

# How the JSE looks at its business

The JSE recognises that it is uniquely positioned:

- as a critical product and service provider to South Africa's financial market (which is globally recognised as a centre of excellence); and
- as an interface between those who provide capital, those who need capital to fund their businesses and those who rely on returns for short-, medium- or long-term purposes; whether that interface is of a regulatory, service provision or influencing nature.

The JSE's efforts to sustain a resilient, multi-product and world-class exchange that is well positioned for the future reflect an awareness of this positioning. The JSE understands that a sustainable business is one that operates with a long-term perspective and the recognition that it both impacts and is impacted by the context within which the business operates (including the stakeholder, environmental, political, legal, and economic context). Accordingly, to the JSE, sustainability and resilience come down to doing what needs to be done to have the best chance not only to remain viable over at least the next 16 years, but also to be able to create value in the longer term.



The JSE's material themes (pages 16 and 17) and strategy (page 18) are informed by this view and the business is operated according to a philosophy that tries to balance the

interests of all stakeholders, particularly in relation to the following three pressures:

- optimising shareholder value;
- reinvesting internally in people and technology; and
- driving down cost to clients.

Strategic and operational decision-making is therefore guided by continuous endeavours to apply returns in a way that either balances these elements or enhances the way that they may contribute to each other.

The interlinked nature of these elements and efforts to balance them are evident in the following perspectives on the JSE's operational approach:

- Investments in people and technology are made to drive innovation and sustain a stable platform, and to ensure that more can be offered to clients over time while sustaining the robustness and trustworthiness of fairly priced products and services. As a result:
  - the JSE does not try to maximise prices to clients, dividends to shareholders or rewards to staff, but strives to find a fair balance for and between all of these;
  - substantial long-term investments may be incurred at a time when markets appear to be volatile or slow, given the JSE's conviction that, without such investments, clients will not be able to use products and

services as they need to, which is detrimental to long-term business growth and sustainability;

- prices may remain stable or trend down in order to remain competitive; and
  - salaries are kept sufficiently competitive and incentivising to ensure that the organisation can attract and retain appropriately qualified and motivated people to drive the JSE business with the single-mindedness necessary for the long-term.
- Considerable time is spent with stakeholders, keeping current clients engaged with the JSE and its products and services and demystifying the role of a well-functioning exchange in an emerging economy to try to build an understanding of the JSE as a partner in the success of this country. To achieve this:
    - various channels are employed to ensure the creation of an enabling environment within which constructive dialogue can take place, for instance, through advisory committees, focused client engagements and the like; and
    - the JSE participates in and initiates a wide range of forums and initiatives such as SA Tomorrow and business-government interaction.

As far as possible, the JSE business is operated and positioned in a manner that not only provides thought leadership impacting or influencing stakeholders, but also sets an example in achieving excellence. The JSE actively promotes sustainable, transparent business and responsible investment across a range of areas, including the following:

- The JSE will work to retain its well established reputation as a global thought leader in the field of governance and sustainability and the related standards and disclosure by:
  - continuing to participate in the setting of standards, for instance through the King Report and Code on Corporate Governance;
  - maintaining a strong and globally pre-eminent regulatory framework for its listed companies and reviewing this regularly to ensure sufficient governance and disclosure practices are in place. The latest amendments to the Listings Requirements, which require all boards to publish and report on their gender and racial empowerment strategies at board level, are an example of this;
  - engaging issuer and investor communities as well as facilitating the issuer-investor interface, for example

through the annual environmental, social and governance (ESG) investor briefing;

- participating in a wide range of related forums to enable impact, for instance through continued membership of the Sustainable Stock Exchanges Initiative as well as the UN Principles for Responsible Investment. In May 2016, the JSE's head of Sustainability was elected as chair of the World Federation of Exchanges' Sustainability Working Group, providing another opportunity to participate in and influence peer thinking;
- The JSE will focus on evolving and expanding its responsible investment product offering through indices, bonds and other initiatives; and
- The JSE aims to achieve excellence in operational ESG areas by ensuring that the organisation and its leadership consider the ESG risks, impacts and opportunities of its activities, manage them appropriately and make the necessary disclosures. Recent progress in this regard earned the JSE inclusion in the FTSE/JSE Responsible Investment benchmark index as well as the FTSE/JSE Responsible Investment Top 30 Index in December 2016.

In conclusion, in order to balance external and internal pressures, it is critical for the JSE to achieve operational efficiencies and integration while sustaining growth and facilitating innovation. In its efforts to do so, the Group strives to ensure that it remains a centre of excellence on which its clients and stakeholders can rely, whether:

- as a trusted place to raise capital;
- as a trusted place to buy or sell investments; or
- as a trusted bridge between SA Inc. and the investor community.