond issued by the City of Johannesburg, which will be used to fund green initiatives within South Africa's largest city, and which will mature in 2024. Johannesburg is the first city in the C40 Cities Climate Leadership Group to issue a green bond. The bond auction, which took place in the week before the listing, was 150% oversubscribed, supporting the JSE's perception of a growing interest in a broader range of products that could support sustainable development.

The JSE progressed well this year on positioning itself to realise the transition process foreseen in the strategy to evolve the SRI Index. Announcements will follow in early 2015, but the JSE is confident that the process will bring more flexibility and expanded opportunities for a product and service offering that will meet the growing interest of its clients in understanding the sustainability impacts of the companies listed on the JSE. The 2014 annual review of the SRI Index saw a record number of 82 constituents, with nine best performers (go to www.jse.co.za/2014-sri-results for the full results).



Stakeholder relationships

Refer to the *CEO's review* and *key performance indicators* for progress on the activities to enhance stakeholder focus. In addition to these activities, the SRI Index annual review again facilitated a number of corporate engagement opportunities. The JSE was particularly pleased with the significant increase in engagement by small cap companies as they become more aware of the need to disclose their impacts and responses. The annual Environmental Social and Governance (ESG) Investor Briefing took place for the fourth year running, with eight of the largest companies on the JSE presenting their sustainability approach to around 100 delegates from across the investment value chain.

Beyond the above, the JSE continues to participate in a wide range of forums that centre their attention on discussing and promoting the response to the sustainability imperative. During 2014, this included continuing involvement with the following:

- the UN-supported Principles for Responsible Investment, of which the JSE is a signatory in the service provider category.
- the Sustainable Stock Exchanges Initiative (see www.sseinitiative.org), of which the JSE is a partner exchange and member of the consultative group, participating in the global dialogue that took place in Geneva during the 2014 World Investment Forum.
- The Integrated Reporting Committee of South Africa (of which the JSE is a founding member) and its working group.
- The King Committee on Governance and the CRISA Committee, on which the JSE is represented.



In March 2014, the World Federation of Exchanges (WFE) established a new working committee to consider the exchange-specific perspective on sustainability disclosure and to develop recommendations on how member exchanges could respond to the challenges in this area. The JSE's Head of Sustainability was elected as vice-chair of the Sustainability Working Group, (now the largest working committee of the WFE, with 19 members), and will serve for two years from May 2014, giving the JSE a unique opportunity to provide insight and leadership into this critical process.

Implementation of the revised CSI strategy continued as planned (see the *stakeholder report* at www.jsereporting.co.za/ar2014/stakeholder.asp for more information).



Looking forward

As a partner exchange of the Sustainable Stock Exchanges Initiative, the JSE has publicly committed to remaining an active participant in the debate around sustainable and responsible business practices, both globally and in South Africa, and will continue to work with issuers, investors, regulators and other key stakeholders to promote ESG disclosure. In 2015, it will do this through the following avenues:

- Maintaining the strong regulatory framework that its listed companies are subject to, while monitoring and enforcing compliance as necessary.
- Evolving the SRI Index in line with its strategy to implement an expanded ESG offering.
- Hosting workshops with issuers regarding changes to disclosure indicators and data collection processes.
- Engaging the investor community regarding the above processes and related service offerings.
- Facilitating the issuer-investor interface through events such as topical seminars and the annual ESG Investor Briefing to showcase SRI Index constituents.

In addition to the externally focused efforts outlined above, the JSE will continue to implement and manage elements of its internal sustainability strategy to consider the impacts, risks and opportunities of its own activities, and produce an integrated annual report and other disclosures to reflect on progress. The Group acknowledges that there are a number of areas where it still needs to do some work to ensure that it understands its impacts, potential challenges and opportunities, and to enhance its disclosure in this respect.

In conclusion, the JSE believes that it will need to maintain a dynamic approach to sustainability that balances proactive thought leadership with responsive engagement.