

SOCIALLY RESPONSIBLE INVESTMENT - AN EXCHANGE'S VIEW

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Introduction



- Global trend is towards companies and investors embracing the principles of CSR. Recognises
 - that to enjoy economic benefits of business must demonstrate socially responsible practices
 - interrelationship between CSR and long term shareholder value
- In South Africa in particular, CSR is in the spotlight as
 - Nepad prioritises the wise use of Africa's critical resource base to provide sustainable support to development of Africa
 - Companies have had to address labour, affirmative action and health related issues with more focus than internationally
 - Corporate governance premium for emerging markets
 - WSSD

Introduction (con't)



- Not esoteric debate
 - investors are seeking out companies with good CSR records
 - leading to rise in socially responsible investment and SRI funds
 - need to find an objective and accepted method of measuring the CSR performance of listed companies to enable SRI to happen

JSE : Vital Statistics



- Established: 1887
- Market capitalisation (August 2002): \$1.6 trillion
- 15th largest exchange internationally by market cap
- 501 listed companies, of which
 - 9 plc
 - 50 secondary listings internationally
- Also lists warrants, corporate debentures and derivative products on equities, bonds and agricultural commodities

JSE's role



- Globalisation means
 - Investors can choose where they want to trade
 - We need to fight for every cent of an investment dollar to come to and remain in SA
- All SA businesses will need to embrace global standards if they want to benefit from increased investment
- In the JSE's case, this means providing world class primary and secondary markets that allow access to international markets
 - trade using JSE SETS
 - settle using STRATE
 - introduced FTSE/JSE Africa Index Series
 - internationally comparable listings requirements

JSE's role (con't)



- Also:
 - Offering our infrastructure to African capital markets
 - leveraging our position in SA financial markets to facilitate debate on CSR best practices and encourage commitment to them
- Developing SRI index with FTSE and Advisory Committee

Purpose of the SRI Index



- Contribution to CSR debate and to meet the SRI needs of the investment community
- Benchmark index
- Based on FTSE4Good
 - Customised to reflect the complex nature of social responsibility in South Africa
- Index will aim to -
 - Reflect best practice in CSR
 - Highlight those companies with good CSR records
 - Measure share price performance of these companies
 - Provide the basis for financial SRI products

Conclusion



- The region needs access to more capital
- To do so it needs to leverage existing infrastructures and embrace global standards
- SRI Indices have potential for providing a catalyst for change