Ethical leadership and responsibilities

Directors have a fiduciary duty to act in good faith, with due diligence and care, and in the best interests of the JSE and all its stakeholders, in terms of the King III principles, the 2008 Companies Act and other codes of good practice. The Board assumes overall responsibility for the JSE’s compliance with the applicable legislation and governance provisions. The Board retains full and effective control over all the companies in the Group. It also monitors executive management in implementing Board plans and strategies.

The JSE Board is mindful that JSE management and employees’ work ethic and performance must adhere to the highest standards. They are also aware that the JSE’s reputation is built on management and employee interactions with all stakeholders and that, when management and employees display the expected behaviour and values, not only is the JSE’s reputation strengthened, but also a healthy workplace is promoted where original and innovative thinking occurs, thus embedding a robust and unquestionable culture of ethics and integrity at the JSE.

For more information on the JSE’s ethical culture, refer to http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-govHighlights.

Board of Directors

The Board operates in terms of a Board charter. The relevance and applicability of the charter are assessed from time to time and changes are made where appropriate. Refer to the JSE website at http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-govHighlights for the main duties and responsibilities of the Board covered by the charter. Only decisions of the Board acting as a unitary body are binding on the CEO. Decisions or instructions of individual members of the Board, officers or committees are not binding, except in those instances where specific authority is delegated by the Board. The JSE’s philosophy of Board leadership is premised on the principle that the running of the Board of directors and the executive responsibility for the running of the Exchange’s business are two separate and distinct tasks and that there should be a clear division of responsibilities between these two roles to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. Consistent with this approach, the roles of Chairman and CEO are separate, with specific responsibilities divided between them. The day-to-day management of the JSE Group has been assigned to the CEO by the Board. The Executive Committee was formed to assist the CEO in discharging her duties and is made up of all heads of divisions and the Group Company Secretary. Refer to the JSE website at http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-govHighlights for the roles and responsibilities of the Chairman and CEO.

Composition of the Board of directors

The JSE currently has a unitary Board made up of a majority of independent non-executive directors. The Board is headed by a Chairman, who is elected from the non-executive directors. As at December 2012, there was one executive director: the Chief Executive Officer (CEO) and 10 independent non-executive directors.

After a rigorous assessment of the independence of the directors who have served longer than nine years, the Board is satisfied that there are no relationships or circumstances likely to affect, or appear to affect, the directors’ judgements and that their independence is not impaired by their length of service. One of the outcomes of the Board’s 2012 director evaluation of the independence of its directors was that the complexity and specialist nature of the JSE’s business created the need for long-serving directors, while acknowledging that there should be a healthy balance between long-serving and new directors.
Appointment of directors
The process for the nomination of Board members is prescribed and transparent. The nomination of Board members is delegated to the Nominations Committee, which makes recommendations to the Board for consideration, subject to shareholder approval. The committee recommends directors for election to the Board on the basis of their skills, knowledge and experience, appropriate to the strategic direction of the JSE. Knowledge of JSE business, gained over time, ensures continuity and enhances the direction that the Board provides to the JSE executive. Refer to the Nominations Committee chairman’s report on page 20 for more information.

Retirement of directors
In terms of article 24 of the JSE’s current memorandum of incorporation (MOI) (existing articles of association of the JSE), at least one-third of non-executive directors are required to retire by rotation each year. Retiring directors, if eligible, may be re-elected. In addition, in terms of article 20.2 of that document, the appointment of any director that takes place during the financial year is required to be confirmed by shareholders at the next annual general meeting. In the proposed new MOI, this has been changed to reflect that all directors (executive and non-executive directors) will be subject to retirement by rotation. Refer to article 12.6 in the enclosed new MOI for more information.

Evaluation of the performance of the JSE Board and the CEO
The annual evaluation of the Board and its committees was performed in October and November by the Chairman. All directors completed a questionnaire compiled by the Company Secretary in conjunction with the Chairman and a non-executive director, Nigel Payne. The Chairman also met the directors individually to obtain additional information.

The process included:

- An evaluation of Board effectiveness
- An assessment of the performance of individual Board members
- An assessment of the performance of the Board committees and an evaluation of their terms of reference and their continued relevance

Directors are provided with the results of their performance assessments and, if required, steps are taken to address any needs or concerns raised.

Individual director performance is assessed against the following criteria: time, availability, commitment to performing the functions of a JSE director, knowledge of the business, preparation for meetings, providing strategic direction, the director’s views on his/her own performance as a Board member, and attendance over the past year. No material issues were raised during the course of the assessment conducted in 2012.

An assessment of the Chairman was also conducted by the lead non-executive director, Anton Botha. The assessment took the form of a questionnaire, which was completed by each director. The Chairman was advised of the outcome of the assessment and is required to address any issues raised during the process. No material issues were raised during the course of the assessment.

The Board annually also measures the performance of the CEO in achieving specified key performance indicators. The Board was of the view that, during the course of 2012, the CEO had, in all respects, exceeded the standards of performance expected of her.

Independence of directors
The JSE’s non-executive directors fulfil the following definition from King III: “An independent director should be independent in character and judgement and there should be no relationships or circumstances which are likely to affect, or could appear to affect, this independence. Independence is the absence of undue influence and bias, which can be affected by the intensity of the relationship between the director and the Company rather than any particular fact such as length of service or age.”

A number of the non-executive directors have certain interests in the JSE.

Indirect, remote interests in the JSE:
- H J Borkum
  - Chairman of Merrill Lynch SA Proprietary Limited (resigned with effect from 31 March 2013)
  - Merrill Lynch is a sponsor and an authorised user of the JSE
  - Merrill Lynch holds 8,027 JSE Limited shares – 0.01%
- D M Lawrence
  - Deputy chairman of Investec Bank Limited
  - Investec Bank Limited is a listed company, a sponsor and an authorised user of the JSE
  - Investec Securities, a subsidiary of the Investec Group, holds 900 JSE Limited shares – 0.001%

Direct interests in the JSE:
- A D Botha
  - 2012: 25,000
  - 2011: 25,000
- H J Borkum
  - 2012: 15,000
  - 2011: 15,000
- A M Mazwai
  - 2012: 5,000
  - 2011: 5,000

The Board is mindful of these interests and the potential conflict of interest that might arise as a result, however remote. A rigorous policy of disclosure of interests and recusal from discussions in which a director has an interest is followed to mitigate any such conflicts and thus preserve independence.

The Board considers all of its non-executive directors to be independent, including the Chairman of the Board.
Director development/induction

All directors have access to senior management, including the Company Secretary, and to information required to enable them to carry out their duties and responsibilities fully and effectively. Directors are kept up to date, wherever relevant, of any new legislation and changing business risks that may affect the Group’s future sustainable operations and finances.

Directors are encouraged to keep pace with JSE business. Guidelines on director duties and responsibilities are made available to directors. Newly appointed Board members undergo an induction programme run by the Company Secretary, aimed mainly at facilitating their understanding of the JSE, its complex business environment and the various markets it operates, together with its competitive stance, strategic plans and objectives and general corporate governance requirements. The Board is aware that these duties are further entrenched in the 2008 Companies Act.

The induction programme provides each director with, among other things, the following:

- **Background**
  - on the JSE (including its memorandum and articles of association, regulations and applicable laws, Board and governance structures, the triple-bottom line approach to sustainability and an overview of its key risks, policies and processes).

- **Guidance**
  - on the business of the JSE (business processes, corporate strategies, organisation, management, staff and comparison with international benchmarks).

- **Clear understanding**
  - of the director’s own expectations from the Chairman and the Board as a whole.

- **Formal induction and ongoing education and awareness**
  - in terms of directors’ fiduciary duties and responsibilities.
  - regarding relevant legislation and compliance relevant to the JSE business.
  - providing access to subject matter of relevant interest to JSE business.

No distinction is drawn between directors and alternative directors and the rights and obligations ascribed to directors in terms of the JSE’s Board charter apply equally to alternate Board members duly appointed in terms of the articles of the JSE.

Governance structure

Internal Audit  Risk and Governance  Issuer Regulation and Market Regulation  Corporate Services

Group Audit Committee  Risk Management Committee  Self-Regulatory Organisation (SRO) Oversight Committee  Human Resources, Social and Ethics Committee  Nominations Committee

FSB Invited to attend any Board, Board subcommittee or Exco meetings

JSE BOARD

CEO  Executive management (Exco)

Group Company Secretary

Various stakeholder Advisory Committees

Assisted by Investor Relations

Shareholders and other stakeholders
Board and Board committee meetings

The Board is required to meet a minimum of four times a year and more frequently should circumstances require, excluding an annual strategy meeting. The Board has established a number of committees to facilitate efficient decision-making and to assist the Board in the execution of its duties, powers and authority. Directors are required to declare any interests in contracts and, where appropriate, recuse themselves from the affected discussions and decisions as well as to declare any other appointments at every Board meeting. Meetings are conducted according to a formal agenda.

A summary of directors’ attendance at Board and Board subcommittee meetings during 2012 is shown below.

<table>
<thead>
<tr>
<th>Director</th>
<th>Board</th>
<th>Audit</th>
<th>Risk</th>
<th>HRSE</th>
<th>SRO</th>
<th>Nom*</th>
</tr>
</thead>
<tbody>
<tr>
<td>H J Borkum (Chairman of Board; Nom)*</td>
<td>4</td>
<td>4/4</td>
<td>5/5</td>
<td>5/5</td>
<td>5/5</td>
<td></td>
</tr>
<tr>
<td>N F Newton-King (CEO)</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A D Botha (Chairman of HRSE)*</td>
<td>4</td>
<td>3/3</td>
<td>5/5</td>
<td>5/5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F M Evans (CFO) – resigned 30 Sep</td>
<td>3/3</td>
<td>3/3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N S Nematswerani (Chairman of Audit)*</td>
<td>4</td>
<td>3/3</td>
<td>4/4</td>
<td>2/2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N G Payne (Chairman of Risk)*</td>
<td>4</td>
<td>2/3</td>
<td>4/4</td>
<td>2/2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A M Mazwai (Chairman of SRO)*</td>
<td>2/4</td>
<td></td>
<td></td>
<td>2/2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M R Johnston*</td>
<td>4</td>
<td>3/3</td>
<td>4/4</td>
<td>4/5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D M Lawrence*</td>
<td>4</td>
<td>3/4</td>
<td>5/5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N M C Nyembezi-Heita*</td>
<td>4</td>
<td></td>
<td>5/5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Z L Combi – stepped down at 28 April AGM</td>
<td>1/1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M A Matoane – appointed 31 Aug*</td>
<td>1/1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N P Mnxasana – appointed 1 Dec*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L V Parsons (alternate)</td>
<td>3/4</td>
<td>3/4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J H Burke (alternate)</td>
<td>3/4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Independent non-executive director  # 4 of 5 meetings were ad hoc.

Nominations Committee

Report prepared by its Chairman, H J Borkum

During the year under review, five Nominations Committee meetings were held, four of which were ad hoc meetings to interview possible independent non-executive director candidates and to finalise a recommendation in this regard to the Board.

The Nominations Committee is composed of its chairman and three independent non-executive directors, including the chairman of the HRSE committee. The committee operates in terms of written terms of reference approved by the Board and meets as and when required.

The committee is responsible for identifying suitable candidates with the appropriate skills for election or co-option to the Board. It also reviews the size, structure and composition of the Board and Board committees, one aim being the achievement of demographic equity.

The committee does not have the authority to appoint directors, but makes recommendations for consideration by the Board and shareholders. During the year under review, the committee reconsidered the composition of the Board. Furthermore, in the context of its optimum size, composition, required skills as well as transformation initiatives, the committee nominated for appointment two non-executive independent directors, Dr Mantsika Amelia Matoane and Ms Nomavuso Patience Mnxasana. Mantsika was appointed for her specific IT and risk knowledge and experience and Nomavuso for her specific audit knowledge and experience.

The above appointments were approved by the Board and will be subject to shareholder approval at the 2013 AGM.

During the year, the committee complied with its terms of reference. Refer to the JSE website at http://nhx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-govHighlights for more information.

The Chairman of the Nominations Committee attends annual general meetings to respond to any questions related to the committee.

H J Borkum
Chairman: Nominations Committee
Human Resources, Social and Ethics Committee (HRSE)
Report prepared by its Chairman, A D Botha

During the year under review, five HRSE Committee meetings were held.

The HRSE Committee is composed of its Chairman, who is an independent non-executive director, and three other independent non-executive directors, including the chairman of the Board. The HRSE Committee must comprise at least three members. No members of the HRSE Committee have any day-to-day involvement in the management of the JSE.

Remuneration oversight role
The HRSE Committee is responsible for all strategic human resource issues facing the JSE. Details of the Committee’s activities during 2012 regarding JSE remuneration governance, policies and practices are set out in the separate remuneration report (see pages 21 – 23) and in the supplementary (on-line) remuneration report available at www.financialresults.co.za/2013/jsear2012/rem.php

The remuneration report and supplementary (on-line) report together constitute the Committee’s formal remuneration report-back to shareholders. The remuneration policies of the JSE as set out in these reports are subject to a non-binding advisory vote by shareholders at the Annual General Meeting on 25 April 2012. The HRSE Committee recommends that you review these reports, and that you vote in favour of the JSE’s remuneration policies at the Annual General Meeting.

Social and ethics statutory oversight role
As from January 2012 the HRSE Committee assumed responsibility for the social and ethics mandate prescribed by the Companies Act, 2008 (rather than the JSE establishing a separate Board Committee to deal with these statutory responsibilities). The Board is of the view that the prescribed social and ethics issues are to a large degree congruent with the HRSE Committee’s existing terms of reference.

Details of the Committee’s compliance with its statutory duties as prescribed by the Act can be found in the social and ethics supplementary report, available on-line at www.financialresults.co.za/2013/jsear2012/socialethics.php

During the year, the Committee compiled with its terms of reference which can be found online at http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irp&highlight=1

The chairman of the HRSE Committee attends annual general meetings to respond to any questions related to the Committee.

A D Botha
Chairman: Human Resources, Social and Ethics Committee

Remuneration Report – Letter to Shareholders
(Also see our Supplementary Remuneration Report available at www.financialresults.co.za/2013/jsear2012/rem.php)

Dear Shareholder

Executive remuneration, particularly in the financial services sector, continues to attract the attention of regulators, shareholders and society at large. Despite efforts to regulate pay levels – witness the recent debates in the EU – or to codify best practices in remuneration design, solving the remuneration, risk and performance equation remains, ultimately, an issue of business judgement for the Board and shareholders of individual companies.

In this remuneration report, we set out the JSE approach to this issue.

JSE approach to remuneration
At its core, our remuneration philosophy aims to promote a culture that supports innovation, enterprise and the execution of Company strategy and which aligns the interests of staff with attaining profitable (and sustainable) long-term growth for the benefit of all stakeholders.

JSE remuneration philosophy

Within this framework, the HRSE Committee determines specific remuneration policies and practices that are designed to offer an equitable remuneration mix that attracts, motivates and retains the appropriate calibre of executives and staff.

The remuneration philosophy also takes into account the reality of the JSE’s size and role within the South African financial sector. The nature of the business, its risk profile, the competitive environment and the issue of financial affordability all serve to shape the overall level of rewards that can be paid to executives and staff. These rewards must be balanced with rewards paid to the suppliers of capital (in the form of dividends) and to wider society (through taxation and corporate social responsibility).
Remuneration is structured in a fair and reasonable manner, recognising individual contributions and collective results. There is a clear differentiation between executives and staff based on line-of-sight responsibility, accountability, competencies, work performance and scarcity of skills.

Two elements of our philosophy are of particular importance: the congruency between our corporate strategies and our pay models, and the linkage between performance delivered and remuneration awarded. Although there have been no formal changes to the JSE’s remuneration philosophy during the year under review, the HRSE Committee has devoted attention to how to better align the JSE remuneration model with corporate objectives as well as how to enhance the linkage between pay and performance.

Details of these improvements to our remuneration practices are outlined briefly below and in our supplementary remuneration report available online at www.financialresults.co.za/2013/jsear2012/rem.php.

**HRSE Committee activities in 2012**

In addition to discharging its usual responsibilities during 2012, the HRSE Committee exercised particular oversight in respect of the following matters:

**Performance management/short-term incentives**

Early in 2012 the JSE’s new CEO presented to the HRSE Committee a fresh approach to performance management. This new approach creates an explicit linkage to corporate and individual performance scorecards with a clear emphasis on delivery in order to earn variable pay awards. Individual performance ratings now apply to both the contractual and the discretionary bonus schemes. In addition, discretionary bonus awards are directly linked to corporate targets set out in the JSE’s annual corporate scorecard. Management report a positive staff reaction to this more open, more accountable performance assessment process, notwithstanding the fact that the performance bar has been raised significantly. In 2012, only 40% of staff were awarded discretionary bonuses (2011: 87%). The application of this rigorous performance management approach, together with the tighter financial operating environment facing the JSE, has translated into a significant reduction in the size of the discretionary bonus pool for 2012 (R19.8 million versus R40.4 million in 2011).

**Strategy and remuneration alignment**

In conjunction with the new CEO, the HRSE Committee has sought to create explicit linkages between corporate strategy and reward, and as a consequence, ensure that a pay-for-performance culture becomes entrenched in the JSE’s DNA. Each of the JSE’s strategic focus areas is linked to an appropriate reward mechanism. Annual objectives, at corporate and CEO level, are cascaded to all senior staff and serve as the drivers and measures for our annual incentive schemes (contractual and discretionary bonuses). Longer-term strategic initiatives together with specific Group ROE and earnings growth targets are the metrics for our long-term incentive scheme.

**LTIS 2010**

This restricted share scheme constitutes the JSE’s preferred long-term reward mechanism as it encompasses both a corporate performance component (thereby creating alignment with shareholder interests) and a personal performance component, both of which performance elements are assessed over the vesting period. The scheme is designed to build a shareholder base within the senior staff ranks over time. During the year under review, the HRSE Committee effected two important amendments to LTIS 2010: firstly, the target for the ROE performance metric was increased from 21% to 24% for Allocation 3, which Allocation was granted to qualifying staff in June 2012. This increase in ROE stretch was a consequence of important input from our shareholders. Secondly, the HRSE Committee amended the retention component of the scheme for all allocations granted as from 2012 to ensure that these are now subject to a participant’s personal performance over the vesting period.

**Total personnel costs**

As a knowledge-centric business the JSE relies heavily on its “human capital” for sustained success. With a staff complement of some 500 people and a vertically-integrated business model, total personnel costs (including guaranteed pay, annual incentives and long-term awards) average between 22% and 26% of total revenue. By contrast, many other global exchanges outsource their technology and are responsible for neither issuer regulation (listings) nor market regulation (surveillance) – critical functions that are at the heart of the JSE’s business. These different business models make it difficult to draw comparisons between exchanges. The HRSE Committee remains comfortable that total personnel costs at the JSE continue to represent value for money and a reasonable percentage of total revenue.

**Non-executive director fees**

During 2012 the HRSE Committee proposed a change to the JSE’s retainer and meeting fee model with the introduction of a single-fee model together with inflation increments applicable for a two-year period. Shareholders approved this new model at the Annual General Meeting in April 2012.

**JSE remuneration in context**

Personnel expenses of R353.9 million (as reported in Note 9.1 to the annual financial statements) reflect a nominal year-on-year increase of 13.3% over the 2011 expense of R299.2 million. These personnel expenses (as reported) comprise the following items charged to profit and loss:—

- **Base pay** (including contributions to the JSE’s defined contribution pension scheme)
- **Annual incentives** (contractual and discretionary bonuses linked to individual and corporate performance in 2012)
- **Long-term incentives** (where the impact to profit and loss is calculated in accordance with IFRS requirements)
- **Fixed-term contractor pay**
- **Non-executive director emoluments**
In addition to personnel expenses charged to profit and loss as described above, the JSE capitalises certain personnel costs where these relate to an identifiable technology project which is anticipated to generate value for the JSE over time. These capitalised costs include base pay, annual incentives and fixed-term contractor remuneration. With the decommissioning of the SRP project, a lesser proportion of personnel expenses has been capitalised during the year under review (2012: R31.1 million versus 2011: R75.7 million).

Total (gross) remuneration actually paid in any year therefore comprises the personnel expenses charged to profit and loss and the capitalised costs.

The increase in total (gross) remuneration paid to management, staff and fixed-term contractors has been limited to 1% year-on-year (2012: R360.3 million vs 2011: R355.8 million), reflecting management’s firm commitment to exercising tight control over expenditure.

<table>
<thead>
<tr>
<th>Remuneration paid R million</th>
<th>Capitalised R million</th>
<th>Expensed R million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff/FTCs remuneration</td>
<td>360.3</td>
<td>31.1</td>
</tr>
<tr>
<td>LTIS movement to reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-executive director emoluments</td>
<td>19.3</td>
<td></td>
</tr>
<tr>
<td>Personnel expenses as reported</td>
<td></td>
<td>353.9</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff/FTCs remuneration</td>
<td>355.8</td>
<td>75.7</td>
</tr>
<tr>
<td>LTIS movement to reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-executive director emoluments</td>
<td>13.8</td>
<td></td>
</tr>
<tr>
<td>Personnel expenses as reported</td>
<td></td>
<td>298.2</td>
</tr>
</tbody>
</table>

Our supplementary (on-line) remuneration report expands on this analysis with additional details on base pay, annual incentives and long-term share awards granted to management and staff.

**Group remuneration metrics**

<table>
<thead>
<tr>
<th>Permanent staff and fixed-term contractors</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses (as reported) as % of Group revenue</td>
<td>25.6%</td>
<td>21.8%</td>
</tr>
<tr>
<td>Variable pay awarded as % of NPAT</td>
<td>17.9%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Long-term incentives awarded as % of prior year NPAT</td>
<td>8.4%</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

**Pay ratios**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO to junior staff median (base pay)</td>
<td>24.0x</td>
</tr>
<tr>
<td>CEO to staff median (base pay and annual incentives)</td>
<td>15.6x</td>
</tr>
<tr>
<td>CEO to staff median (total realised earnings)(^1)</td>
<td>21.8x</td>
</tr>
</tbody>
</table>

\(^1\) Excludes contractual restraint payouts.

**JSE remuneration report**

The HRSE Committee’s principal focus is to ensure that the JSE’s remuneration policy and practices directly support the achievement of the Company’s business goals, to the ultimate benefit of shareholders and the wider universe of stakeholders. In discharging this mandate, the Committee is guided by the statutory provisions of the Companies Act 2008, the King III Code of Governance and various guidelines on compensation matters issued by international agencies such as the G20 and Financial Stability Board.

This remuneration report is supported with additional data and analysis available on-line at [www.financialresults.co.za/2013/jsear2012/rem.php](http://www.financialresults.co.za/2013/jsear2012/rem.php). Amongst other matters, this supplementary on-line report describes the JSE’s remuneration governance framework, the key features of our compensation model, and provides specific data on the remuneration earned by directors and executive management for the financial year ended December 2012. I trust that you will find this report and the supplementary information clear and understandable, and containing the salient information needed to inform your view of the JSE’s remuneration policies.

Furthermore, the HRSE Committee is satisfied that in all material respects this remuneration report, read together with the supplementary on-line report, complies with the recommendations on remuneration contained in the King III Code of Governance.

The JSE’s remuneration policies are subject to a non-binding advisory vote by shareholders at the Annual General Meeting on 25 April 2013. Although this shareholder resolution is non-binding, the Board takes careful cognisance of shareholder views. I would urge you to peruse this remuneration report and supplementary on-line information, and to offer your support by voting in favour of JSE’s remuneration policies at the upcoming Annual General Meeting. As Chairman of the HRSE Committee, I will be available at the meeting to respond to any questions raised by shareholders in connection with these reports.

In closing, I wish to thank my fellow HRSE Committee members for their support and wise counsel during a challenging year.

\[Signature\]

A D Botha
Chairman: Human Resources, Social and Ethics Committee
Self-Regulatory Organisation (SRO) Oversight Committee
Report prepared by its Chairman, A M Mazwai

For the year under review, three SRO Oversight Committee meetings were held.

The committee consists of three independent non-executive Board members, Andile Mazwai (Chairman), Nigel Payne and Sam Nematswerani. Members of the JSE’s Market Regulation and Issuer Regulation Divisions attended meetings as invitees, as well as representatives from the Financial Services Board.

South Africa has a strong self-regulatory model with the allocation of a number of regulatory functions to self-regulatory organisations (SROs). One aspect of the operation of SROs which continues to receive ongoing attention, both internationally and locally, is the management of actual and perceived conflicts of interest within an SRO, particularly the mechanisms with which SROs have dealt with those conflicts between their commercial and regulatory functions.

The Financial Markets Act will come into effect during the course of 2013 once the relevant regulations and board Notices have been finalised. This new legislation will place further scrutiny on the management of conflicts of interest. In particular, the Financial Services Board will determine certain requirements to be adhered to in relation to the types of arrangements needed to be put in place to ensure that conflicts of interest are handled appropriately.

National Treasury has commenced an investigation into the Self-Regulatory Organisation models employed in South Africa. The scope of this work is likely to be far broader than the JSE, and consider the self-regulatory model at a policy level. National Treasury has indicated that while it is in favour of self-regulation, it is examining ways to strengthen the model. The JSE, on its own initiative, has begun a review of its self-regulatory model to ensure its appropriateness and compliance with the new legislation. In due course, under the new Act, the JSE will have to formally document its conflict of interest arrangements and make them publically available. This Committee welcomes this development as it believes that review and deliberation are part of a process that builds strong institutions.

During the year under review, the committee complied with its terms of reference.

The committee examined and reviewed the JSE’s regulatory function to the extent required to fulfil its statutory obligation as a Self-Regulatory Organisation. It found them to be satisfactory in all material forms. Please refer to the JSE’s website at http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-govHighlights for more information.

A M Mazwai
Chairman

Risk Management Committee
Report prepared by its Chairman, N G Payne

During the year under review, four Risk Management Committee meetings were held.

The Risk Management Committee is composed of its Chairman, who is an independent non-executive director, the CEO, the director of the Equity Market, the Chief Financial Officer, the head of Internal Audit, the Chairman of the Audit Committee and three other independent non-executive directors. A representative of the JSE’s regulator, the Financial Services Board, is invited to attend all Risk Management Committee meetings as an observer. The committee follows written terms of reference approved by the Board and is required to meet at least three times a year.

The committee is, inter alia, responsible for assisting the Board with the identification, assessment, evaluation and monitoring of actual and potential risk areas as they pertain to the JSE, and the mitigation of each risk. The Board is ultimately responsible and accountable for the governance of risk, focusing on establishing, maintaining and monitoring the effectiveness of the processes, policies and plans of risk management and systems of internal control. See page 25 – 27 for more information on the governance of risk.

The committee works closely with Internal Audit function, the Audit Committee and the Executive Committee to oversee the management of risk at the JSE.

Independent assurance is obtained on all key risk areas and related systems of internal control through the internal audit process, on a combined assurance basis. The committee is comfortable that the overall level of risk management at the JSE is good and continues to improve. In addition, the committee is satisfied with the effectiveness of the system and process of risk management and it believes that appropriate action is being taken to mitigate risk where it is cost-effective to do so.

The collaboration of the committee, the head of Internal Audit, the Executive Committee and the Board has ensured a thorough understanding of the risks accepted by the JSE in pursuance of its objectives.

During the year under review, the committee complied with its terms of reference. Please refer to the JSE website at http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-govHighlights for more information.

The Chairman of the Risk Management Committee attends annual general meetings to respond to any queries related to issues considered by this committee.

N G Payne
Chairman
Risk and Governance

(i) Governance of Information Technology (IT)

The Board is responsible for information technology (IT) governance. The 2013 IT strategic objectives have been aligned with the Company’s strategic objectives. The responsibility for developing an appropriate and holistic framework to manage the JSE’s significant IT risks has been delegated to management, in particular to the Chief Information Officer.

The Board appointed an independent non-executive director during August 2012, who specialises in IT and brings a wealth of experience to the Board to assist it in discharging its duties more effectively with regard to IT governance.

IT service and project reporting is done not only to the business units but also at Exco, Risk Committee and Board level. IT risks are managed through the JSE enterprise risk management framework.

Disaster recovery

The JSE has an established remote recovery capability enabling the JSE to continue operations regardless of any event that makes the JSE’s primary computer site unavailable. The disaster recovery arrangements ensure all required systems supporting the JSE main operations are able to fail over. This includes network infrastructure.

The declaration of a disaster encompasses the activation of the crisis management plan, business continuity plan and/or disaster recovery plan after a disaster or emergency has occurred. The JSE has appointed a crisis management team that will manage the resolution of the crisis and attempt to limit the adverse effects of any crisis.

Major business continuity testing will be performed at such intervals as are determined by the Executive Committee, in consultation with the Risk Management Committee, and involves major third-party providers and business partners as well as a representative grouping of clients. Major technical recovery testing will be performed twice a year.

The JSE conducted a technical test on 6 October 2012. This test was in preparation for disaster recovery testing involving clients and external parties, which connectivity testing took place on 10 November 2012. A full technical test was also conducted on 12 February 2012, in which almost all key JSE hosted applications were successfully tested, including business verification without external connectivity.

It is important to note that the 10 November 2012 disaster recovery test was the first time a JSE disaster recovery test had involved the shutting down of production to enable the JSE to move all external network connectivity to the disaster recovery site. This method of application fail over was also different in that it involved an “isolated” test environment at the disaster recovery site. The last major addition to the testing process was the inclusion of our now locally hosted equities system (MillenniumIT) as part of the test. A derivatives market fund test has been scheduled for March 2013.

Information security

The management structure for information security includes a security governance oversight function independent of IT, a dedicated operations security expert as well as an application security representative. Other IT areas also have security responsibilities assigned to them.

The JSE security posture has further improved in 2012 under the oversight of the Information Security Steering Committee that reports into the IT Management Committee. Independent reporting and escalation is also possible through the security governance oversight function.

Various information security initiatives have been budgeted for in 2013 and the JSE is planning to formally establish an information security office under the CIO.

(ii) Governance of information assets

An information governance framework has been established. The approach of the framework is to ensure that JSE information is “fit for purpose” and creates value for the JSE and its stakeholders.

The anticipated business value associated with implementing Information Governance will be realised over time. The overall JSE Data/Information strategy will be implemented on an iterative basis, by looking to each prioritised project, whether it is large or small, to make some contribution to the implementation of this strategy.

An Information Governance Committee has been formed to drive out the information governance framework as well as set strategy and direction to drive information quality and integrity across the JSE enterprise.