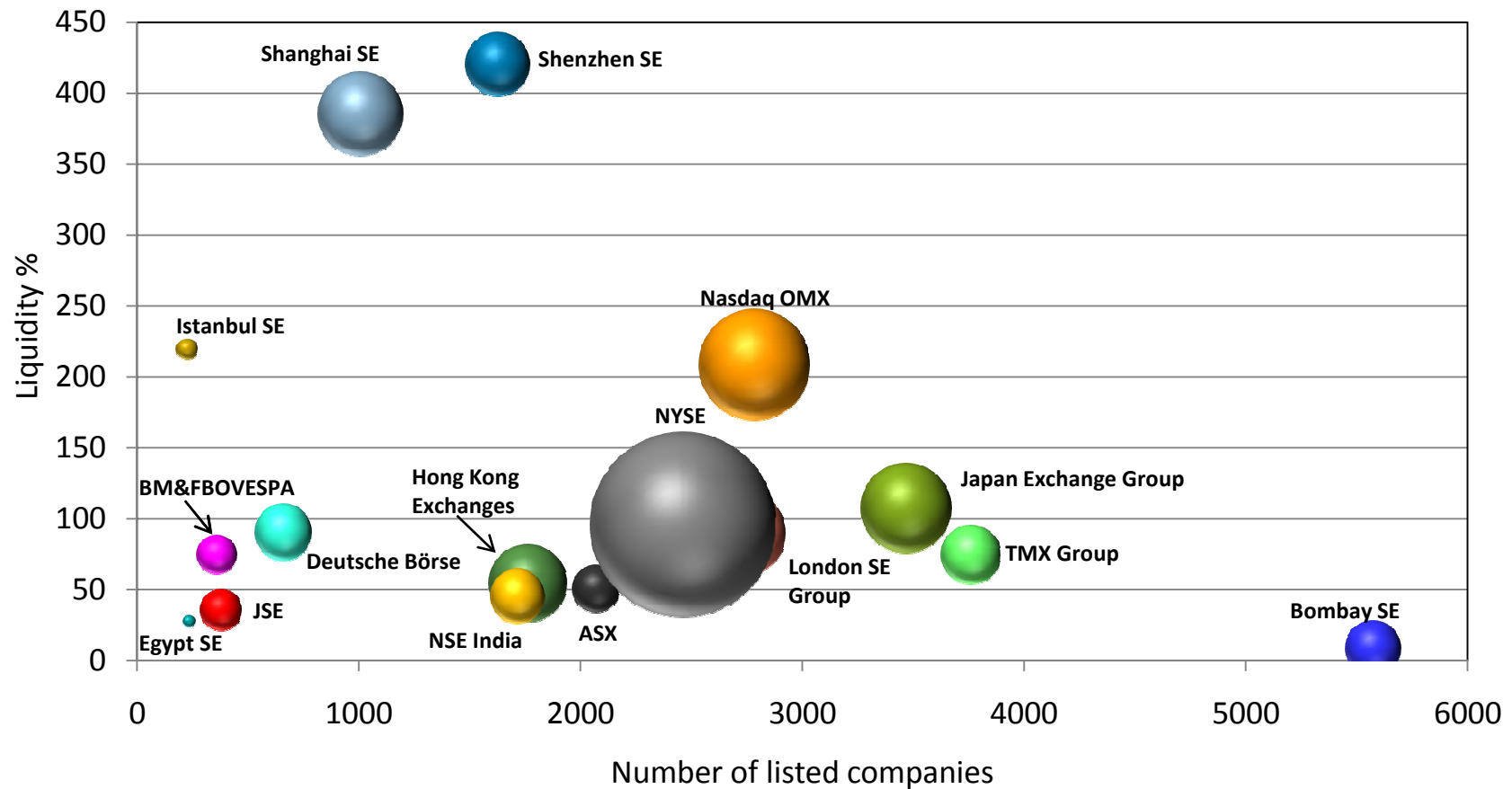


JSE and Sustainability

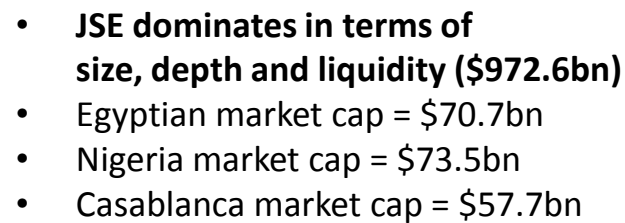
Corli le Roux, Head of Sustainability



JSE in a global context – January 2015



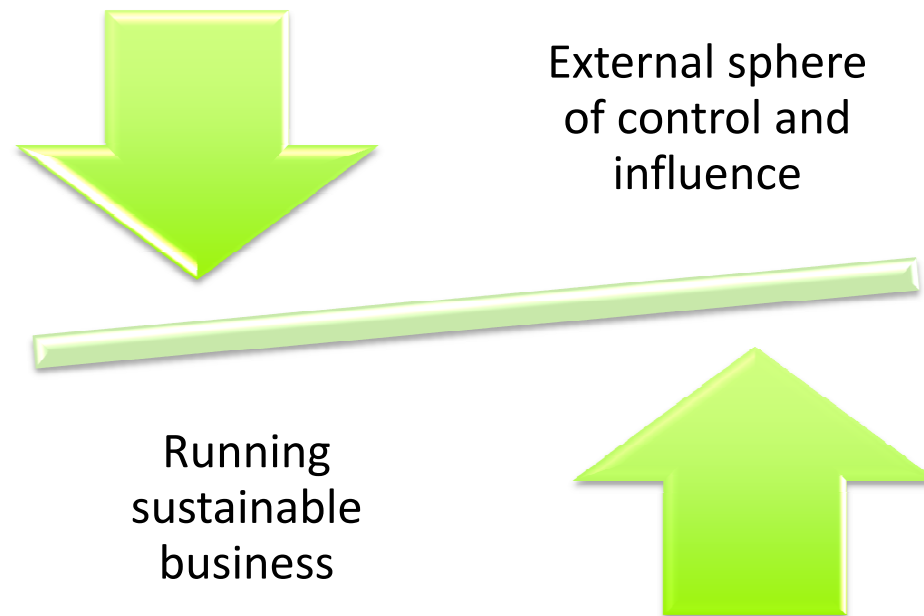
JS≡



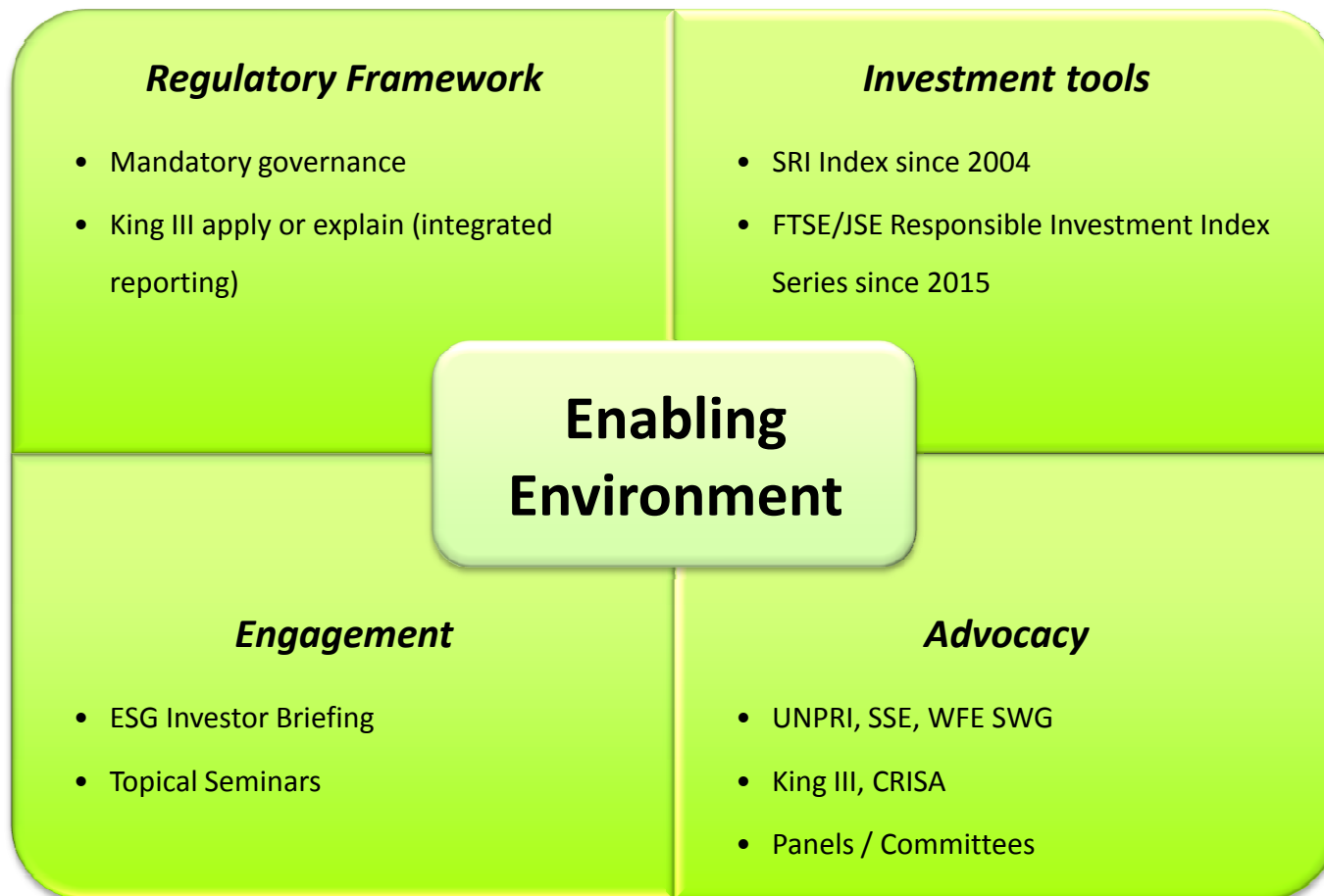
The JSE and sustainability



- Central player in local economy, global reach
- Sustainability is multifaceted, requires balancing various pressures



JSE's hybrid approach



The role of capital markets



- **Capital markets play an important role in economic development***
 - ❑ Facilitate the reallocation of capital across economic value chain
 - ❑ If functioning properly, should ensure
 - ✓ Financing and facilitation of valuable businesses / projects
 - ✓ Rejection of negative value projects
 - ❑ *Assumes that all relevant factors are incorporated into investment, lending and insurance activities*

*Source: Richard Burrett, CPSL Fellow, "Finance and Sustainability", May 2013

Barriers to systemic change



- **Perception gaps**
 - ☐ Bias against negative performance dilutes value of positive performance
 - ☐ Knowledge and understanding about sustainability still lacking – misplaced concerns over fiduciary duty

- **Systemic challenges**
 - ☐ Persistent preoccupation with short-term performance
 - ☐ Complexity of the investment value chain and agency issues, incentive mechanisms
 - ☐ Limitations of analytical and performance measurement frameworks

More barriers to systemic change



- **Valuation gaps***
 - ❑ Business measurement of non-financial performance vs what drives stock market and long term financial performance
 - ❑ Integration of ESG data into valuation analysis
 - ✓ Quantitative vs qualitative
 - ✓ Comparable
 - ✓ Consistent trend reporting
- **Failure to account for externalities**
 - ❑ Carbon – 60-80% of coal, gas and oil reserves of listed companies may be unburnable**
 - ❑ Cost of environmental damage amounts to \$trillions***

Source: * *Disclosure of long-term business value – What matters?* Deloitte, 2012

**Carbon Tracker

***PRI/UNEP FI report on Universal Ownership

Enablers of change



- **Reconsidering reporting cycles and incentive bases**
- **Capacity building and skills development throughout the financial industry**
- **Recognition of opportunities:**
 - ☐ Expanded investment options in ESG
 - ☐ Expanded client bases
 - ☐ Expanded influence

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