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
• 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