

CONTENTS



ABOUT THIS REPORT

Additional information for our stakeholders	IFC
Board responsibility for integrated annual report	1
How to read this report	2
Scope and boundary	2
Forward-looking statements and disclaimer	2
Who we are and what we offer	3
How the JSE looks at its business	4
Our vision, mission and values	5



REFLECTIONS FROM OUR CHAIRMAN

The JSE's leadership	10
----------------------	----



VALUE CREATION

Defining value creation	14
Material matters	16
Risk management	18
Stakeholder engagement	20
How the JSE creates value	24
Outcomes of our activities	26



CREATING VALUE THROUGH OUR STRATEGY

Delivery of our 2017 strategy	28
Key performance indicators for 2017	29
CEO's review	32
Operational performance	36
Looking ahead – A strategy for 2022	40
The JSE's transformation journey	42



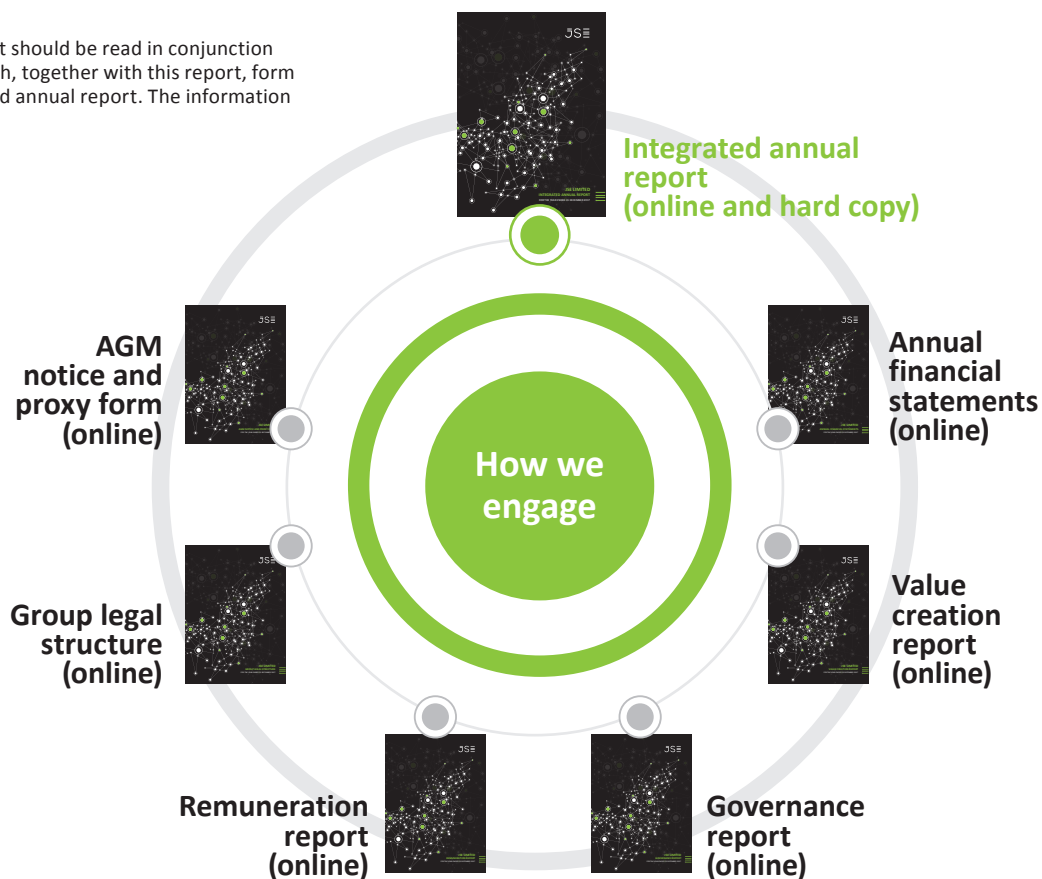
MEASURING VALUE

CFO's review	44
--------------	----

ABOUT THIS REPORT

Additional information for our stakeholders

The information in this report should be read in conjunction with our online reports, which, together with this report, form the comprehensive integrated annual report. The information includes:



REWARDING VALUE CREATION

Remuneration outcomes **47**

PROTECTING VALUE CREATION

Commitment to governance **49**
 Board of Directors **50**
 Board renewal **50**
 Profile of Board committees **52**
 Shareholder information **54**
 Corporate Information and directorate **55**

Board Responsibility for Integrated Annual Report

The directors of the JSE Limited (“the Company”, “the Exchange”, “the Group” or “the JSE”) acknowledge responsibility for the integrity of this integrated annual report.

The directors have applied their minds to the report and believe that it covers all material issues, that the information contained in this report is reliable, and that it fairly presents the integrated performance of the Group.

Nonkululeko Nyembezi
Independent non-executive chairman

Anton Botha
Lead independent non-executive director

Nolitha Fakude
Independent non-executive director

Dr Michael Jordaan
Independent non-executive director

Dr Suresh Kana
Independent non-executive director

David Lawrence
Non-executive director

Dr Mantsika Matookane
Independent non-executive director

Andile Mazwai
Independent non-executive director

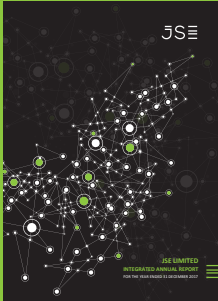
Nomavuso Mnxasana
Independent non-executive director

Nigel Payne
Independent non-executive director

Nicky Newton-King
Chief executive officer

Aarti Takoorden
Chief financial officer

How to read this report



This integrated report and our online reports aim to tell the story of the JSE and to provide information that enables our stakeholders to make an informed assessment of our ability to create sustainable value over time.

This report has been compiled with information that the Board and management believe is relevant to stakeholders and will provide a comprehensive view of the Group's performance for the financial year.

The integrated reporting process is an ongoing journey through which the JSE strives to improve on the quality of its reporting.

Scope and boundary



This report contains information as at 31 December 2017. The audited annual financial statements are available at http://www.jsereporting.co.za/ar2017/download_pdf/afs_2017.pdf.

The information presented in this report describes the Johannesburg Stock Exchange, the five financial markets operated by the exchange, and the investor protection funds associated with its markets. The report excludes details on its associate, Strate Proprietary Limited, in which the JSE holds 44.5%, as Strate has an independent board and management team. The JSE equity accounts for Strate. The Group legal structure can be found at http://www.jsereporting.co.za/ar2017/download_pdf/legal-group-structure-2017.pdf.



The JSE's reporting framework is informed by a range of local and international requirements, standards and guidance, including, but not limited to:

- South African Companies Act, 71 of 2008 (as amended) (Companies Act);

- JSE Listings Requirements;
- International Financial Reporting Standards (IFRS);
- King Code on Corporate Governance for South Africa, 2016 (King IV);
- Reporting frameworks such as the International Integrated Reporting Council Integrated Reporting Framework (IIRC); and
- The relevant indicators of FTSE Russell's environmental, social and governance (ESG) ratings methodology as applied for purposes of the FTSE/JSE Responsible Investment Index Series, of which the JSE is currently a constituent.

Forward-looking statements and disclaimer

Many of the statements in this integrated annual report constitute forward-looking statements. These are not guarantees or predictions of future performance. Like all businesses, the JSE faces risks and other factors outside its control. This may lead to outcomes unforeseen by the Group. These are not reflected in the report.

Readers are warned not to place undue reliance on forward-looking statements.

Who we are and what we offer

We build better markets and co-create for growth

The JSE is a self-regulating, multi-asset class stock exchange offering deep liquidity across a wide range of tradable products, as well as post-trade, technology and information services.

Largest stock exchange in Africa

The Johannesburg Stock Exchange is the largest stock exchange by market capitalisation in Africa and is based in South Africa, where it has operated as a market place for the trading of financial products for 130 years

Fully electronic

We are a fully electronic, efficient and secure market, with world-class regulation, trading and clearing systems, settlement assurance and risk management

Connecting buyers and sellers

We connect buyers and sellers in a variety of financial markets: equities and equity derivatives, commodity derivatives, currency derivatives and interest rate instruments

Membership

We are a member of the World Federation of Exchanges (WFE), the Committee of SADC Stock Exchanges (CoSSe) and the African Stock Exchanges Association (ASEA). We hold the chairmanship of the Association of Futures Markets (AFM). We are supervised by the Financial Services Board (FSB). We are a founding member of the Sustainable Stock Exchanges Initiative (SSEI)

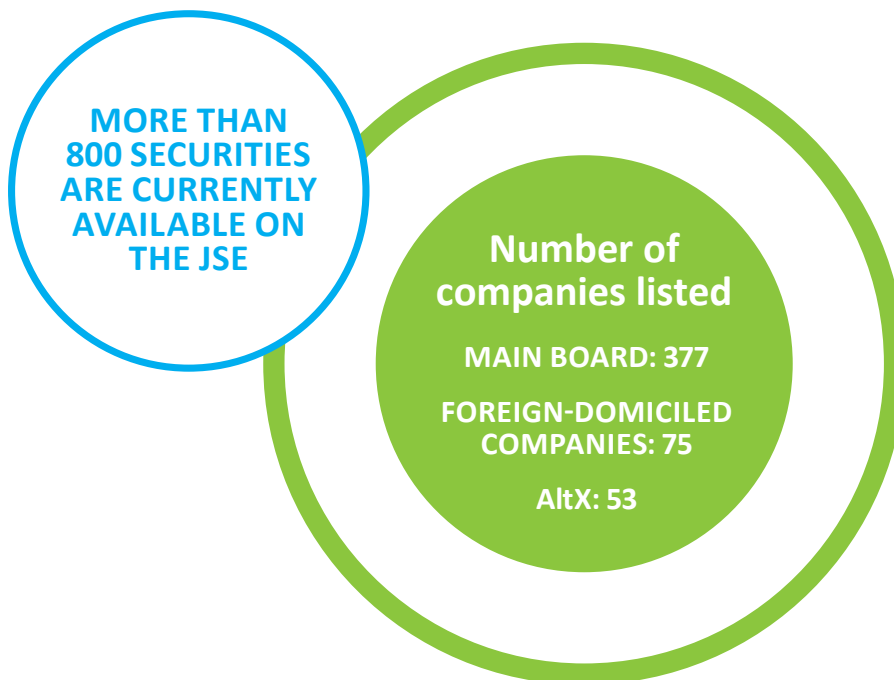
Information services

The JSE produces, publishes and sells live, statistical, historical and end-of-day data from all its markets as well as reference data, corporate actions, client data, indices, valuations, business intelligence and statistics

Regulation

The JSE is a self-regulatory organisation (SRO) and acts as the frontline regulator of its issuers and trading and clearing members through its Issuer Regulation and Market Regulation divisions

As of December 2017, the JSE is the 17th largest stock exchange in the world by market capitalisation.




How the JSE looks at its business

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 2022 vision – to be the best global platform in emerging markets – is informed by this view of our central role and hence of the need to build a strategy and a business that is sustainable.

 The JSE's material themes (pages 16 and 17) and strategy (page 28) are informed by this view and its business is operated according to a philosophy that tries to balance the interests of all stakeholders, particularly in relation to the following three pressures:

- Achieving efficiencies for clients;
- Optimising shareholder value; and
- Reinvesting internally in people and technology.

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 investments in people and technology that 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.

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

- By being a global thought leader in the field of governance and sustainability and the related standards and disclosure;
- By evolving and expanding its responsible investment product offering through indices, bonds and other initiatives; and
- Through its FTSE/JSE Responsible Investment indices.

 This concept of sustainability underlies the balance struck in our 2022 vision (please see pages 40-41).

Our vision, mission and values



MISSION

We build better markets and co-create for growth

OUR VALUES

Resilience

We can always be counted on to be there for our clients

Energy

We are enthusiastic and proactive

Authenticity

We always do what we say we will do

Diversity

We value the strength in our differences

Insight

We gain understanding before we provide solutions

The JSE 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.

REFLECTIONS FROM OUR CHAIRMAN



The JSE reported Group earnings after tax of R836 million (2016: R920 million), down 9% compared with the prior year.

Dear stakeholder

In 2017, the JSE celebrated its 130th anniversary in what turned out to be an unusually eventful year characterised by challenging operating conditions. This translated into muted activity that adversely affected our financial performance. The JSE reported Group earnings after tax of R836 million (2016: R920 million), down 9% compared with prior year.

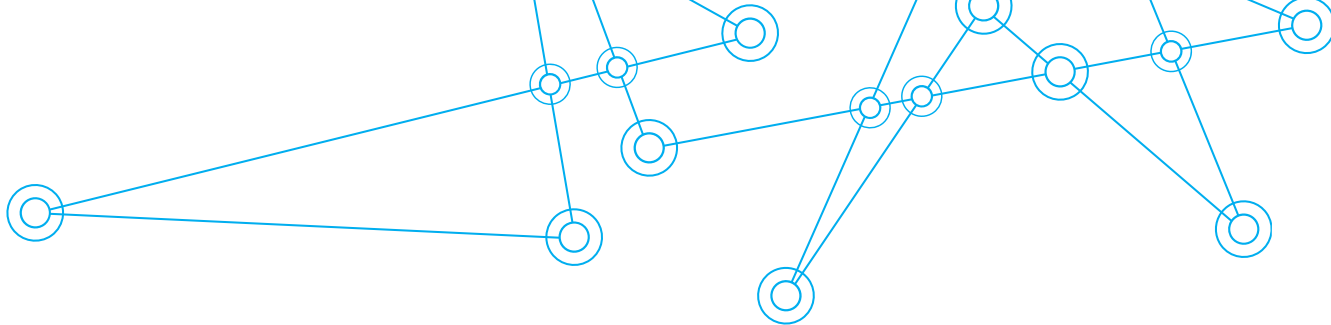
Despite this decrease in earnings, the Group remains strongly cash generative. Accordingly, the Board has increased the ordinary dividend to 605 cents per share (2016: 560).

THE OPERATING ENVIRONMENT IN 2017

The pickup in global activity that started in 2016 gathered steam in 2017, with firmer domestic demand growth in advanced economies and China and improved performance in large emerging market economies. Global growth strengthened to 2.7% in 2017 amid a pickup in manufacturing and trade, rising confidence, favourable global financing conditions, and higher commodity prices. Growth in advanced economies accelerated to 1.9%, benefiting their trading partners.

Emerging markets largely had a good year, achieving an impressive 4.1% GDP growth as obstacles to activity diminished in commodity exporting countries, conditions improved in advanced economies and emerging markets provided a broader base of support.

In South Africa, 2017 has not been for the faint-hearted. The economy grew by 2% in the third quarter in 2017, fueled by improved agriculture and increased output from mining and manufacturing. However, low public sector expenditure reduced the contribution of general government services to the economy.



On a macroeconomic level, the country continues to be plagued by feeble economic performance as a result of continued low economic growth, sovereign ratings downgrades, regulatory uncertainty, lower business confidence, political turmoil and rampant corruption in both the public and private sectors. An array of own goals by key stakeholders, increasing social tension, threats to the media, state capture related turmoil and public and private sector corruption have all seen to that. On the positive side, after South Africa's inclusion in the so-called "fragile five" the previous year, there was some reduction in some of the vulnerabilities, notably the trade deficit.

A series of sovereign ratings downgrades has left South Africa with just one of the three major ratings agencies still according it an investment grade rating. Moody's has retained its local currency rating at the lowest level of investment grade (Baa3), but has placed the country's credit on review for a downgrade.

Moody's was also the slowest to downgrade South Africa's credit rating in 2017, having reduced it from Baa2 to Baa3 on 9 June. This after Standard & Poor's (S&P) downgraded South Africa's long-term foreign currency rating to sub-investment grade (BB+) on 3 April 2017 and its long-term local and foreign currency ratings to BB+ and (BB) respectively on 24 November. Fitch swiftly followed S&P's lead, downgrading South Africa's foreign and local currency bonds below investment grade (BB+) on 7 April 2017 and keeping it at that rating with a stable outlook on 23 November.

In the South African medium-term budget, announced in October, Treasury projected a tax revenue shortfall of R50.8 billion relative to the 2017 budget estimate, which is the largest downward revision since the 2009 recession. A R69.3 billion shortfall is estimated for the FY2018/19 and a larger R89.4 billion undershoot is forecast for the FY2019/20. The government admits additional tax proposals have to be carefully

considered in view of overall pressures in the economy. More information on tax proposals is expected in the February 2018 budget.

The outcome of the closely-fought ANC leadership race provides some hope of an improvement with regard to these issues, but real action as opposed to rhetoric will be the litmus test.

Our key market indicators as at end-December were as follows:

- The FTSE/JSE Top40 index was up 19.7% year to date;
- Billable equity value traded was down 4% and the number of transactions was down 5% on the comparable period in 2016;
- Foreigners were net sellers (-R48 billion) on our Equity Market and net investors (R56 billion) in our Bond Market; and
- We saw declining value and volume traded in most of our key markets except for the Bond Market and the Currency and Interest Rate Derivatives Markets.
 - The Currency Derivatives Market benefited from the rand fluctuations throughout the year of 14%. Contracts grew by 45%, owing to rand strength following a combination of political developments, improved emerging market sentiment and US dollar weakness;
 - Interest rate derivative contracts grew by 30% as a result of continued demand for these products; and
 - Nominal bond value traded relatively flat to the prior year.

South Africans across the board demonstrated their strong resolve to safeguard the country and its constitution through visible action during the past year. The diversity of actors was wide ranging – from civil society, the courts, particularly the Constitutional Court, opposition parties, the South African Reserve Bank and key

elements within the ANC. As always, the media played a crucial role through this tumultuous time.

The resulting increase in collaboration between different constituencies of our society gives us hope for the future, bolstering our determination to continue our engagements with key stakeholders (including COSATU and the ANC stalwarts) through channels such as the board of Business Leadership South Africa. We are determined to play a meaningful role in building an understanding of our mutual interest in developing a South Africa that works for all its citizens.

The South African rand rallied with the announcement of Cyril Ramaphosa as the elected president of the ANC at its leadership conference in December 2017. To achieve a lasting improvement in sentiment, it will be important for the ANC to act decisively to eradicate corruption and ethical failures, Cyril Ramaphosa committed the party to this in his closing address. The South African economy will need political support to increase its momentum in 2018.

OPERATING ENVIRONMENT OUTLOOK FOR 2018

The International Monetary Fund expects the global economy to expand by 3.9% year on year in 2018 and for emerging and developing economies to expand by 4.9%. Some global uncertainty, particularly linked to key developments such as Brexit and the policy trajectory in the US and its impact on global governance and trade. Regulatory attention and pressure on financial markets will be sustained and will prompt increased technological innovation, as well as the rise of smart data and artificial intelligence as key tools driving client activity. Increased corporate activity and innovation on the part of our global exchange peers, specifically in post-trade and information services, have been identified as growth areas in our 2022 vision.

The consensus forecast outlook for South Africa pins 2018 GDP growth at 2.7% for the third quarter, which is only just ahead of its 2017 performance. There are also a number of risks to the inflation outlook amid heightened uncertainty. Although inflation is still expected to remain within the 3-6% target range until the end of 2019, and the SARB's inflation forecast remains largely unchanged, inflation risks have become more pronounced. Should inflation move higher than expected in Europe and the US, this could speed up monetary tightening, which could have a negative effect on capital flows into South Africa. Inflation would come under upward pressure should Eskom be awarded a larger electricity tariff increase in July 2018; should the value of the rand suffer as a result of any further credit downgrades; or should oil prices rise further.

As we look to the future, we anticipate continued political uncertainty and not much better immediate policy certainty on the domestic front. Continued low growth is leading to rising impatience on the part of the economically marginalised. Events in Zimbabwe, hearings into various state-owned entity (SOE) excesses and the like have emboldened civil society.

Business will increase its efforts to be seen as a constructive partner of the government for the future. The rand could also come under pressure should there be any further ratings downgrades, something that remains a risk, given the country's increased fiscal challenges and political uncertainty. We await the delivery of the Budget in February and the next review in April 2018.

We expect 2018 to bring opportunities to provide a platform for funding, particularly in water and infrastructure.

COMPETITION

Our competitive landscape is changing, with four additional exchange licenses now granted to ZARX; 4AX; Equity Express Securities Exchange (still to go live) and A2X. We anticipate increased competition as recent entrants try to gain traction and we understand what we will do in 2018 to ensure that we continue to offer our clients a compelling proposition.

The Financial Services Board (FSB) has started discussions with all the licensed exchanges regarding the policy issues arising from a multi-exchange operating environment, on which a clear way forward needs to be found.

OPERATIONAL VULNERABILITIES

We have made progress in tracking critical client-facing vulnerabilities. However the occurrence of major incidents indicates the need to address more fundamental issues. We have taken a number of actions to address these concerns and preventative plans are being implemented (details in the CEO's review, pages 32-35).



POLICY AND REGULATORY ISSUES

Political developments and downgrade implications are not the only pressures we face at present. The pace and volume of regulatory activity and regulatory policy development, both locally and internationally, continue unabated. This pressure is not likely to ease in 2018.

A significant number of legislative and regulatory instruments have and will come into effect in 2018:

- The consequential amendments to the Financial Markets Act (FMA), as contained in the Financial Sector Regulation (FSR) Act recently assented to by the President, became effective on 9 February 2018. The Regulations to the FMA also became effective on 9 February 2018, JSE Limited and JSE Clear (Proprietary) Limited will need to comply with detailed capital, governance and risk regulation of the FMA within 12 and 18 months, respectively;
- The Financial Sector Regulation Act (FSR), establishing the twin peaks regulatory framework;
- The revised Financial Sector Code (RFSC);
- The EU's Markets in Financial Instruments Directive (MiFID II); and
- The EU's Benchmark Regulation.

Most of the implementation dates for these instruments occur in the first quarter of 2018.

GLOBAL EXCHANGE TRENDS

Overall, the exchange sector itself has performed well, according to the FTSE Mondo Visione Exchanges Index. The index hit a new record high in January 2018.

Revenue gains in exchange market data businesses have driven industry growth. As exchanges continue to amend their operating models to diversify away from a

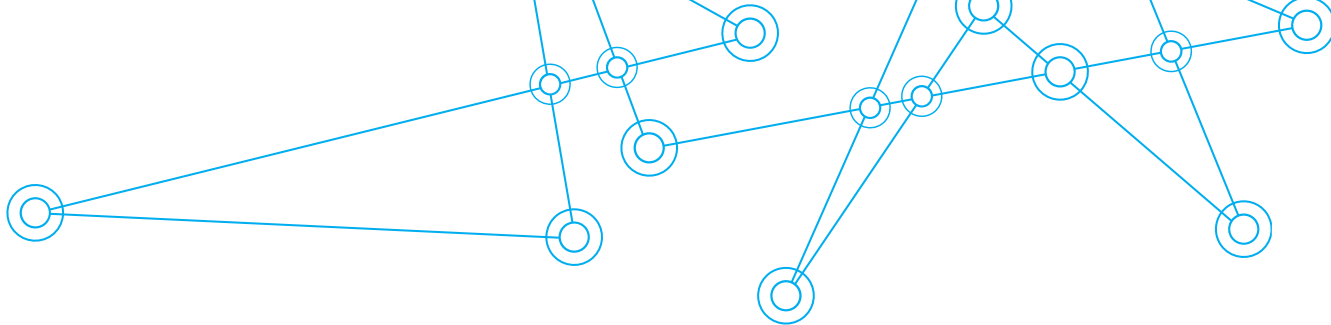
dependency on transaction-based revenue, the global exchange industry continues to undergo a steady transformation.

Incumbent exchanges have been forced to dramatically expand their focus on new business segments because of weak trading volumes and emerging competition. However, attractive revenues from these services have invited some scrutiny and criticism. For example, potential conflicts of interest generated by exchange access fees and rebates, as well as the potentially market activity stifling effect of the monopolistic dominance of exchanges in the market data sphere, have been highlighted as potential problem areas.

Developments in post-trade services in the US and Europe have been driven by regulatory needs and competition for the provision of these services from a variety of non-exchange players. Examples are Cinnober's launch of a risk management offering for central counterparties (CCPs), the 2018 implementation of the Japan Exchange Group's TRADExpress CCP Risk system and the MiFID II regulatory reporting service launched by post-trade technology vendor Misys in partnership with Broadridge Financial Services.

In the information services space, analytics and indices continue to be sources of innovation, revenue growth and key areas for development for exchanges through organic and inorganic activities. Examples supporting this trend are Nasdaq's unique new platform, the Nasdaq Analytics Hub; the London Stock Exchange's plan to buy Citigroup's Yield Book fixed income analytics service; Thomson Reuters' incubator, Thomson Reuters Labs™; and Moscow Exchange's announcement of its plans to work with fintech start-ups through MOES Innovations, a new subsidiary company.

Exchange traded funds (ETFs) continue their stellar growth and show a clear trend towards more passive investment globally, led by the US. JSE statistics show a similar trend in South Africa, albeit off a low base. ETFGI, a leading independent research and consultancy firm on trends in the global ETF/ETP industry, reported that assets under management invested in ETFs/ETPs listed globally breached the US\$4 trillion mark as at the end of April 2017. Also, retail investors flocking to passive products have prompted BlackRock to cut fees on 15 ETFs and market trends show a flat-lining or reduction in funds held by hedge funds, indicating that



there may be a migration from hedge funds into ETFs. With 15 ETFs registered by December year-end, South Africa may be beginning to witness the same trend.

Bitcoin futures were launched for trading on the Cboe Futures Exchange in December 2017. This brings many benefits to market players, including transparency, efficient price discovery, deep liquidity and centralised clearing. However, the regulation around Bitcoin is still not bedded down.

The continued acceleration of technological innovations will make competing with the JSE easier and put the JSE under pressure to adapt to new technology faster than it has historically done.

SHOWCASING SOUTH AFRICA

The JSE continues to participate strongly in SA Inc initiatives and has a central and crucial role to play in corporate South Africa, both in operating a world-class securities trading environment that stakeholders can trust and in using its voice to enable and support a robust and informed discourse at critical moments in our country.

As the home of some of South Africa's largest companies, the JSE plays a significant role in promoting the South African investment case, along with the government and other stakeholders. We therefore co-hosted the 5th annual SA Tomorrow conference in New York on 9 and 10 November 2017. This year's event had a more sombre tone than 2016's, given the gloomy medium-term budget statement that had been delivered a week earlier. Nonetheless, investors appreciated the event and the personal stories some South African attendees were able to provide.

The conference was addressed by the minister of finance, the governor of the Reserve Bank, Top40 CEOs and labour representatives. We used it to discuss the country's positioning, including the current economic outlook, challenges and developmental programmes, with major US investors. This is a unique opportunity for investors to see South African business and government representatives in the same venue and to have one-on-one time with all the South African delegates.

TRANSFORMATION

Our Board and executive management recognise and embrace transformation as a moral and strategic business imperative. The transformation of our economy remains a work in progress and the JSE seeks to play its role in the efficient allocation of productive resources in South Africa. Our approach to transformation includes what we do internally as well as how we regulate the market.

The JSE has recently included a requirement for all companies listed on the Exchange to drive diversity and inclusion by ensuring a good representation of black people, including women, at board level in its Listings Requirements.

CHANGES TO THE DIRECTORATE

During 2017 we announced the following changes to the Board:

- Leanne Parsons resigned from the Board as an alternate director with effect from 31 December 2017 and will be leaving the JSE in 2018 after more than 30 years of service.
- Nolitha Fakude joined the Board on 15 November 2017 as an independent non-executive director.

The following directors will retire from the Board, in terms of the Board's tenure policy for non-executive directors, at the upcoming annual general meeting (AGM) to be held on 17 May 2018 and will not be available for re-election:

- Anton Botha – independent non-executive director.
- Andile Mazwai – independent non-executive director.

Nomavuso Mnxasana, an independent non-executive director, has indicated that although eligible for a further term, she will be retiring at the AGM in May 2018 and will not be available to stand for re-election to the Board.

The Board will make an announcement in due course regarding further appointments, in order to ensure that the Board retains an appropriate mix of skills and experience.

APPRECIATION

This has certainly been a difficult year, with uncertainty on a number of fronts, not only for the JSE, but for business in general and society at large. However, the JSE has made good progress on the delivery of its big technology projects, ITaC and the government bond ETP, both of which are now scheduled to go live in the first half of 2018, subject to client readiness.

The JSE also launched its green bond segment, which provides a platform for companies and other institutions to raise funds ring-fenced for low carbon initiatives and for investors to invest Socially Responsible Investment (SRI) funds in securities that are truly green. Issuing a green bond can help companies to strengthen their credentials as sustainable and responsible organisations.

The entire JSE team made good use of the year to lay a sound foundation for the challenges ahead. For this, I express my appreciation to the Board, the JSE executive committee and the staff as a whole.

As we look ahead to 2018, improving our operational resilience and fostering a culture of service excellence remain key priorities. In this way, the JSE will ensure that we continue to provide issuers and investors with a safe and credible environment in which to list, trade and invest.

Nonkululeko Nyembezi
JSE Chairman

The JSE's leadership

BOARD OF DIRECTORS



Non-executive directors

Nonkululeko Nyembezi (57)

Independent non-executive chairman

BSc (EE); MSc (EE); MBA

Tenure as director: 8 years

Non-executive director of Old Mutual plc, Old Mutual Group Holdings (Pty) Ltd, Macsteel International Holdings BV, Macsteel Services Centres SA (Pty) Ltd, CEO of IchorCoal N.V.

Appointed to the Board in 2009

Anton Botha (64)

Lead independent non-executive director

BCom (Hons); BProc; Stanford Executive Programme

Tenure as director: 12 years

Director and co-owner of Imalivest; non-executive director of Sanlam Ltd and African Rainbow Minerals Ltd; chairman of Vukile Property Fund Ltd; member of University of Pretoria Council.

Appointed to the Board in 2005

Dr Suresh Kana (62)

Independent non-executive director

CA(SA); CD(SA); MCom; PhD (Honorary)

Tenure as director: 2 years

Retired CEO and territory partner of PwC Africa. Chairman of Murray & Roberts Holdings Ltd and Imperial Group Holdings Ltd. Chairman of the Audit Committee of the United Nations World Food Programme based in Rome.

Appointed to the Board in 2015

Dr Mantsika Matoane (42)

Independent non-executive director

BSc (Maths); PhD (Comp Sc); MBA

Tenure as director: 5 years

Experience as IT executive and director. Non-executive director of Nedbank Ltd, NMG Consultants and Actuaries (Pty) Ltd; director of Truesport Investments (Pty) Ltd.

Appointed to the Board in 2012

David Lawrence (66)

Non-executive director

BA; MCom

Tenure as director: 10 years

Deputy chairman of Investec Bank Ltd. Director of various companies.

Appointed to the Board in 2008

Andile Mazwai (46)

Independent non-executive director

BCom (Hons)

Tenure as director: 12 years

Chief executive officer of Rebosis Property Fund Ltd and National Stokvel Association of South Africa (NASASA).

Appointed to the Board in 2005

Nolitha Fakude (53)

Independent non-executive director

BA (Hons)

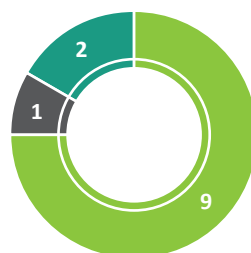
Tenure as director: 6 months

Non-executive director of Anglo-American plc and Afrox Ltd. Deputy chairman of SAA SOC Ltd. Council member of the Human Development Council of South Africa.

Appointed to the Board in 2017

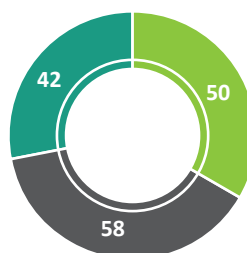
BOARD COMPOSITION

BY INDEPENDENCE



■ Independent non-executive
■ Non-executive
■ Executive

BY DIVERSITY



■ % Female
■ % Black
■ % Black female



Dr Michael Jordaan (49)

Independent non-executive director
MCom (Economics); PhD (Banking Supervision)

Tenure as director: 4 years
CEO of Montegray Capital (Pty) Ltd; chairman of Consumer Data Bureau, Compuscan Holdings.
Appointed to the Board in 2014

Nomavuso Mnxasana (61)

Independent non-executive director
BCompt (Hons); CA(SA)

Tenure as director: 5 years
Director of AWCA Investment Holdings, Noma Namuhla Trading and Projects, Pareto Ltd. Non-executive director of Acelor Mittal and Nedbank Ltd.
Appointed to the Board in 2012

Nigel Payne (57)

Independent non-executive director
BCom (Hons); HDip (Acc); CA(SA); Certified Internal Auditor; MBL

Tenure as director: 12 years
Independent non-executive chairman of Mr Price Group Ltd. Independent non-executive director of Bidvest Group Ltd, Bidcorp Limited, Vukile Property Fund Ltd and Strate (Pty) Ltd.
Appointed to the Board in 2005

Executive directors

Nicky Newton-King (51)

Chief executive officer
BA LLB; LLM

Tenure as director: 12 years
Director of JSE-related companies. World Economic Forum Young Global Leader; Yale World Fellow 2006.
Appointed to the Board in 2005
Appointed CEO in January 2012

Aarti Takoordeen (37)

Chief financial officer
BCompt (Hons); CTA; CA(SA)

Tenure as director: 5 years
Appointed CFO in March 2013

Alternate directors and Group Company Secretary

Leanne Parsons (52)

Director of Information Services
BCom

Tenure as director: 12 years
Director of JSE-related companies.
Appointed to the Board in 2005
Resigned from the Board in December 2017

John Burke (51)

Director of Issuer Regulation
BCom (Hons); HDip (Corporate Law)

Tenure as director: 12 years
Chairman of the Issuer Services Advisory Committee; member of the King Committee on Corporate Governance; director of the Institute of Directors.
Appointed to the Board in 2005

Graeme Brookes (50)

Group Company Secretary
BCom

Number of years served as Group Company Secretary: 3 years, 5 months
Director of JSE-related companies.
Appointed Group Company Secretary in 2014

Note: Biographical details are correct as at 31 December 2017. Tenure as director is calculated from the date that an appointment is first ratified by shareholders to the date of the AGM to be held on 17 May 2018.

EXECUTIVE COMMITTEE



Executive committee

Nicky Newton-King (51)

Chief executive officer

**BA LLB (University of Stellenbosch);
LLM (University of Cambridge)**

Number of years in service: 21 years, 7 months

Number of years as CEO: 6 years

Director of JSE-related companies. World Economic Forum Young Global Leader; Yale World Fellow 2006.

Appointed to Exco in March 1997

Aarti Takoordeen (37)

Chief financial officer

BCompt (Hons); CTA (University of South Africa); (CA)SA

Number of years in service: 4 years, 11 months

Number of years as CFO: 4 years, 10 months

Appointed to Exco in February 2013

Leanne Parsons (52)

Director of Information Services

BCom (University of South Africa)

Number of years in service: 32 years, 7 months

Invitee to the Group Risk Management Committee.

Appointed to Exco in March 1997

Tshwantsho Matsena (43)

Chief Information Officer

BSc (University of the North); Programme in Business Leadership and MBL (Unisa Graduate School of Business)

Number of years in service: 2 years, 4 months

Numbers of years as Exco member: 1 year, 6 months

Member of the South African Institute of Stockbrokers.

Appointed to Exco in July 2016

Zeona Jacobs (54)

Director of Marketing and Corporate Affairs

Diploma: Business Management (Damelin); Diploma: Management Advancement Programme (Wits Business School)

Number of years in service: 5 years, 4 months

Invitee to the Group Social & Ethics Committee.

Appointed to Exco in September 2012



Donna Nemer (60)

Director of Capital Markets

MA in Comparative Area Studies/ Economics – Cum Laude (Georgetown University, Washington DC); BA in Latin American Studies/Economics (Duke University Durham, North Carolina)

Number of years in service: 3 years, 5 months

Chairman of the Trading Advisory Committee; Member of the New Products Committee and invitee to the Group Risk Management Committee; board member of AMCHAM, Operation HOPE and Junior Achievement.

Appointed to Exco in August 2014

Donald Khumalo (41)

Director of Human Resources

BA (University of the North); BA (Hons) (RAU, now University of Johannesburg); Management Development Programme, Unisa School of Business Leadership; Advanced Executive Programme (Vodacom Programme in collaboration with the Gordon Institute of Business Science)

Number of years in service: 14 months

Appointed to Exco in November 2016

Dr Alicia Greenwood (46)

Director of Post-Trade Services

PhD (University of Cape Town); BSc (Hons) (University of Cape Town)

Number of years in service: 23 months

Invitee to JSE Group Risk Management Committee, JSE Clear Risk Committee. Member of JSE Clear board and Strate board.

Appointed to Exco in February 2016

John Burke (51)

Director of Issuer Regulation

BCom (Hons) Investment Management; HDip Corporate Law (RAU, now University of Johannesburg)

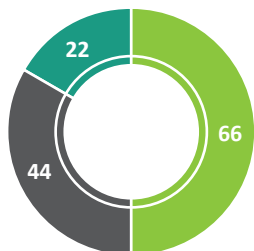
Number of years in service: 27 years, 11 months

Chairman of the Issuer Services Advisory Committee; member of the King Committee on Corporate Governance; director of the Institute of Directors.

Appointed to Exco in August 1997

EXCO COMPOSITION

BY DIVERSITY





■ % Female
■ % Black
■ % Black female

Note: Biographical details are correct as at 31 December 2017.

VALUE CREATION

Defining value creation

 The JSE enables value creation by providing a trusted and well-regulated financial market infrastructure. For more information on our approach to value creation go to our online Value creation report at http://www.jsereporting.co.za/ar2017/download_pdf/value-2017.pdf.

 Our value creation process is embedded in our vision (to be the best global platform in emerging markets) and described as part of our business model (on page 25), where we discuss the value of our outcome that we create for our stakeholders.

MATERIAL MATTERS

We have applied materiality in assessing which information to include in our integrated report

This report focuses particularly on those issues that impact materially on the JSE's ability to be a sustainable business. Our material matters, as described on pages 16 to 17, influence our Group's strategy and inform the content in this report. The JSE has evolved its view of materiality in the context of its value creation. The following matters were identified as being material for inclusion in the JSE's 2017 integrated annual report:



Increasing and changing regulatory demands



Concentration and interdependency of the local financial market



Operational resilience



Scarcity of skills and expertise



Long-term viability in a low-growth economy



Transformation in an unequal society



Technology in an agile world



Evolving business models for financial risks in clearing and settlement



Potential disruptors

SIX AREAS OF VALUE CREATION

Our ongoing relevance as an exchange, today and into the future, and our ability to create long-term value for providers of finance and other stakeholders, are dependent on various forms of capital

These resources, on which we draw, how we use them in value-adding activities, our impact on them and the value we deliver (outputs and outcomes), are shown on pages 25 and 27. We refer to these forms of capital as our six areas of value creation.



Our financial capital

The financial resources required to support the business as a going concern, such as our business-as-usual expenses and our regulatory capital, and the necessary funds to enable expansion.

The JSE balances the need to distribute value to investors through a balanced return to shareholders, reinvestment and reduced prices to clients.



Our systems and infrastructure

As a technology-driven entity, our manufactured capital consists of the IT systems and infrastructure used for securely processing transactions between buyers and sellers, and processing analytical data to support our information services, as well as regulating our primary and secondary markets.



Our organisational knowledge

The JSE brand, which has endured for the 130 years of the Exchange's existence, encapsulates the intellectual capital that enables us to provide our services. This includes the technologies and systems we have developed and the intellectual know-how we need to facilitate an efficient and world-class market.



Our people

The JSE is a highly specialised organisation requiring competent employees with specialist skills in technology, governance, risk and the trading of financial products. We work to attract, develop and retain top calibre human capital who are instrumental in the execution of our strategy and deliver a world-class market.



Our social licence and relationships

The JSE plays a critical role in the local economy. We influence, regulate and interact with a broad range of stakeholder groups to ensure that we remain a trusted infrastructure, and to enable value creation for ordinary South Africans.



Our environment

Although the JSE has a relatively small environmental impact, our business requires uninterrupted power supply for our technology landscape. While our footprint is small, we use our voice and platform both to influence the sustainability practices of others and to create products, like the green bond segment, which support wider sustainability initiatives. In so doing, we have a far greater impact than just our own footprint.

NAVIGATION



References to online data at www.jse.co.za



Page referencing for additional reading in this report













Material matters

The JSE has expanded its view of materiality in the context of its value creation. In the 2016 integrated annual report, the JSE listed six material matters. These have evolved into the list of nine matters that guided the development of the 2017 integrated annual report content.

The 2017 material matters have been mapped against those reported in 2016 to show areas of alignment and differences:

2016 material matters	2017 material matters
<ul style="list-style-type: none"> Remaining competitive through efficiency, integration and diversification 	<ul style="list-style-type: none"> Operational resilience Potential disruptors
<ul style="list-style-type: none"> Sustaining growth in a challenging environment 	<ul style="list-style-type: none"> Long-term viability in a low-growth economy
<ul style="list-style-type: none"> Optimising human capital 	<ul style="list-style-type: none"> Scarcity of skills and expertise
<ul style="list-style-type: none"> Technological reliability, security and governance 	<ul style="list-style-type: none"> Technology in an agile world
<ul style="list-style-type: none"> Regulatory excellence 	<ul style="list-style-type: none"> Increasing and changing regulatory demands
<ul style="list-style-type: none"> Stakeholder responsiveness 	<ul style="list-style-type: none"> Transformation in an unequal society
	<ul style="list-style-type: none"> Concentration and interdependency of the local financial market
	<ul style="list-style-type: none"> Evolving business models for financial risks in clearing and settlement

The following matters were identified as being material for inclusion in the JSE's 2017 IAR:

Material matter	2017 risks	Stakeholders	Strategy alignment and further reading
 <h3>1. Increasing and changing regulatory demands</h3> <p>Regulatory standards Setting relevant regulatory standards (including Listings Requirements) that manage risk while enabling business. (JSE as the regulator) Impacted by:</p> <ul style="list-style-type: none"> Client expectations and concerns Risk management <p>Regulatory environment The onerous and changing regulatory environment impacts the way the JSE operates and how clients interact with the JSE. Regulations have a related cost impact. (Regulations impacting the JSE). Impacted by:</p> <ul style="list-style-type: none"> The JSE's responsiveness to regulatory change Policy uncertainty Transformation requirements Relationships with regulators New/changing regulations such as twin peaks, which establishes two regulatory authorities and the frameworks for implementation under twin peaks. 	<ul style="list-style-type: none"> Regulatory and compliance Business strategy <p> Page 19</p>	<ul style="list-style-type: none"> Clients Regulators and policymakers <p> Page 21 – 23</p>	<ul style="list-style-type: none"> Put our clients at the centre of what we do Operate to global standards, South Africa's most trusted, stable, robust and competitive market infrastructure <p> Pages 40 and 41</p>
 <h3>2. Concentration and interdependency of the local financial market</h3> <p>The concentrated nature of the local financial market brings about interdependency with key stakeholders and a concentration in clients, products and service providers. Impacted by:</p> <ul style="list-style-type: none"> Diversification of product and service offerings Competition Systemic risk across markets 	<ul style="list-style-type: none"> Business strategy Competition and financial market risk <p> Page 19</p>	<ul style="list-style-type: none"> Clients Shareholders and financial analysts <p> Page 21 – 23</p>	<ul style="list-style-type: none"> Put our clients at the centre of what we do Grow sustainably across the value chain <p> Pages 40 and 41</p>
 <h3>3. Operational resilience</h3> <p>The effectiveness and efficiency of systems, processes and employees, and their impact on customer satisfaction and the JSE's cost base. Impacted by:</p> <ul style="list-style-type: none"> Reliability and complexity of legacy IT systems Soundness of processes Integration of operational functions such as trading, clearing and settlement Efficiency enhancements Regulatory changes Employee turnover 	<ul style="list-style-type: none"> Operational risk Technology infrastructure Competition and financial market risk <p> Page 19</p>	<ul style="list-style-type: none"> Clients Shareholders and financial analysts Employees Suppliers <p> Page 21 – 23</p>	<ul style="list-style-type: none"> Put our clients at the centre of what we do Operate to global standards, South Africa's most trusted, stable, robust and competitive market infrastructure Build and retain world-class talent Grow sustainably across the value chain <p> Pages 40 and 41</p>

Material matter	2017 risks	Stakeholders	Strategy alignment and further reading
 <h3>4. Scarcity of skills and expertise</h3> <p>Skills required in the financial market and technology area. Specifically expertise in the areas of risk, post-trade services, regulation and information services are scarce and highly sought after.</p> <p>Impacted by:</p> <ul style="list-style-type: none"> Attraction and retention of key skills Key man dependencies Succession planning Training and development Work environment (employee morale) and culture Anticipated changes in the required skills over the longer term 	<ul style="list-style-type: none"> Regulatory and compliance Business strategy Operational risk <p> Page 19</p>	<ul style="list-style-type: none"> Employees <p> Page 21 – 23</p>	<ul style="list-style-type: none"> Put our clients at the centre of what we do Build and retain world-class talent <p> Pages 40 and 41</p>
 <h3>5. Long-term viability in a low growth economy</h3> <p>The changes of the local and international economies on the trade environment.</p> <p>Impacted by:</p> <ul style="list-style-type: none"> The JSE's cost base Investor sentiment Market behaviour Socio-political environment Low South African gross domestic product (GDP) Global economic uncertainty Ratings agency downgrades and impact on volatility of markets 	<ul style="list-style-type: none"> Business strategy Business environment <p> Page 19</p>	<ul style="list-style-type: none"> Clients Shareholders and financial analysts SA Inc. <p> Page 21 – 23</p>	<ul style="list-style-type: none"> Put our clients at the centre of what we do Lead by example on the national agenda Grow sustainably across the value chain <p> Pages 40 and 41</p>
 <h3>6. Transformation in an unequal society</h3> <p>Enhancing the JSE's transformation credentials and supporting the country's transformation agenda</p> <p>Impacted by:</p> <ul style="list-style-type: none"> Socio-political environment Legislated transformation requirements Stakeholder expectations Moral obligation 	<ul style="list-style-type: none"> Regulatory and compliance Operational risk <p> Page 19</p>	<ul style="list-style-type: none"> Clients Shareholders and financial analysts Employees Community SA Inc. <p> Page 21 – 23</p>	<ul style="list-style-type: none"> Build and retain world-class talent Lead by example on the national agenda <p> Pages 40 and 41</p>
 <h3>7. Technology in an agile world</h3> <p>Enhancing the JSE's services and processes through the innovative use of technology.</p> <p>Impacted by:</p> <ul style="list-style-type: none"> Reliability and complexity of legacy IT systems Information integrity Cybersecurity Efficiency enhancements Investment cost/project cost Agile project methodologies 	<ul style="list-style-type: none"> Operational risk Technology infrastructure <p> Page 19</p>	<ul style="list-style-type: none"> Clients Employees <p> Page 21 – 23</p>	<ul style="list-style-type: none"> Put our clients at the centre of what we do Grow sustainably across the value chain <p> Pages 40 and 41</p>
 <h3>8. Evolving business models for risks in clearing and settlement</h3> <p>Moving the JSE's risk model for the cash equity market to a CCP for clearing and settlement remains a focus. The JSE is currently in consultation with its clients and what this will mean for them. JSE Clear continues to strengthen its risk management framework and risk mitigates while aiming to provide greater capital efficiency for its clearing members and derivative market participants.</p> <p>Impacted by:</p> <ul style="list-style-type: none"> Global risk standards Client understanding and appetite JSE digestibility 	<ul style="list-style-type: none"> Operational risk Settlement <p> Page 19</p>	<ul style="list-style-type: none"> Clients <p> Page 21 – 23</p>	<ul style="list-style-type: none"> Put our clients at the centre of what we do <p> Pages 40 and 41</p>
 <h3>9. Potential disruptors</h3> <p>The JSE faces increasing competition from new local market entrants, offshore exchanges, settlement and clearing venues, and non-traditional trading venues.</p> <p>Impacted by:</p> <ul style="list-style-type: none"> Technology advances and disrupters Cost efficiency Client satisfaction Client expectations and concerns Unclear regulatory environment 	<ul style="list-style-type: none"> Business strategy Competition and financial market risk <p> Page 19</p>	<ul style="list-style-type: none"> Clients Shareholders and financial analysts Employees <p> Page 21 – 23</p>	<ul style="list-style-type: none"> Put our clients at the centre of what we do Grow sustainably across the value chain <p> Pages 40 and 41</p>

Risk management

The JSE recognises that effective risk management is fundamental to the achievement of its objectives and regards risk management as a strategic management tool that is critical to our ability to provide a trusted and well-regulated financial market infrastructure.

The JSE's robust enterprise risk management (ERM) programme and an embedded risk management culture, enables the Company to respond to a dynamic business environment with significant regulatory change, drive business performance, innovation and growth, and protect and enhance value for our stakeholders.

GOVERNANCE OF RISK

The JSE is committed to the principles of good risk governance and strives to apply the principles contained in the King IV Code. The JSE Board retains ultimate responsibility for the oversight of risk.

The JSE's approach to risk management is driven through the ERM framework and our risk culture. The ERM framework, which is aligned with the ISO 31000 international risk management standard, defines the structure and methodology within which the JSE manages its risks.

The JSE Exco is accountable to the Board for implementing the agreed risk management principles and monitoring the process of ongoing risk management. The executive head of each business unit is accountable to ensure adherence to these principles and for integrating effective risk management practices into day-to-day operations in line with the Group's risk management framework and policies.

As at 31 December 2017, the JSE Board is satisfied that the Group's risk management processes are generally operating effectively and that management across each of the subsidiaries have contributed to adequately manage the company's overall risk profile.

Risk culture

The JSE seeks to embed a risk culture, where strategy, performance management and risk management are linked. This is promoted through various risk initiatives and awareness programmes, and risk management is incorporated into performance measurements, with clear risk accountability.

The JSE's risk principles promote a participative and "risk challenge" culture, which encourages openness and frankness in risk discussions. This is driven by the Board and throughout the organisation, where the principle that "every JSE employee is a risk manager" is promoted.

Risk appetite

Risk appetite is a measure and allocation of the amount of risk that the JSE is willing to accept in pursuit of its strategy. The JSE's risk appetite approach reflects its position that risk management is as much about enabling conscientious risk taking as it is about constraining unwanted risk.

The JSE will only tolerate risks that permit it to:

- achieve its stated strategic business objectives;
- comply with all applicable laws and regulations;
- conduct its business in a safe and sound manner; and
- protect and/or enhance its value.

RISKS AND OPPORTUNITIES

The key risks and opportunities are defined as those able to impact the JSE's ability to sustainably execute its strategy and optimise value. These risks and opportunities are formally identified, managed and reported on.

RISK THEME	DESCRIPTION
Business environment	<p>A low-growth economic environment in South Africa is a risk, as income and wealth disparity increases both globally and locally. South Africa's failure to achieve broad-based growth, however small, will impede the growth of the size of the JSE's future client base.</p> <p>Further rating downgrades will have a negative impact on the amount of trading activity on the JSE's interest rate market and the open interest in the bond derivative market. We also expect to see volatility in bond yields and the foreign exchange market.</p>
Regulatory and compliance	<p>The introduction of new regulatory frameworks will increase operating costs and therefore may negatively impact earnings.</p> <p>The impact of international regulations, notably the Markets in Financial Instruments Directive (MiFID) and European Markets Infrastructure Regulation (EMIR), is a focus area for the Exchange, as many of the JSE's clients are obliged to use only infrastructures that comply with those regulations.</p>
Competition and financial market risk	<p>With the recent licensing of new exchanges in South Africa, the JSE is facing increased competition in the primary and secondary trading environment.</p> <p>The JSE faces competition from over-the-counter (OTC) markets and markets abroad for its derivatives products. The JSE operates a robust and well-regulated derivatives market, but the cost/benefit outcome may become unattractive to clients in an environment of severe cost pressures combined with a perception that counterparties will not default.</p>
Operational risk	<p>The JSE faces the risk of business disruptions and operational failures, which can have a negative impact on earnings. These could result from a failure of processes, systems or internal controls. The success of the JSE's business depends on its ability to continuously provide a reliable and safe trading and clearing environment that meets its clients' requirements.</p>
Technology infrastructure	<p>A reliance on ageing technology remains a challenge for the JSE. Various initiatives during 2018 and beyond are aimed at addressing this. These initiatives will impact the JSE's clients and are being managed appropriately.</p> <p>Cyber risk and information security remain key focus areas for the JSE in an era of increasing technological innovation.</p>
Business strategy	<p>The liquidity of South African financial instruments relative to the size of the economy is disproportionately larger than it is for comparable countries. The size of market participants relative to the market is also larger, and there are fewer participants. This leads to concentration in the JSE's client base.</p> <p>Many of the JSE's clients are exposed to the health of the financial sector. In particular, the JSE's clients are exposed to fiscal and monetary policy and financial sector (including banking) regulation. A small number of the JSE's clients make up a large proportion of the JSE's revenue across all markets and services offered. Should an event affect a client significantly, the JSE's business will be impacted.</p>
Settlement	<p>The JSE makes arrangements for the settlement of transactions on its equity market after considering a number of factors. The JSE assesses a member's capital adequacy, and the prefunded margin, and relies on central securities depository (CSD) participant commitments to settle. The JSE provides settlement assurance for trades executed on the central order book.</p>



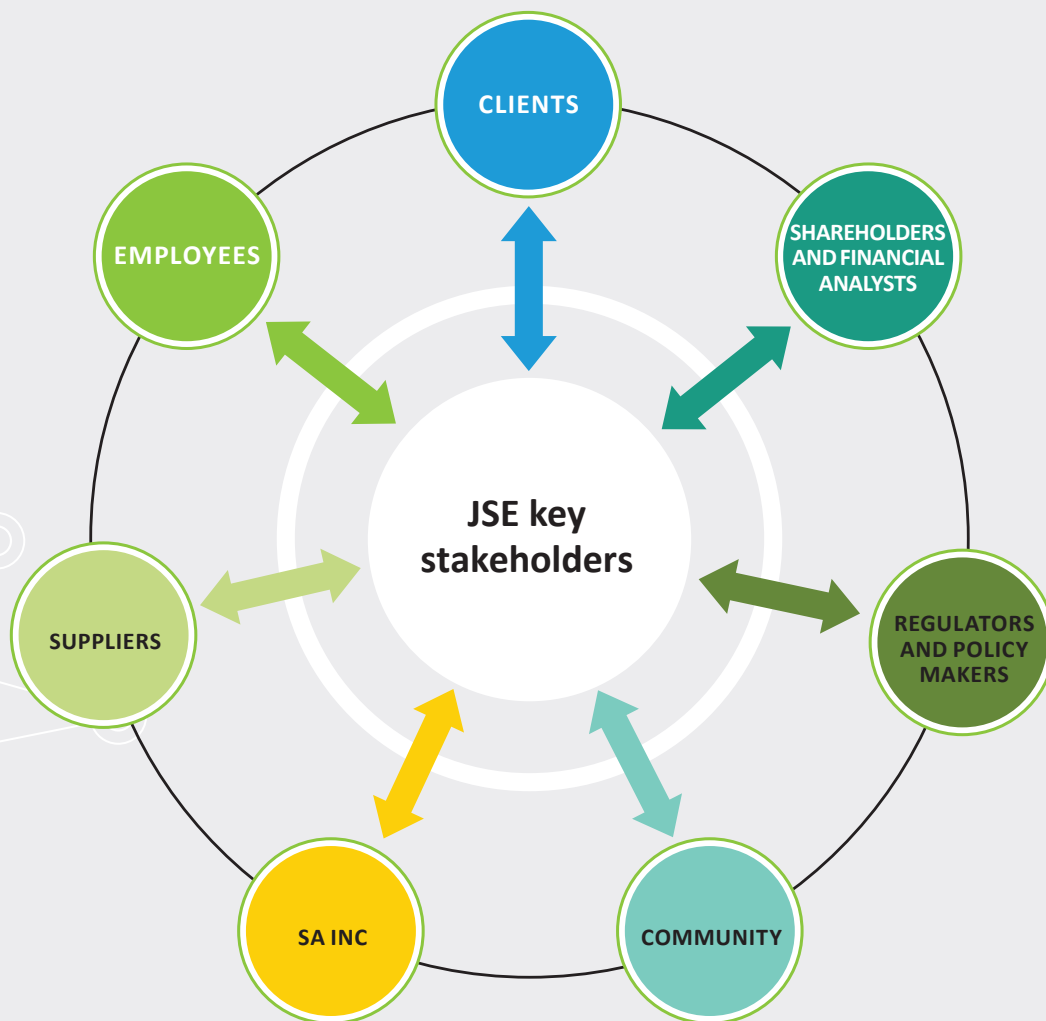
For a more detailed description of the JSE's risks and risk mitigation, please read the online *governance report* at http://www.jsereporting.co.za/ar2017/download_pdf/governance-2017.pdf

Stakeholder engagement

We need to remain aware of our interdependencies with key stakeholders and to understand their expectations and interests

Efficient engagement enables us to identify the issues and opportunities that affect our stakeholders and our business, while strengthening the transparency and accountability necessary to sustain valued relationships.

We actively manage engagement with seven interconnected stakeholder groups at various levels, all of whom play an important role in enabling us to create value, and share in the value that is created. Beyond these there are also other stakeholders such as the media, who enable transparency and information sharing, and who influence the flow of debate with other stakeholders in the public domain.



Stakeholder engagement objectives

Efficient engagement enables us to identify the issues and opportunities that affect our stakeholders and our business, while strengthening the transparency and accountability necessary to sustain valued relationships.

Engagement methods

- AGMs
- Integrated annual report and interim report
- Direct interaction or one-on-one meetings
- Notices distributed through SENS
- JSE website
- Roadshows, conferences
- Radio, TV and newspaper articles
- Client relationship officers
- Client forums
- Advisory committees
- Market notices
- Service hotline
- Press releases and social media
- Whistle-blowers' hotline
- Employee committees
- Intranet for employees



Strategic importance

At the centre of what we do

Build and retain world-class talent

Why do we engage

- Raising awareness about and understanding of JSE markets and products, regulatory requirements and general market conditions
- Ensuring that we understand their needs and can respond
- To address critical client-facing vulnerabilities in the core services offered by the JSE

- Driving strategy towards competitiveness and client centricity
- Establishing a culture and behaviours that embody the JSE values
- To enable transformation and skills development that will ensure retention and motivation
- Positioning the JSE as employer of choice for current and potential employees

Our interdependency

Who are they?	ISSUERS	TRADING MEMBERS AND CLEARING MEMBERS	SPONSORS AND DESIGNATED ADVISORS	INVESTOR COMMUNITY	PERMANENT EMPLOYEES, CONTRACTORS AND POTENTIAL EMPLOYEES
What we provide	A trusted platform to raise finance for growth, risk management and value creation	A trusted platform for financial transactions that can spur economic growth and wealth creation	An efficient and well-regulated listing facility	A trusted and well-regulated financial market infrastructure with access to investment products, greater financial literacy and opportunities for wealth creation	Opportunities for value creation through skills enhancement, wages and incentives; contribution to diversity of workplace
What they provide	Bringing companies and products to market for listing, providing disclosure to enhance transparency	Trading activity that supports market liquidity, risk management, clearing and settlement	Helping listed companies comply with Listings Requirements; enabling constructive interface with issuers	Finance to enable investment into/trading of issued products, supporting market activity and liquidity	Human capital in the form of skills and expertise to enable sustainable business operation, growth and innovation

What is most material?

- Client service
 - Cost efficiency
 - Robust and reliable systems and infrastructure
 - Enabling regulation that is clear, balanced and effective and supports flexibility in transaction structures and disclosure requirements
 - Quality product range suitable to client needs
 - Understanding how the market works and what companies do
 - Benchmarking
- See material matters:**



- Remuneration and benefits
 - Performance management, career advancement and skills enhancement
 - Equity and diversity
 - Wellness programmes
 - Empowering culture
- See material matters:**



What did we engage about in 2017?

- The occurrence and root causes of major incidents, as well as plans to improve operational resilience
 - Tiered billing model, pricing and functionality to ensure compelling proposition
 - Implementation of a new range of products and services in relation to indices, trading business and company services
 - New trade types to meet client needs on reported trades
 - The green bond segment
 - iTaC and ETP projects – progress, client readiness, costs and business models
 - Building trust in bond ecosystem and JSE itself
 - Equity CCP
- For more see:**
Corporate scorecard, CEO's review, CFO's review and Value creation report

- Embarked on a retrenchment process that required significant employee engagement
 - Unveiled the JSE's 2022 strategy – Co-developed the JSE Way through JSE-wide workshops
 - Significant progress on transformation
- For more see:** CEO's review, Corporate scorecard and Value creation report

Looking forward to 2018

See Corporate scorecard objectives for 2018 and CEO's review

ABOUT THIS REPORT

REFLECTIONS FROM OUR CHAIRMAN

VALUE CREATION

CREATING VALUE THROUGH OUR STRATEGY

MEASURING VALUE

REWARDING VALUE CREATION

PROTECTING VALUE CREATION



STRATEGIC IMPORTANCE

SUSTAINABLE GROWTH ACROSS THE VALUE CHAIN

OPERATE, TO GLOBAL STANDARDS, SOUTH AFRICA'S MOST TRUSTED, STABLE, ROBUST AND COMPETITIVE MARKET INFRASTRUCTURE

Why do we engage

- To manage expectations and create fair valuation of the JSE Ltd stock
- To provide feedback on JSE Ltd financial performance and prospects for value creation in the short, medium and long term
- To position JSE's changing competitive landscape and response
- To provide context for benchmarking

- Mutual interest in impact of anticipated changes to regulatory environment
- Enabling fair competition and effective self-regulation
- Ensuring policy certainty for an attractive investment environment
- Alignment with global standards

Our interdependency

Who are they?

OWNERS AND POTENTIAL OWNERS OF JSE LTD SHARES, ANALYSTS OF JSE LTD

FSB; SARB; NATIONAL TREASURY; RELEVANT GOVERNMENT DEPARTMENTS

What we provide

Opportunities for long-term wealth creation

Well-regulated, efficient and trusted self-regulatory capital market facility
Transparency and disclosure

What they provide

Financial capital to operate the business and support growth and innovation

Enabling policy, legislation, regulation and operating licence

What is most material?

- Financial performance and long-term sustainability
- Strategic positioning and competitive response
- Benchmarking
- Dividend policy and share schemes
- Impact of changing regulation

See material matters:



- Market structure and product considerations
- Market conduct
- Exchange control and tax matters

See material matters:



What did we engage about in 2017?

- Financial performance and growth prospects
- Progress on cost containment initiatives
- Strategic direction, competitive landscape and response

For more see:
Corporate scorecard and Value creation report

- Migrating JSE Clear from an associated to an independent clearing house
- Ongoing regulatory requirements
- Development of new regulatory structure and framework
- Progress on electronic trading platform for government bonds and Strate debt instrument solution
- New exchange licence applications

For more see:
CEO's review; Corporate scorecard and Value creation report

Looking forward to 2018

See Corporate scorecard objectives for 2018 and CEO's review



LEAD BY EXAMPLE ON THE NATIONAL AGENDA

- To enable engagement between investors, government and corporate leaders to enable collaboration and achieve common understanding on issues of national importance
- Alignment with global standards

BUSINESS LEADERS, GOVERNMENT, ACADEMIC INSTITUTIONS, INDUSTRY BODIES, CIVIL SOCIETY, POLITICAL ORGANISATIONS, RATINGS AGENCIES

Enabling engagement and creating collaborative opportunities on concerns of economic significance

Enabling a response to issues of national and international economic significance

- Demonstrate a visible commitment to transformation throughout the JSE

See material matters:



- Training of South African ambassadors
- Perceptions of JSE as destination for disaffected parties to demonstrate against corporate South Africa
- Role of the JSE in transformation
- Submission on transformation of the financial sector
- Represent business in terms of SA Inc engagements with investors overseas
- On BSLA board to work with other CEO's to raise the significance and content of business voice on issues critical to national agenda
- Ratings agency meetings with business
- World Federation of Exchanges (WFE), Committee of SADC Stock Exchanges (CoSSe) and the African Stock Exchanges Association (ASEA) engagements

For more see:
Corporate scorecard, CEO's review and Value creation report



OPERATE, TO GLOBAL STANDARDS, SOUTH AFRICA'S MOST TRUSTED, STABLE, ROBUST AND COMPETITIVE MARKET INFRASTRUCTURE

- Supporting operational robustness, stability and sustainability
- Enabling cost-efficiency
- Supporting transformation objectives

PROVIDERS OF SERVICES AND SOLUTIONS ACROSS TECHNOLOGY, BUSINESS AND OPERATIONAL AREAS

Opportunity for application of services offered, business growth and wealth creation

Supporting cost-effective, efficient, agile and resilient operations

- Procurement policies
- Cost
- Timely payment and fair terms
- Transformation
- Reliability

See material matters:



- Suitability of products and services for JSE and client needs
- Cost containment
- Business requirements
 - Technology testing and user readiness
 - Refining business processes
 - Infrastructure refresh and BAU upgrades
- Various contractual matters
- Understanding requirements for potential supplier development

For more see:
Corporate scorecard, CEO's review and Value creation report



SUSTAINABLE GROWTH ACROSS THE VALUE CHAIN

- Raising awareness about and understanding of JSE markets and products
- Enabling community development and upliftment

BENEFICIARIES OF CSI INITIATIVES; BROADER PUBLIC

Opportunities to enhance financial literacy and wealth creation
Access to financial markets

Social licence to operate, potential clients

- Investment education opportunities such as the Investment Challenge and JEF
- Understanding how the market works and what companies do
- Donations and sponsorships

See material matters:



- Investment Challenge participation, process and awards
- Bursaries
- Donations and sponsorships
- Educational initiatives

For more see:
Value creation report

See Corporate scorecard objectives for 2018 and CEO's review

How the JSE creates value

MATERIAL MATTERS

KEY RESOURCES AND TRADE-OFFS

INPUTS to sustain and grow the business

Our financial capital

Relevant material matters



Key resources and trade-offs

Financial resources are required to operate the business and support growth, expansion and innovation. Capital is obtained from sources such as:

- JSE Ltd share capital
- Profits retained and reinvested

By investing in our systems and people, we may put pressure on our available financial capital and reduce financial and community outcomes in the short term. However, this is done to serve longer-term strategic objectives and aims to enhance outcomes for our brand, skills base and stakeholder community.

Inputs to sustain and grow the business

- Market capitalisation: R15.5bn at end of 2017
- 44.5% shareholding in Strate
- R6.05 dividend received by shareholders
- Cash reserves: R2 377m
- Total capital investment: R187m



Our systems and infrastructure

Relevant material matters



Key resources and trade-offs

Nearly all of the JSE's business areas and outputs are heavily technology dependent. Implementing world-class technology and remaining at the cutting edge of advances in the industry are core to our business model and sometimes require trade-offs in financial outcomes. Investment in new systems and related skills can maximise our outputs and enhance outcomes for our brand, people and stakeholder community.

The JSE's physical premises are located in Sandton (head office) and Cape Town, with disaster recovery facilities maintained off-site. Adding premises has increased expenses and marginally enlarged our environmental footprint. However, the additional premises have positioned us to optimise client proximity, thus strengthening our brand and improving outcomes for our stakeholder community.

Inputs to sustain and grow the business

- IT hardware, software and applications
- Lease of premises



Our organisational knowledge

Relevant material matters



Key resources and trade-offs

The JSE brand has stood the test of time and remains key to attracting and retaining clients, remaining competitive and growing the business. It relies on technology delivery and positive relations with our stakeholder community.

We are technology-driven and operate in a highly specialised environment, so we place a premium on developing and retaining the right skills and protecting the JSE's systems and intellectual property rights (both in terms of know-how and in terms of products). Ensuring the continued availability of these resources could deplete short-term financial resources, but it enhances our systems and stakeholder outcomes.

Inputs to sustain and grow the business

- Technically skilled employees and experts (capital market and information technology specific skills)
- Intellectual property rights
- Reputation and brand value



Our people

Relevant material matters



Key resources and trade-offs

The JSE needs a motivated, skilled and diverse workforce led by a strong executive team to support its business model, achieve its outputs and execute its strategy. The JSE reduced its headcount from 494 to 407, which is a headcount reduction of 17%. This incurred a one-off cost but enabled the JSE to achieve structural cost savings to setup up the business for long-term sustainability.

Inputs to sustain and grow the business

- Number of permanent employees: 364 as at Dec 2017
- Number of executives: 9 as at Dec 2017
- Remuneration philosophy and performance management process



Our social licence and relationships

Relevant material matters



Key resources and trade-offs

The JSE and its various stakeholder groups have a symbiotic relationship. To achieve our strategy and optimise our outputs and related outcomes, we need an economic environment that is conducive to capital market activity, a licence to operate, which is provided by regulatory bodies, as well as the participation of a range of clients (both issuers and the broader investor community).

We are able to respond to the needs of our stakeholder community and reinforce confidence in our brand because we have reliable systems, our people are skilled and client-centred, and we apply our financial resources efficiently.

Inputs to sustain and grow the business

- Enabling policy, legislation, regulation and operating licence
- Issuers that bring products to the market
- Trading members
- The investor community
- CSI strategy
- Media and communication strategy
- Our sustainability strategy



Our environment

Relevant material matters



Key resources and trade-offs

We have a low impact on the natural environment. Nonetheless, a stable supply of electricity (from the main grid or back-up generators) is critical to our systems and other operations.

We try to be efficient in our water and electricity consumption, but we may have a moderately negative impact on the natural environment because we have to ensure continuity in our systems to enable us to deliver our outputs to the benefit of our stakeholder community.

Inputs to sustain and grow the business

- Electricity consumption: 8 385 MWh in 2017
- Water consumption: 7 640 313 kl in 2017



Key to material matters

- Increasing and changing regulatory demands
- Concentration and interdependency of the local financial market
- Operational resilience
- Scarce skills and expertise
- Long-term viability in a low-growth economy
- Transformation in an unequal society
- Legacy technology in an agile world
- Potential disruptive impact of new competition

BUSINESS ACTIVITIES AND OUTPUTS

OUTCOMES

The outcomes of our activities are set out on pages 26-27

The JSE is a self-regulating, multi-asset-class securities exchange offering deep liquidity across a wide tradable product range, as well as post-trade and information services



REGULATION

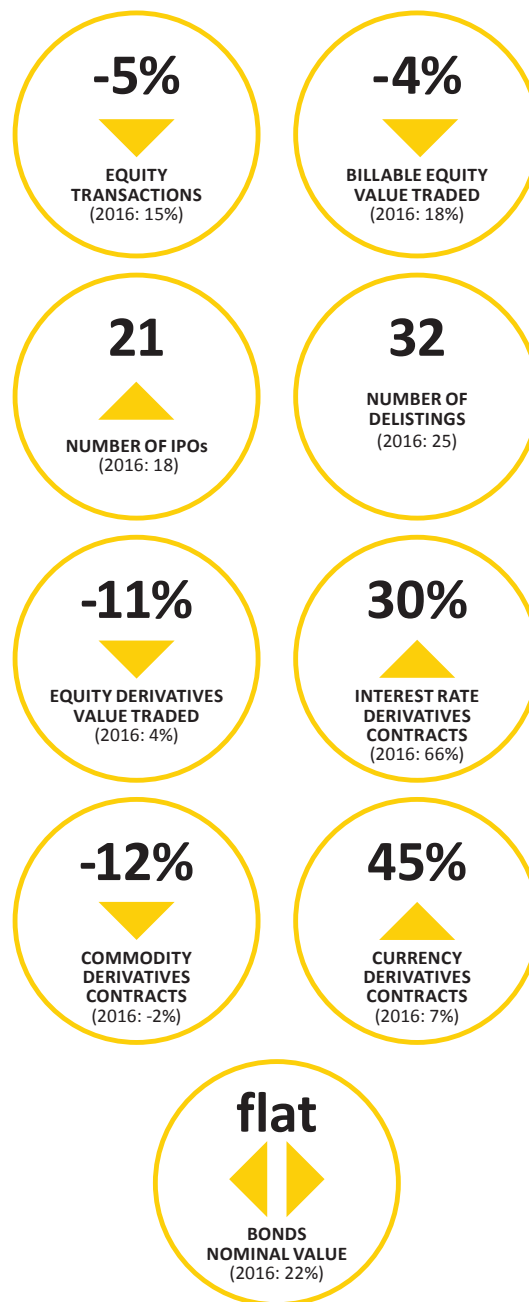
The JSE currently acts as the frontline regulator, setting the JSE Listings Requirements and enforcing trading rules for the primary market.

The JSE is a self-regulatory organisation (SRO) with responsibility for supervising its member firms' market and business conduct. The Surveillance division maintains and monitors all member and client transaction data for the secondary market.

INFORMATION SERVICES

The JSE produces, publishes and sells live, statistical, historical and end-of-day data from all markets, as well as reference data, corporate actions, client data, indices, valuations, business intelligence and statistics.

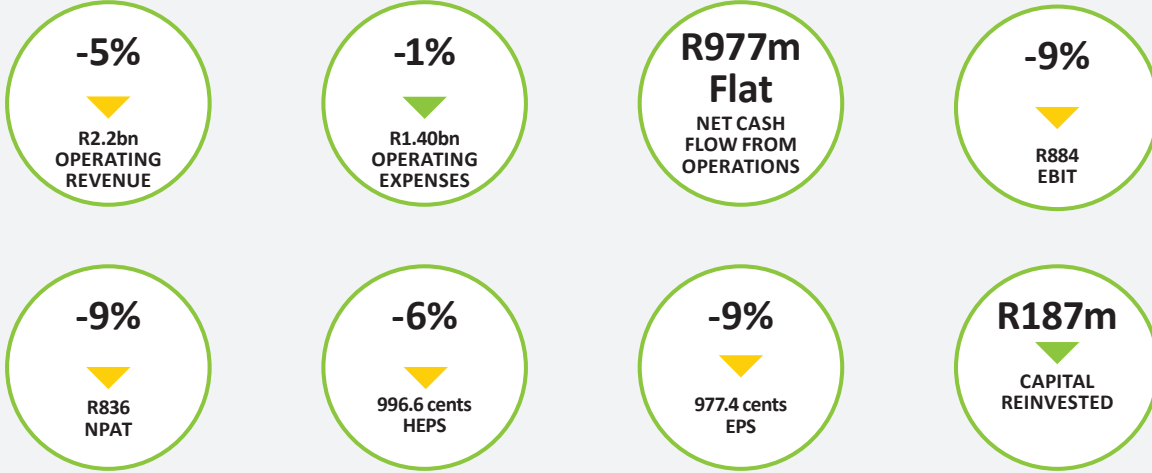
MARKET PERFORMANCE



Outcomes of our activities



OUR FINANCIAL CAPITAL



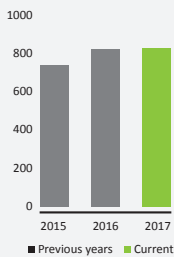
- +** The JSE remains strongly cash generative.
 - +** Tight cost control and management action implemented to limit cost growth.
 - +** Cost reduction opportunities and operating efficiencies identified.
- Below target performance, pressure on revenue because of difficult market conditions.

See *Corporate scorecard* and *Annual financial statements* for more



OUR SYSTEMS AND STRUCTURES

OPERATING EXPENSES (Rm)



- +** The JSE provides its clients with access to world-class technology systems and services that support listing and trading activity in the various markets, as well as post-trade and information services.
 - +** Progress on the ITaC and ETP projects contributes to seamless access to trading and clearing across asset classes.
- Re-occurrence of some issues and the occurrence of major incidents resulting in critical operational vulnerabilities affecting business continuity and creating increased operational risk.

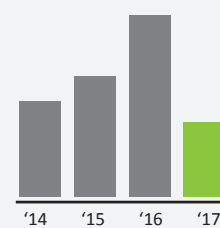
See *Corporate scorecard* and *Annual financial statements* for more



OUR ORGANISATIONAL KNOWLEDGE



LEARNING AND DEVELOPMENT SPEND ON EMPLOYEES



- +** Stable market infrastructure contributes to confidence in SA Inc.
 - +** Improvement in specialised skills owing to skills development spend.
- Reduction in headcount
 - Operational vulnerabilities causing reputational risk

See *Operational performance* for more



OUR SOCIAL LICENCE AND RELATIONSHIPS

18 579

LEARNERS AND STUDENTS IN INVESTMENT CHALLENGE

605 cents

DIVIDENDS TO SHAREHOLDERS

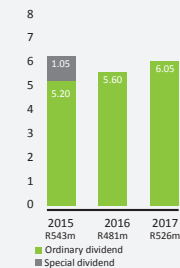
R52m

PRICING BENEFIT TO EQUITY MEMBERS

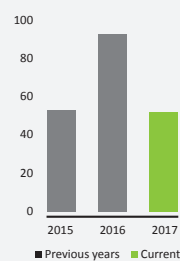
4.3

FTSE ESG RATING AS AT DECEMBER 2017

SHAREHOLDERS (Rm)



PRICING BENEFITS TO MEMBERS (Rm)



4

BBBEE LEVEL AS AT DECEMBER 2017

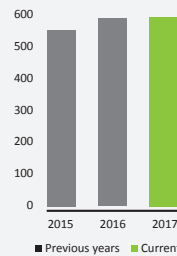
R571m

TAXES PAID

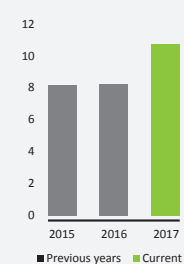
R10.8m

CSI INVESTMENT

GOVERNMENT TAXES (Rm)



COMMUNITY INVESTMENT (Rm)



See Corporate scorecard, Annual financial statements and Value creation report



- Engaging clients on the equity tiered billing model and establish understanding on pricing and functionality in 2018.
- Listings on AltX market proving competitive to new exchange offerings.
- Regular stakeholder interaction (more than 5 000 recorded at investor sessions, series of SA Inc. events) positions investors and the JSE to respond to the impacts of macro-economic factors such as global and domestic investment activity, regulatory developments and credit rating shifts.
- Continued financial support to black stockbroking firms through the payment of R6.6 million to 15 firms.
- Enhanced financial literacy is enabled through online learning modules, which attracted 4 901 more participants in 2017 (3 000 in 2016) and the investment simulator, which saw participants increase to 8 861 (2 500 in 2016).
- Increasing uptake of tax-free savings accounts has given the JSE an 11.9% share of tax-free savings accounts opened in 2016/2017, which enables saving and opportunities for wealth creation.
- Relationships with policymakers and regulators have improved significantly.



Occurrence of major incidents affecting stakeholder relationships and trust in the JSE as a business.



OUR PEOPLE

364

STAFF COMPLEMENT AS AT DECEMBER 2017

R358m

SALARIES, INCENTIVES AND EMPLOYEE BENEFITS

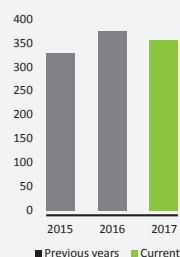
67%

AFRICAN, COLOURED AND INDIAN EMPLOYEES

50%

FEMALE EMPLOYEES

EMPLOYEES (Rm)



- High-performance culture supporting professional growth and development.
- Reasonable progress in staff transformation.
- Number of initiatives under way to move beyond Section 189A (retrenchment process) and towards 2022 strategy.



Section 189A (retrenchment process) had an impact on staff morale.

See Corporate scorecard and Value creation report for more



OUR ENVIRONMENT

9 562 TONNES CO₂

TOTAL CARBON EMISSIONS

R7.5m

ENERGY SPEND IN 2017



Stable environmental impact management. Marginal contribution to climate change through carbon emissions

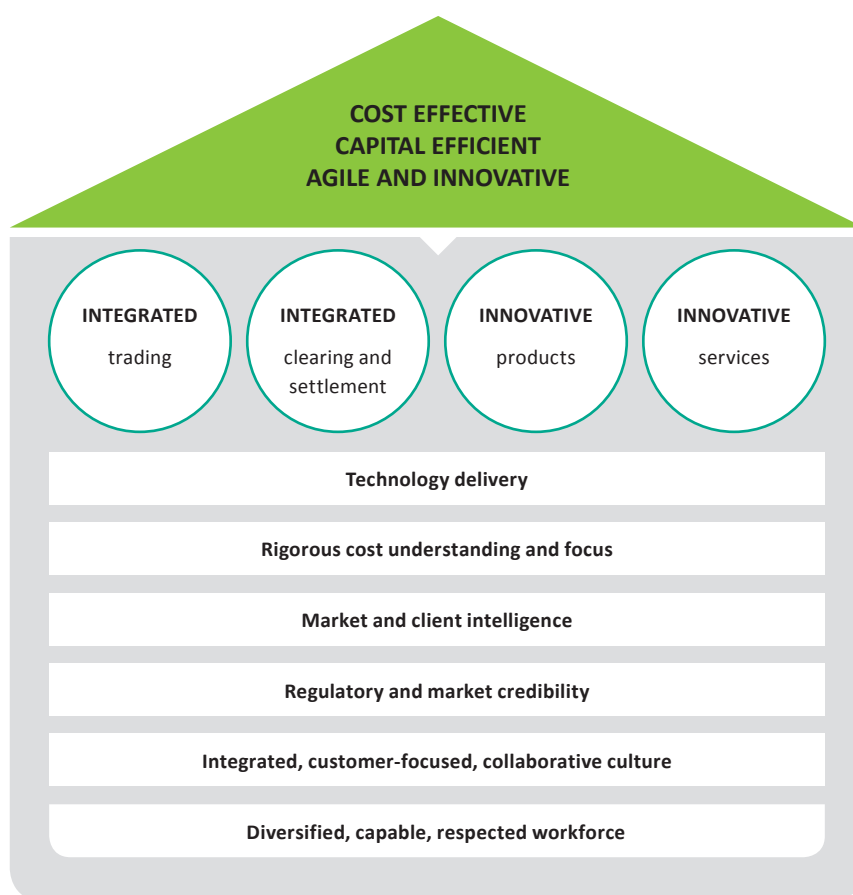


See Value creation report for more

CREATING VALUE THROUGH OUR STRATEGY

Delivery of our 2017 strategy

The JSE's current activities are guided by its corporate strategy (as depicted in the diagram below), which was agreed in 2012 and which entered its final year of delivery in 2017.



This period of the JSE's evolution has been focused integrating its multiple markets and technologies, and on building and embedding world-class products and services, relations and competencies. Certain projects underpinning this focus will continue into the foreseeable future.

A case in point is our ITaC project, which integrates our trading and clearing systems.



However, the changing environment and operating context have prompted the JSE to develop the next phase of its strategy, looking beyond 2017 to 2022. This strategy is described on pages 40-41.

Key performance indicators for 2017

CORPORATE SCORECARD FOCUS AREAS 2017

This report reviews the Group’s corporate performance during 2017, assessing it against what we set out to achieve during the year. Each year, we measure ourselves against a corporate scorecard that reflects a number of key performance indicators (KPIs) across four pillars, approved by the Board. Cumulatively, the KPI deliverables in the corporate scorecard are intended to ensure that we will achieve our strategic vision



FINANCIAL PERFORMANCE

OBJECTIVES

- Deliver financial performance in line with Board-approved annual Group budget. Revenues and expenditures under control of management are weighted more than those not under management control

HOW DID THE JSE PERFORM

2017 was a challenging year with a particularly turbulent socio-economic background and declining values and volumes traded in most of our key markets. This negatively impacted operating revenue, which was down 5% to R2.2 billion (2016: R2.3 billion). In this environment, management took pro-active steps to sustainably reduce our cost base, which was down 1% to R1.40 billion (2016: R1.41 billion). As a result, we reported Group earnings of R836 million



(2016: R920 million), reflecting a decline limited to only 9%

See CFO’s review on pages 44-46 for further details

Actual results for the 2017 year: Below-target performance

- Group earnings after tax down 9% to R836 million (2016: R920 million)
- Operating revenue down 5% to R2.2 billion (2016: R2.3 billion)

- Operating expenditure down 1% (2017: R1.40 billion, 2016: R1.41 billion)
- EBIT down 9% to R884 million (2016: R975 million)
- Group remains strongly cash generative

OBJECTIVES FOR 2018

- Deliver financial performance in line with Board-approved annual Group budget (revenues and expenditures under management control weighted more than those not under management control)
- Implement initiatives to achieve R170 million cost reduction target by end 2019

Key performance indicators for 2017 (continued)

CORPORATE SCORECARD FOCUS AREAS 2017 (CONTINUED)

STRATEGY AND NEW BUSINESS

OBJECTIVES

- Ensure that critical client-facing vulnerabilities in core services are properly addressed
- Maintain a market share in line with that of other global exchanges operating in a multi-exchange environment
- Get Board sign-off on JSE Group black ownership scheme proposal
- Progress development of independent clearing house to Board approval of approach, budget and timeline
- Progress Equity Market risk management model to Board approval of approach, budget and timeline
- Achieve new business, including growing index business

HOW DID THE JSE PERFORM

Critical client-facing vulnerabilities:

Below-target performance

- On-target performance in tracking critical client-facing vulnerabilities in core services. However, the re-occurrence of some issues and the occurrence of major incidents indicate the need to address more fundamental issues



See *CEO's review* on pages 32-35 for further details

Maintain a market share in line with that of other global exchanges:

Above-target performance

- Four new exchanges granted licenses in 2017. The JSE will continue to respond to new entrants



See *CEO's review* on pages 32-35 for further details

Board approval of JSE Group BEE Scheme

Target not met for reasons beyond management control

- Notwithstanding significant attention to this, the JSE decided to delay implementation as the revised Financial Sector Code (RFSC) had not yet been finalised



See *CEO's review* on pages 32-35 for further details

Progress independent clearing house

Slightly below-target performance

- Work continues on migrating JSE Clear from an associated to an independent clearing house



See *CEO's review* on pages 32-35 for further details

New business

On-target performance

- New range of indices, data revenue, trading business and company services business opportunities taken up



See *Operational performance* on pages 36-39 for further details

OBJECTIVES FOR 2018

- Halve priority 1 incidents related to people or process failures
- Demonstrate visible, JSE-wide commitment to transformation and achieve level 4 RFSC BEE status

TECHNOLOGY DELIVERY

OBJECTIVES


- Progress Integrated Trading and Clearing (ITaC 1b and c project) against project timelines and budget
- Deliver electronic trading platform for government bonds (bond ETP) in line with project timelines and budget.
- Progress implementation of JSE-related changes to enable Strate's debt instrument solution (DIS)

HOW DID THE JSE PERFORM

Progress ITaC

On-target performance

- Going live with equity and currencies derivatives products in the first half of 2018, subject to market readiness
- R11 million allocated for member go-live cost assistance

 See *CEO's review* on pages 32-35 for further details

Deliver bond ETP

On-target performance


- Good progress continued during 2017, with go-live planned for first quarter of 2018

 See *CEO's review* on pages 32-35 for further details

Strate's debt instrument solution (DIS)

Below-target performance

- Although DIS went live on 26 September, significant challenges were experienced thereafter

 See *CEO's review* on pages 32-35 for further details

OBJECTIVES FOR 2018

- Complete ITaC project 1b and c
- Implement bond ETP
- Address ITaC critical project 1 spillover and progress planning of transition of at least interest rate spot and derivative products to ITaC
- IT infrastructure refresh and business-as-usual upgrades (including RTC and MIT)

STAKEHOLDER FOCUS

OBJECTIVES

Staff

- Implement strategies to improve staff transformation and to drive culture and behaviour that improves clients' experience

Stakeholders

- Improve JSE relationships with key regulators; strengthen JSE's role in facilitating dialogue between JSE clients and relevant government and international stakeholders

HOW DID THE JSE PERFORM

Staff

On-target performance

- Exit of 17% of staff completed in five-week process
- Remaining staff focused on 2022 strategy and the culture necessary to achieve it

Strong stakeholder relationships

On-target performance

- Relationships with policymakers and regulators have improved significantly
- Engaged on a number of other fronts

 See *CEO's review* on pages 32-35 for further details

OBJECTIVES FOR 2018

Staff

- Staff engagement survey results to show:
 - improvement over 2015 survey; and
 - understanding of and commitment to JSE Way
- Launch the JSE Way, our values refresh and our leadership brand
- Retention plan for entire JSE accepted by GHRC; and all key knowledge insights in certain divisions documented and tested within the JSE



CEO's review



In a tricky operating environment, we took hard decisions to ensure the long-term sustainability of our business.

INTRODUCTION

2017 has been a challenging year.

- We saw declining value and volume in most of our key markets with an uptick late in the fourth quarter.
- We reduced staff numbers by 17%. This was necessary for the JSE's long-term sustainability, but has impacted staff morale, as might be expected. We have taken steps to create energy around the future of the JSE as encapsulated in our 2022 vision.
- A number of operational incidents in September challenged our resilience and impacted client confidence in our operational stability. We have taken a number of steps to restore stability.
- Local sentiment has become increasingly bearish as a result of continued low economic growth, political turmoil and further downgrades. We trust that Cyril Ramaphosa, elected as the ANC president in December, will provide the much needed political and policy leadership to put the country on a path to growth and restored confidence.
- Local competitor exchanges were launched. However, they have had a slower start than we expected and hence have not impacted our numbers significantly.

Nonetheless, we:

- Made good progress on the delivery of our big technology projects, Integrated Trading and Clearing (ITaC) and the Electronic Trading Platform (ETP) for government bonds, both of which are now scheduled to go live in the first half of 2018, subject to client readiness.
- Reset the temperature of our regulatory relationships and navigated the transformation hearings in Parliament well.
- Improved a number of our client relationships, although we have work to do specifically with our trading clients, given the operational issues experienced in the third quarter.

- Continued to participate strongly in SA Inc initiatives.

This year, as we celebrate our 130th anniversary, we come to the end of our 2017 strategy, which is depicted in our strategic house (refer to page 28).

Our focus for 2018 therefore strikes a balance between completing the delivery of Phase 1 of ITaC, and the ETP for government bonds, both of which are integral to our 2022 strategy (refer to pages 40-41), and ensuring that the operational aspects of our business are as robust as possible.

As we look to the future, it is important to remind ourselves that we need to build a sustainable JSE. In my view, business sustainability is about operating with a long-term perspective while recognising that the business both impacts and is impacted by the context within which it operates (including the stakeholder, environmental, political, legal, and economic context). Sustainability comes down to doing what needs to be done to have the best chance to remain viable, not only over at least the next 16 years, but also in the longer term (refer to *How the JSE looks at its business* on page 4).

This report reviews the Group's corporate performance during 2017, assessing it against what we set out to achieve during the year. Each year, we measure ourselves against a corporate scorecard (on page 29) that reflects a number of key performance indicators (KPIs) across four pillars, approved by the Board. Cumulatively, the KPI deliverables in the corporate scorecard are intended to ensure that we will achieve our strategic vision.

The four KPI pillars of our 2017 strategy are:

- financial performance (please refer to the *CFO's review* for more detail);
- strategy and new business;
- technology delivery; and
- stakeholder focus.

Strategy and new business

Operational vulnerabilities

During September, a series of five incidents caused significant market disruption and reputational damage to the JSE.

These incidents occurred across three markets: Cash Equities, Bonds and Equity Derivatives. The underlying causes for each of the incidents were different – ranging from technical faults to staff oversight and project implementation shortcomings (for instance, on the DIS project). The issues were exacerbated by occurring in close succession to, or in parallel with, each other. A number of other market events also occurred at the same time, including a very large corporate action, a market futures close-out, an MPC rate decision, and various South African Reserve Bank (SARB)/National Treasury (NT) auctions – all of which exacerbated the impact of the incidents.

All organisations experience significant operational challenges from time to time and we are fully aware of the seriousness of these issues. With this in mind, we have taken the following steps:

- We have completed our internal incident review as well as an independent third party review of each of these incidents and are taking immediate action based on the insights we gained; and
- We have engaged with each of our clients one-on-one regarding the incident.

We have also made progress in tracking critical client-facing vulnerabilities in core services and will be spending significant time this year addressing our operational resilience.

Competition

Four new exchanges were granted licenses in 2017.

We understand what we will do about pricing and functionality in 2018 to ensure that we continue to offer our clients a compelling proposition. In 2016, we launched new trade types, including the new XT trade type, to meet client needs

on reported trades. We have also engaged clients on a tiered billing model, which we are ready to launch in 2018 to incentivise greater Equity Market liquidity.

Broad-based transformation

Markets need to operate in a manner that responds constructively to our country's socio-economic pressures. We therefore need to use our core business strengths to influence and to contribute positively to the inclusive growth and transformation of our economy.

The JSE is committed to contributing meaningfully to transformation by ensuring that it transforms itself and also, where possible, contributes to this imperative through its role as a regulator of its listed companies.

In its quest to influence transformation in South Africa, the JSE has recently included a requirement for all companies listed on the Exchange to ensure racial and other diversity at board level in its Listings Requirements. This means that companies must have a policy for the promotion of diversity at board level and they are further required to report annually to their shareholders on how they have applied that policy. They are required to:

- publish a gender representivity policy at board level;
- annually disclose their progress against their policy on BEE transformation, starting in 2018; and
- annually publish their BEE scorecard.

Participation in transformation is also driven in a number of other ways:

- The empowerment segment of the Main Board was launched in 2015. It enables issuers to monitor and retain BEE ownership status. It also enables black individual investors to trade their BEE shares;
- The National Treasury introduced a tax-free savings account in 2015. It attracts lower fees and taxes and was implemented to promote a savings

culture in South Africa. The JSE currently has 78 437 of these accounts with R448 million in assets under management;

- The JSE Investment Challenge has been in existence for 40 years. Its aim is to expose young people to capital markets. A pilot in collaboration with the Department of Basic Education (DBE) is currently under way, with a view to including it in the DBE's school curriculum; and
- The JSE Black Stockbroker Enterprise Development Programme continued to provide financial assistance to emerging black stockbroking firms to support them in the sustainable growth of their businesses. Through the programme, the JSE pays cash disbursements to black brokers quarterly. The disbursements equal 33% of the equity trading and connectivity fees the brokers paid to the JSE during each quarter. In 2017, 15 members participated in this programme out of a total of 62 equity trading members.

With regard to Board approval of the JSE Group BEE Scheme, a number of factors were considered, such as the weak macro-economic climate in SA, coupled with an uncertain near-term economic outlook, the JSE's own financial performance and the significant degree of uncertainty regarding the ownership targets in the revised Financial Sector Code (RFSC) or any other such code. In view of this, the Board decided not to proceed with a possible transaction. Broadening the JSE's own ownership remains an imperative, and will be reconsidered now that the gazetting of the RFSC has been confirmed.



Our progress is detailed on page 42 (*The JSE's transformation journey*).

Progress the independent clearing house

Work continues towards migrating JSE Clear from an associated to an independent clearing house. The regulatory requirement is that independence should be achieved by

2022. We anticipate that independence will attract other SA based exchanges to make use of the services of JSE Clear. We aim to submit our application for independence to the regulator during the course of 2018, subject to the delivery of our priority projects for 2018.

New business

A new range of business opportunities relating to indices, data revenue, trading business and company services were taken up in 2017. See further details on pages 36-39 (*Operational performance*).



Technology delivery

Integrated Trading and Clearing project

We need to provide all our markets with robust technology that can both provide our clients with the functionality they need and handle the growth we expect.

With this in mind, we continue with our multi-year ITaC project initiative to migrate all trading and clearing on our derivatives markets to the technology used for our Equity Market. The ITaC project is the most significant programme of work the JSE has undertaken in recent years.

Our target is to go live with the equity and currencies derivatives products in the first half of 2018, subject to market readiness.

In order to assist clients with implementation costs, we have allocated R11 million for member go-live cost assistance: R8 million for 2018 and R3 million for 2019.

ETP for government bonds

The development of the ETP for government bonds in conjunction with the National Treasury continued to make good progress during 2017, with go-live planned for the first quarter of 2018.

The ETP for government bonds will use Strate's debt instrument solution (DIS) to settle bond trades. Following the issues experienced with the DIS go-live, a number of business process issues will need to be

resolved prior to adding another market on DIS. Plans are being made to resolve these.

Strate's DIS

Strate updated its debt instrument solution and the project went live on 26 September 2017. The project introduced not only a new platform, but also a new settlement model. After the project went live, the market experienced some challenges, which resulted in some large trading members and inter-dealer brokers (IDBs) not trading until the issues had been resolved.

Stakeholder focus

Staff

As part of our focus on cost containment, staff restructuring resulted in the exit of 17% of our staff in a five-week process. We have subsequently focused our staff on our 2022 strategy and the culture required to deliver it.

Other stakeholder relationships

The JSE has a central and crucial role to play in corporate South Africa, both in operating a world-class environment that stakeholders can trust, and in using its voice to enable and support a robust and informed discourse at critical moments for our country.

On the regulatory front, our extensive engagements continue. The JSE's relationships with policy makers and regulators have improved significantly. A solid foundation on which to build credible and trust-based relationships has been established. This shift has had a positive impact on our engagements with Parliamentary sub-committees. Our contribution to the hearings on the transformation of the financial sector was well received and our submission to the National Council of Provinces Select Committee on Finance on the Twin Peaks Bill was appreciated.

We remain engaged on a number of other fronts, including our engagement with the likes of the Black Management Forum (BMF) and the Economic Freedom Fighters (EFF) on the role of the JSE in transformation.



In addition to these engagements, we hosted Minister Gigaba and about 60 SA investors for a robust question and answer (Q&A) session after the medium-term budget policy statement (MTBPS), which was very well received by our clients. Through our involvement in the Business Leadership South Africa (BLSA) board, we have been able to have frank engagements with the ANC leadership, the president, and the minister of finance. We continue to host and guide the content of all the ratings agency meetings with business.

Once again, we co-hosted the SA Tomorrow conference in New York on 9 and 10 November 2017. Further details are included on pages 6 to 9 (*Reflections from our chairman*).

All of these engagements contribute to our positioning as a South African organisation that, beyond its commercial focus, is making a meaningful contribution to South Africa and the growth of African capital markets.

Policy and regulatory issues

The National Treasury and the local regulators are preparing for the implementation of twin peaks, the establishment of the two authorities and the frameworks for implementation under twin peaks. Two separate reviews have been initiated: the Financial Markets Review, and the Review of the Financial Markets Act (FMA).

The Financial Markets Regulation (FSR) Bill and consequential amendments to the FMA were signed into law on 21 August 2017. The consequential amendments to the Financial Markets Act (FMA), as contained in the Financial Sector Regulation (FSR) Act became effective on 9 February 2018. The Regulations to the FMA also became effective on 9 February 2018, JSE Limited and JSE Clear (Proprietary) Limited will need to comply with detailed capital, governance and risk regulation of the FMA within 12 and 18 months, respectively. The prudential authority and the financial sector conduct

authority are expected to be established in the second quarter of 2018.

Progress has been made on the transformation of the financial sector. The Minister of Trade and Industry gazetted, with immediate effect, the revised Financial Sector Code and its review 12 months after implementation, taking into account the outcome of the planned Financial Sector Summit due to be held in the first half of 2018.

Given the large number of foreign inward listed companies and the extent of foreign participation in our market we closely track international regulation specifically, in the EU and the US. We are particularly concerned with the markets in the Financial Instruments Directive (MiFID II). Issues that could affect the JSE are being dealt with pragmatically by the EU regulators.

Looking ahead

In any year, an organisation needs to choose between compelling, but often competing initiatives. This is even more so when resources are limited, as they are in the case of the JSE. Our tactical and strategic choices for 2018 are as follows:

- We need to complete our large technology investments (particularly ITaC and our government bond ETP) to position our business for growth;
- We need to stabilise and raise the standard of our operating environment before adding further large innovations beyond those already on track, so that we properly address the operational weaknesses highlighted in this review;
- We need to maintain our strong cost controls and deliver the relevant portion of the R170 million cost savings; and
- We need to embed a more agile, client-centric way embodied in the JSE Way (culture) we are co-creating with our staff.

Appreciation

Overall, the year has been a tough one to navigate. Tricky political and economic conditions have impacted sentiment and market activity (and hence our financial performance) and have made it necessary to cut deeply into our cost base and planned activities. At the same time, the team has made good progress with major deliverables like ITaC and the government bond ETP, despite suffering setbacks, such as the DIS go-live coinciding with other operational incidents.

I thank all our stakeholders for their interaction with me and with the JSE team. We have worked hard to build a more collaborative relationship and I look forward to continuing our work in this regard.

As we tackle 2018, I also thank all my colleagues at the JSE. It has been a privilege to lead this organisation at this time in its history. I look forward to the next stage of our journey.

Nicky Newton-King
Chief Executive Officer
JSE

Operational performance

The JSE's drive to build a resilient and sustainable business has many elements. This section focuses on the revenue elements in the business. This is therefore not a complete operating view; more detail on JSE initiatives can be found throughout the integrated report and in the *CEO's review*.

CAPITAL MARKETS

Division responsibilities

The Primary Market

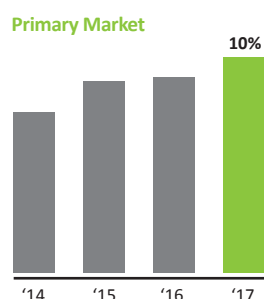
- Sources issuers to list on the JSE's Equity and Interest Rate markets.
- Also supports potential and existing issuers.

The Secondary Market

- Provides trading and ancillary trading and customer support services in the Equity, Bond, Financial Derivatives and Commodity Derivatives markets.
- The **Equity Market** provides trading in equities. Its products include primary and dual-listed ordinary shares, preference shares, depository receipts, property entities like real estate investment trusts (REITs), special purpose acquisition companies (SPACs), warrants, structured products and exchange-traded products (ETFs and ETNs).
- The **Financial Derivatives Market** and the **Interest Rate Market** provide secondary market access to financial derivatives and to debt instruments.
 - The Financial Derivatives Market's products include index and single-stock futures and options, can-do futures and options, exchange-traded contracts for difference (CFDs) and other sophisticated derivative instruments in the equity, currency and interest rate asset classes.
 - The Interest Rate Market's products include bonds, floating rate notes, commercial paper and hybrid instruments, and interest rate derivatives. A green bond segment was launched in 2017.

- The **Commodity Derivatives Market** offers a range of cash-settled rand-denominated derivatives on various local and international benchmark commodities, including softs, energy and various metals, under licence from the CME Group, as well as a beef carcass contract. Mexican white maize, lamb carcass and wool futures contracts were launched in 2017.

Primary Market



How money is made

Fees for new issuances, annual listing fees for existing issuers, as well as documentation fees for dealing with specific corporate actions that companies undertake during the year, all generate revenue.

2017 in review

- Revenue increased by 10% to R181 million (2016: R164 million).
- Percentage of total operating revenue: 9%.
- 21 new company listings, 15 new ETFs, 2 ETNs, 253 warrants and structured products (2016: 18 listings; 2 ETFs; 1 ETN; 215 warrants and structured products). There were 32 delistings (2016: 25).
- 2 REITs, 2 SPACs and 2 fast-track listings (2016: 5 REITs, 1 SPAC and two fast-track listings).
- 8 new listings on AltX (2016: 7).
- 629 new bonds issued (2016: 858).
- The total nominal value of listed bonds was R2.9 trillion (2016: R2.7 trillion).

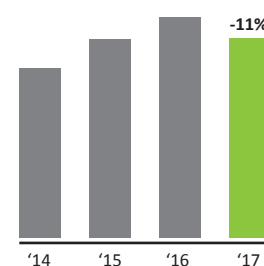
- The green bonds segment was launched with a successful issue for the city of Cape Town.
- The JSE Listings Requirements for listed project bonds were developed and are expected to be finalised during the first quarter of 2018.

2018 strategic focus

- Continue to identify domestic, inward, and fast-track listings, across the Main Board and AltX.
- Launch listed project bonds.
- Finalise the professional debt market segment.
- Continue to identify capital market solutions for funding gaps, such as capital market solutions for SOEs, for corporates and for BEE exits.

Secondary Market

Equity Market



How money is made

- Based on the value of each transaction leg (with a 0.0053% value-based charge and a maximum fee per transaction of R355 in 2017). The Equity Market enhancement (EME) functionality incurs a 0.0053% value-based charge with no cap.
- Rental is charged for racks in the colocation facility.

2017 in review

- Revenue declined by 11% to R507 million (2016: R569 million*).
- Percentage of total revenue (excluding Strate ad valorem fees): 25%.

- The index hit record levels and we saw a new record trading day on the futures closeout (FCO) in December.
- Billable value traded decreased by 4%.
- The number of transactions year on year declined by 5% to 68 million (2016: 71 million).
- Colocation activity contributed 31% of overall value traded, with 24 racks sold (2016: 22).
- Reviewed enhanced trade functionality and reported orders to make functionality more accessible and suitable.
- MiFID II remains a high priority for both local and foreign participants. (See details on page 35.)

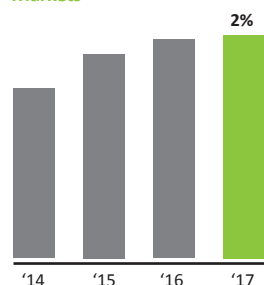


2018 strategic focus

- Pricing model change to a tiered billing model and the introduction of specialised pricing for the complex order suite.
- Focus on new and improved functionality, such as enabling iceberg orders, introducing indications of interest and looking at alternative one/random auctions.

Bonds and Financial Derivatives Markets

Bonds and Financial Derivatives Markets



How money is made

- Revenue is generated by the use of a range of fee models based either on the contracts traded, the market value of transactions or the value of the applicable index.

- In order to promote on-screen trading, the fee associated with on-screen trading is normally lower than that for reported trades.

2017 in review

- Total divisional revenue increased by 2% to R281 million (2016: R275 million).
- Percentage of total revenue (excluding Strate ad valorem fees): 13%.

Equity Derivatives Market

- Equity derivatives revenue declined by 4% to R170 million (2016: R177 million).
- Value traded declined to R6.2 trillion (2016: R6.9 trillion), an 11% decrease.
- The number of contracts traded was down by 27% to 312 million (2016: 427 million).
- The Equity Derivatives Market is fast approaching the implementation of ITaC, which is due in the first half of 2018.

Currency Derivatives Market

- Currency derivatives revenue rose by 28% to R48 million (2016: R38 million).
- The number of contracts traded increased by 45% year-on-year to 68.4 million (2016: 48.3 million).
- Open interest as at 31 December 2017 also increased by 183% to 6.59 million contracts (2016: 2.33 million contracts).
- The JSE celebrated the 10th anniversary of the launch of the Currency Derivatives Market in June 2017.
- The Currency Derivatives Market is fast approaching the implementation of ITaC, which is due in the first half of 2018.

Bond and Interest Rate Market

- Interest Rate Market revenue rose by 5% to R63 million (2016: R60 million).
- Bond Market volumes were flat at a nominal value of R28 trillion (2016: R27 trillion).

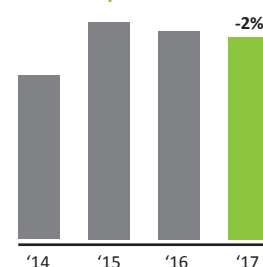
- The number of interest rate derivatives contracts traded rose by 30% to 12.3 million (2016: 9.4 million).
- Open interest in the Interest Rate Derivatives Market as at 31 December 2017 rose by 33% to 1 119 484 contracts from 838 985 contracts in 2016.
- The DIS project implementation for the settlement of bonds went live in October 2017.

2018 strategic focus

- ITaC: Equity and currency derivatives trading platforms are on track to go live in the first half of 2018.
- The ETP for government bonds is on track to go live in the first half of 2018.
- The JSE is reviewing its billing model for the Currency Market.
- Refinancing renewable energy is being explored.
- New products: Infrastructure products, standard monthly expiries, shorter-dated products, hedging in low-conviction environments.

Commodity Derivatives Market

Commodity Derivatives Market



How money is made

- A fee per contract traded, based on the underlying instrument, generates revenue.
- A fee per ton of grain physically delivered also contributes to revenue.

2017 business review

- Revenue decreased by 2% to R68 million (2016: R70 million).
- Percentage of total revenue (excluding Strate ad valorem fees): 3%.
- The first quarter of the year saw one of the tightest stock levels on record in the country. Constant stock inspections and monitoring at storage facilities ensured there were no incidents.
- Silo certificates went fully electronic in May 2017. The transition was very successful, with no incidents reported.
- The Mexican white maize contract, a lamb carcass contract and a wool futures contract were launched.

2018 strategic focus

- Delivering the Zambian USD-denominated contracts for maize, wheat and soybeans.
- Launching the deliverable diesel contract in the second half of 2018.

POST-TRADE SERVICES

Division responsibilities

Post-Trade Services (PTS) is responsible for the risk management, clearing and settlement assurance of the markets operated by the JSE. The JSE acts as the settlement authority for the South African Exchange-Traded Equities Market and as the clearing house for the Exchange-Traded Derivatives Market (via the central counterparty (CCP), JSE Clear).

PTS is responsible for managing key risks – particularly counterparty credit risk, credit contingent market risk and liquidity risk. It does so through a comprehensive risk management framework, and by providing accurate measurement, control, and appropriate protection from all identifiable risks arising in the markets cleared.

PTS is also responsible for the management of the Broker Deal Accounting (BDA) back-office services for the Equities Market. BDA provides the JSE with world-class

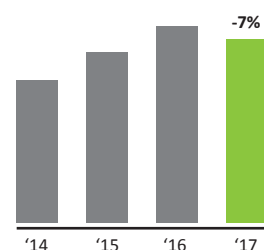
surveillance capabilities, allowing the JSE to see certain transactions to client level in real time. Equity members are mandated to use the system, which keeps the securities records and books of individual broking firms and of their clients. The system also enables the Exchange to provide settlement assurance for central order book equity transactions.

How money is made

- Risk management revenue reflects only the value-based Equity Market clearing and settlement fees, which were set at a 0.0036% value based charge, with a maximum fee per transaction leg of R154, for 2017.
- Although the division risk manages the clearing of derivative transactions, the JSE does not bill separately for this service. Derivative transactions are billed using a per contract fee, which is accounted for in the Capital Markets division.
- Revenues for back-office services are somewhat linked to the number of equity transactions that take place on the Cash Equity Market. BDA fees are mostly charged on a per BDA transaction basis, with connectivity, subscription and dissemination fees being charged differently. The JSE reduced BDA fees by 7.8% in January 2017.

Equity Clearing and Settlement

Equity Clearing and Settlement

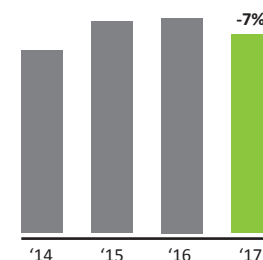


2017 business review

- Revenue decreased by 7% to R384 million (2016: R413 million).
 - Reflects only Equity Market clearing fees.
 - Follows Equity Market value traded.
- Percentage of total revenue (excluding Strate ad valorem fees): 18%.

Back-Office Services (BDA)

Back-Office Services (BDA)



2017 business review

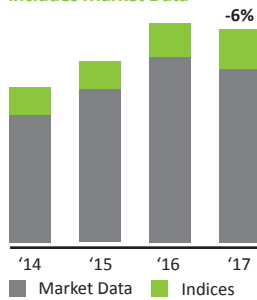
- Revenue down by 7% to R293 million (2016: R316 million).
- Percentage of total revenue (excluding Strate ad valorem fees): 14%.

2018 strategic focus

- ITaC: New clearing functionality for equity and currency derivatives.
- Enhanced operational resilience and business continuity planning.
- Maintain BDA for 2018
- Design of equity central counterparty (CCP) model.
- Design of JSE Clear independent clearing house.
- Securities collateral for derivatives markets.

INFORMATION SERVICES

Includes Market Data



Division responsibilities

The JSE formed the Information Services (IS) division in 2016. It provides market data, reference data, corporate actions, client data, indices, valuations, business intelligence, the London point of presence (PoP) and statistics. IS is responsible for the promotion, licensing and sale of all JSE information products and services across all JSE markets, weighted towards the Equity Market.

How money is made

- Revenue is generated by selling data products across all of the JSE's markets and licensing the distribution and use of these data products. Licensing fees include end user terminal fees, non-display use fees and fees for passively tracking products on indices.

2017 business review

- Revenue declined by 6% to R272 million (2016: R288 million*).
- Percentage of total revenue (excluding Strate ad valorem fees): 13%.
- 27 new clients have signed up for Market Data products (11 local and 16 international).
- Growth in assets under management increased by 18% to R604 billion (2016: R513 billion).

* Adjusted as colocation moved to Capital Markets

- The number of passive tracking products linked to JSE indices increased by 15 in 2017.
- Indices:
 - Announced the extension of the long-standing JSE partnership with FTSE Russell to include fixed-income indices.
 - Launch: The FTSE/JSE Capped Indi Index, FTSE/JSE all share factor indices, FTSE/JSE Property Index FTSE/JSE Tradable Property Index and the FTSE/JSE SA REIT Index.
 - Applied incremental improvements to index methodology and service delivery.
- Valuations:
 - Improved the valuations methodology for liquid index futures and options in the equity derivatives market and standard futures in the commodities market.
 - Announced pricing for equity derivatives and currency derivatives market data, which will be effective from 1 April 2018.
 - Commenced implementation of an enhanced international access point service, which will offer a wide spread of JSE data internationally.

2018 strategic focus

- Continue to diversify across client segments, data products and services, geographically and across all markets.
- Focus on transitioning the existing JSE fixed income index series to FTSE Russell.
- Implementation of the new real-time market data and new non-live market data records.
- Implementation of a cloud-based data-on-demand service.

Looking ahead – a strategy for 2022

The changing environment and operating context have prompted the JSE to develop the next phase of its strategy, looking beyond 2017 to 2022.

The 2022 strategy will focus on realising our vision, **which is to be the best global platform in emerging markets.**

The key elements underpinning the 2022 strategy are as follows:

PERFORMANCE MEASUREMENT AREAS

Financial performance

Operate, to global standards, South Africa's most trusted, stable, robust and competitive market infrastructure



Put our clients at the centre of what we do



Strategy and new business

Invest in and retain world-class talent



Technology delivery

Lead by example on the national agenda

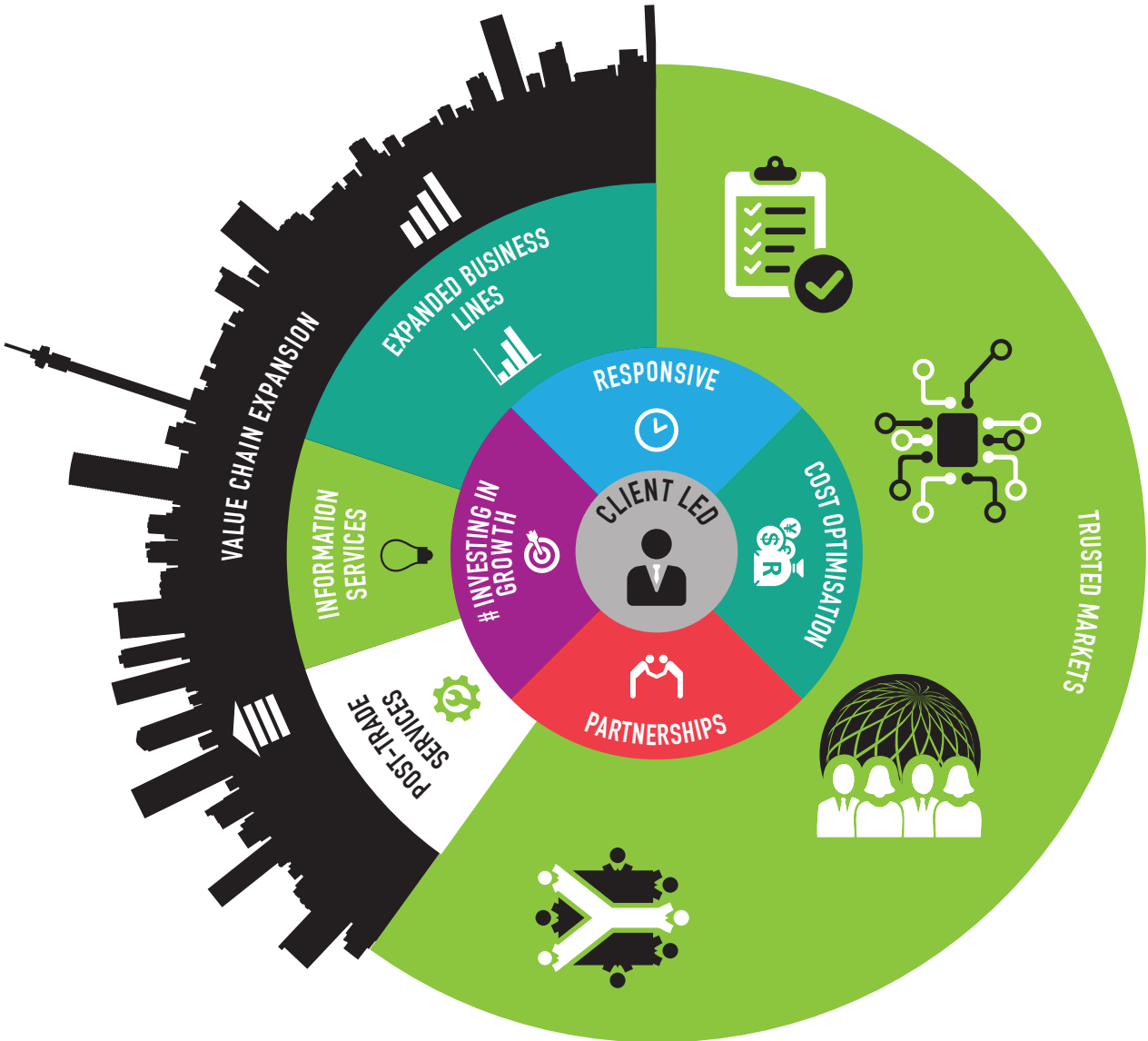


Stakeholder focus

Grow sustainably across the value chain



We will operate in a client-led way and will continue to be responsive, to optimise costs, to work through partnerships and to ensure that we invest to grow our business.



OUR VISION

To be the best
global platform
in emerging markets

The JSE's transformation journey

COMMITMENT STATEMENT BY JSE LEADERSHIP



The Board believes that this mindset will ensure that the JSE's transformation efforts are focused on areas that will broaden the talent pool; develop people; improve stakeholder relationships, enterprise and supplier development; and support procurement initiatives.

TRANSFORMATION STRATEGY



OUTCOMES

2016

- Measured under Financial Sector Code (FSC)
- Target: Level 2
- Achieved performance: Level 2

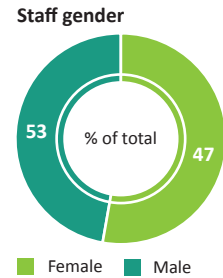
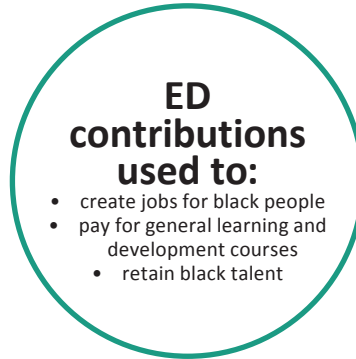
The detailed scorecard as verified under the FSC

2017

- Measured under Revised Financial Sector Code (RFSC)
- Target: Level 4

TRANSFORMATION HIGHLIGHTS FOR 2017

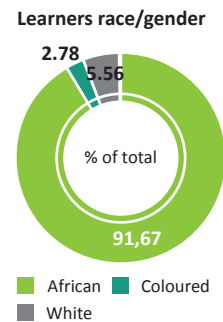
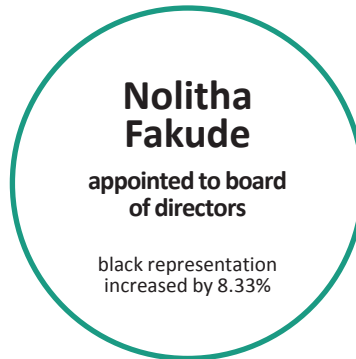
ENTERPRISE DEVELOPMENT



ADDITIONAL CONSUMER EDUCATION



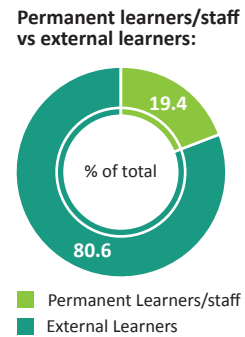
MANAGEMENT AND CONTROL



SKILLS DEVELOPMENT



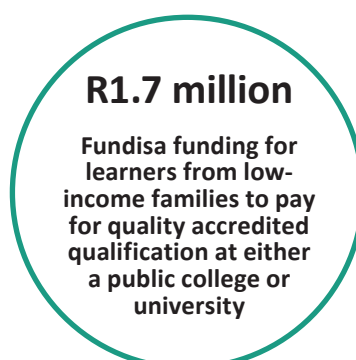
SUPPLIER DEVELOPMENT



LEARNERSHIPS



FUNDISA



MEASURING VALUE

CFO's review



It was a tough trading year for our key markets, with a late uptick in the fourth quarter. This, together with a significant price reduction impact, meant we ended the year with operating income down by 5% to R2.2 billion (2016: R2.3 billion).

INTRODUCTION

In this tough environment, we took proactive steps to sustainably reduce our cost base, which was down by 1% to R1.40 billion (2016: R1.41 billion).

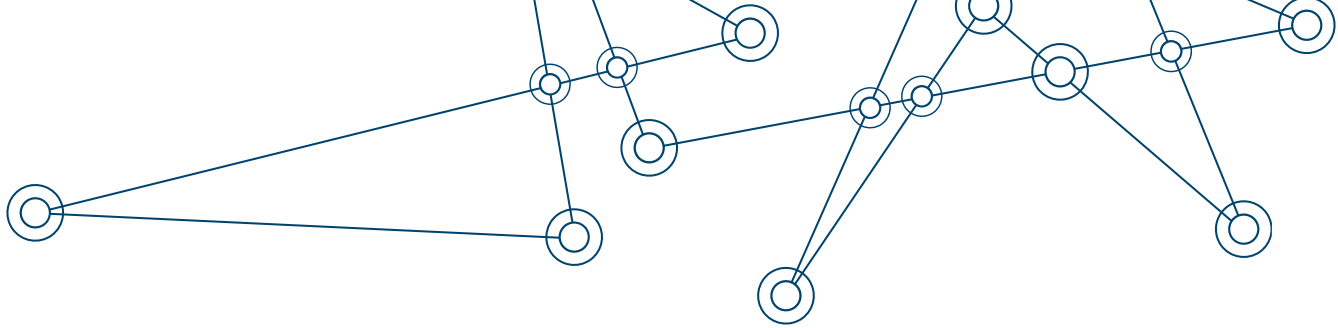
As a result, we reported Group earnings at R836 million (2016: R920 million), reflecting a decline limited to only 9%. Group earnings before interest and tax (EBIT) decreased by 9% to R884 million (2016: R975 million). Earnings per share (EPS) and headline earnings per share (HEPS) were 977.4 cents (down 9%) and 996.6 cents (down 6%) respectively.

OPERATING REVENUE

Reporting on certain revenue elements in the business may be found in *Operational performance*, on pages 36 to 39.

The following contributions to operating revenue are worth noting:

- The Primary Market recorded a 10% increase in revenue to R181 million (2016: R164 million) as a result of increased additional capital raising activity. There were 21 new listings (2016: 18), up 17%, despite the uncertainty emanating from the macroeconomic and political environment.
- Equity Market billable value traded declined by 4% and there was a dilution in the effective price. This contributed to a 12% decrease in cash equities trading revenue to R507 million (2016: R569 million). The Equity Market experienced a structural upward shift in 2015, growing by 27% in billable value traded. This trajectory continued in 2016, with a further 18% in growth. This strong base effect, together with relatively muted global and local volatility for much of 2017, created a contraction in value traded up until the third quarter. There was a strong comeback in the fourth quarter. Value traded surged 22% in that period, limiting the annual decline to 4%. The fourth-quarter uptick in market activity was largely



driven by political and corporate events. The uptick in option delta (OD) activity and larger trades resulted in a dilution of the effective rate for trading revenue to 0.36bps (2016: 0.39bps).

- Colocation revenue remained flat in 2017. Colocation rack fees were reduced by 56%. We ended 2017 with 24 racks sold (2016: 22).
- BDA revenue decreased by 7% to R293 million (2016: R316 million) owing to a decreased number of transactions (declined by 5%) and a further fee reduction of 8%. This fee reduction resulted in a R14 million saving for clients (2016: R56 million).
- Equity Derivatives Market value traded declined by 11%, resulting in a 4% decrease in revenue to R170 million (2016: R177 million). This was largely owing to muted trading activity as a result of low global market volatility. Record high index levels offset the negative growth impact.
- Currency Derivatives Market revenue increased by 28% to R48 million (2016: R38 million) owing to the increase in the number of contracts traded (up 45%). The Currency Derivatives Market benefited from currency fluctuations of 14%, which occurred throughout the year. Contracts grew owing to SA rand strength following a combination of recent political developments, improved emerging market sentiment and US dollar weakness. The growth in contracts traded was offset by activity triggering lower pricing on the tiered billing model.
- Interest Rate Market revenue increased by 5% to R63 million (2016: R60 million), with flat growth in bond nominal value traded and a three-year compound annual growth rate (CAGR) of 13%. Additionally contracts traded in the Interest Rate Derivative Market increased by 30%.
- Interest Rate Derivative Market revenue increased by 44% to R6 million

(2016: R4 million). The number of contracts traded grew by 30% owing to continued demand for these products. This is in line with the growth trajectory of previous years.

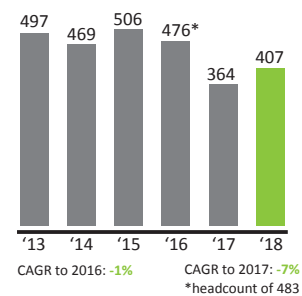
- Commodity Derivatives Market revenue declined by 2% to R68 million (2016: R70 million) owing to a 12% drop in commodity derivatives contracts. An easing of drought conditions reduced volatility in the market. The decrease in contracts traded was partially offset by annual price increases.
- Clearing and Settlement revenue declined by 7% to R384 million (2016: R413 million) following a decrease in equity billable value traded. This decrease is in line with factors influencing the Equity Market, where billable value traded was down by 4% and the effective rate decreased from 0.27bps to 0.25bps.
- Information Services revenue, which includes Market Data, decreased by 6% to R272 million (2016: R288 million), largely owing to the impact of forex losses. The weaker US dollar had a negative impact on dollar-billed Market Data and indices revenue. New business was generated, but this was hampered by client consolidation, reduced demand and cancellations owing to cost pressure on clients. Indices revenue increased owing to the new products that were launched in 2016.
- Other income increased by 13% to R52 million (R46 million). Forex movements were limited by lower exposure to US dollar-denominated assets.

OPERATING EXPENDITURE

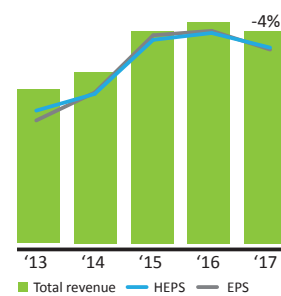
The Group's total operating expenses decreased by 1% to R1.40 billion (2016: R1.41 billion) following the implementation of our cost reduction initiatives.

Personnel costs decreased by 3% to R549 million (2016: R565 million). This is made up as follows:

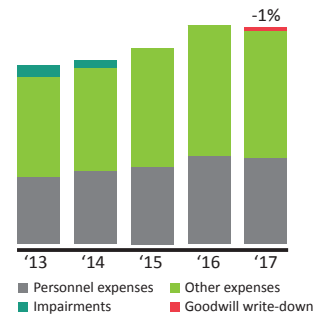
DECEMBER EXIT HEADCOUNT



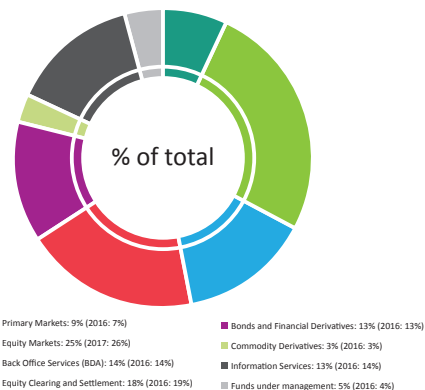
TOTAL REVENUE



EXPENSES



2017 REVENUE AS A % OF TOTAL



CFO's review (continued)

- Closing headcount decreased by 24% to 364 (2016: 476). The average headcount decreased by 10%. Gross remuneration per employee increased by 7%. This contributed -3 percentage points to a decline in costs;
- The discretionary bonus pool decreased by 33% to R60 million (2016: R88.9 million). This reflects the Group's financial and operational performance, and contributed -5 percentage points to a decline in costs; and
- One-off severance packages of R23 million and a further R4 million from the LTIS acceleration were incurred as a result of the retrenchment process. This contributed 5 percentage points to growth.

Technology costs decreased by 9% to R257 million (2016: R283 million). This is made up as follows:

- The most significant contributor was a R29 million decrease in contractor spend to R34 million (2016: R63 million);
- A R4 million positive forex impact from a stronger rand on foreign-denominated spend is included; and
- The remainder is owing to inflationary increases on fixed spend.

General expenses decreased by 1% to R457 million (2016: R463 million). This is made up as follows:

- Active cost management resulted in decreased discretionary spend;
- One-off costs were incurred for work done on IT cost optimisation (R14 million) and external reviews of the operational incidents in the second half (R11 million); and
- Transformation costs were higher than expected, at R14 million (2016: R6 million), following the recent implementation of the revised Financial Sector Charter (RFSC).

Depreciation increased by 10% to R109 million (2016: R99 million), largely owing to the annualised impact of projects implemented (T+3 phase 3, ITaC project 1a) and hardware refreshes, which were offset by fully depreciated assets.

There was a write-down of R25 million in goodwill associated with the Nautilus business which, while profitable, is not growing at a rate commensurate to the goodwill previously assessed.

ROBUST BALANCE SHEET

We generated R977 million (2016: R976 million) in cash from operating activities to end the reporting period at R2.4 billion (2016: R2 billion) in cash.

We invested R187 million (2016: R205 million) in capex to enable us to deliver more reliable systems.

The Board believes that the JSE is appropriately capitalised, given the nature of the risks we face.

A loan subordination agreement was approved by the Board between JSE Limited and Nautilus MAP Operations (Proprietary) Limited in respect of the intercompany loan amounting to R23 million as at 31 December 2017.

DIVIDEND

The Board has decided to declare an ordinary dividend for the year ended December 2017 at 605 cents per ordinary share (2016: 560 cents). We distribute surplus cash after accounting for our capital and investment requirements and aim for growth in the nominal value of the ordinary dividend over time.

OUTLOOK FOR 2018

Our strategic priorities (detailed on pages 40 to 41) will continue to drive performance and shape our future while our balance sheet remains strong, enabling efficient capital allocation to our businesses and to activities that create long-term value for our shareholders. Our financial performance and our 2018 targets are listed in the detail relating to our key performance indicators (KPIs), which appear on pages 29 to 31 of this report. These KPI targets are based on our outlook.

During 2018, the finance team will focus on implementing further automation efforts to increase efficiencies and bank the committed cost reductions. We are focusing on the removal of key man dependencies.

Currently, economic challenges remain a risk for 2018 (as described in *Reflections from our Chairman* (on pages 6 to 9) and *Material matters* (on pages 16 to 17)).

The JSE is a largely fixed-cost business. Therefore we will maintain our focus on costs, while making the necessary capital investments in areas that will enhance the Group's sustainability and diversify revenue.

Our revenues are variable and largely driven by activity on the various markets that we operate. For this reason, we make no projections regarding the Group's financial performance in 2018.

APPRECIATION

I thank my colleagues on the Board and the executive team for their wise counsel and excellent leadership during this challenging year. We changed external auditors in 2017 in line with our audit rotation policy. The exercise was robust and thorough and the outcome of the audit report was unqualified with no material issues. I appreciate the dedication and hard work of the finance team during this time. Finally, I thank you, our shareholders, for your interest and your investment in our Group.



Aarti Takoordeen
Chief Financial Officer

REWARDING VALUE CREATION


REMUNERATION OUTCOMES

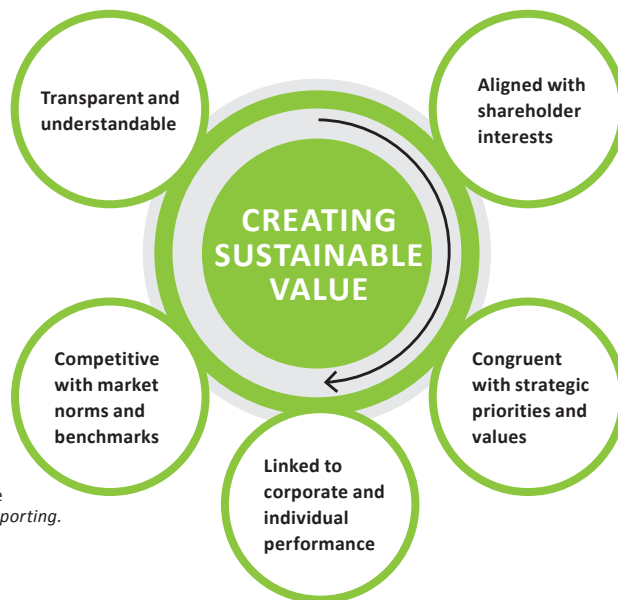
Remuneration philosophy

To promote fair, responsible and transparent remuneration


Our remuneration philosophy aims to promote a culture that supports innovation, enterprise and the execution of Company strategy and that aligns the interests of staff with attaining profitable (and sustainable) long-term growth for the benefit of all stakeholders. Inherent in this philosophy is the linkage between pay and short and long-term performance (both at an individual and at a corporate level).

This remuneration philosophy is expressed through a comprehensive remuneration policy, supported by specific remuneration practices.

 Further information on our remuneration philosophy and policy can be found in our online Remuneration report available at http://www.jsereporting.co.za/ar2017/download_pdf/remuneration-report-2017.pdf.



Remuneration policy

 In accordance with the recommended practices set out in King IV, the JSE's organisation-wide remuneration policy is made available for public access and is set out in full in our online Remuneration Report available at http://www.jsereporting.co.za/ar2017/download_pdf/remuneration-report-2017.pdf.

The organisation-wide remuneration policy should be read in the context of the integrated annual report as a whole, for stakeholders to fully understand how the policy gives effect to the JSE's overall business strategy.

Board responsibility

At the JSE the overall responsibility for the governance of remuneration rests with the Board of Directors:

- Sets the overarching remuneration philosophy for the organisation
- Approves the remuneration policy
- Annually submits the remuneration policy to a non-binding advisory vote by shareholders

Group Human Resources Committee (GHRC) responsibilities

Assists the Board in discharging its responsibility for remuneration matters.

Mandate: to ensure that remuneration policy and practices, and the implementation of those, directly support the achievement of the Company's strategy and business goals, to the ultimate benefit of shareholders and the wider universe of stakeholders.

Guided by: the statutory provisions of the Companies Act, King IV and various guidelines on compensation matters issued by leading governance and other agencies as the G20 and the Financial Stability Board.

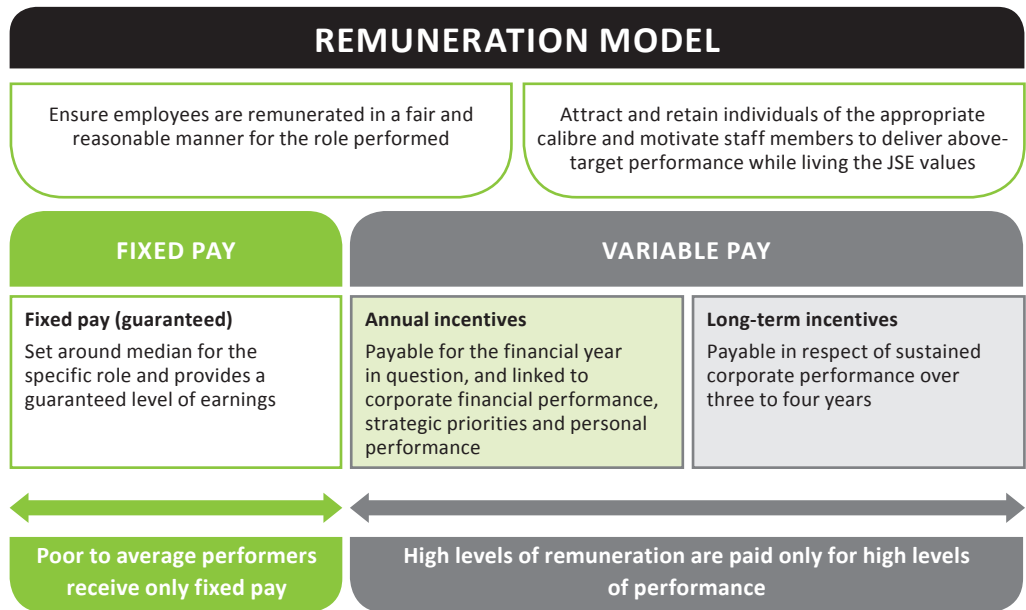
Tone To ensure that the JSE consistently, throughout the organisation, adheres to a remuneration philosophy based on enduring principles of fairness, transparency, competitiveness and reward for performance actually delivered

Policy To determine remuneration policies and practices that are fit-for-purpose for our business and its specific challenges, and which mitigate pay extremes from inappropriate bonus and share plans

Judgement To exercise discretion in such a way that the best interests of stakeholders are served and the appropriate calibre of management and staff are attracted, motivated and retained, rather than simply applying formulaic prescriptions

Oversight To discharge all statutory obligations with regard to remuneration matters, social and ethics issues, and transformation

Details of each element of the JSE pay model (remuneration mix) are summarised in the diagram below:



Human capital for sustained success

As a knowledge-centric business, the JSE relies heavily on its human capital for sustained success

Staff complement of 364 people (2016: 476*).

Personnel costs decreased by 3% to R549 million (2016: R565 million). This is made up as follows:

- Actual headcount decreased by 24% to 364 (2016: 476). The average headcount decreased by 10%. Gross remuneration per employee increased by 7%. This contributed -3 percentage points to growth;
- The discretionary bonus pool decreased by 33% to R60 million (2016: R88.9 million). This reflects the Group's financial and operational performance, and contributed -5 percentage points to growth; and
- One-off severance packages of R23 million and a further R4 million from the LTIS acceleration were incurred as a result of the retrenchment process. This contributed 5 percentage points to growth.

* 483 disclosed in 2016 included seven learners.

PROTECTING VALUE CREATION

COMMITMENT TO GOVERNANCE

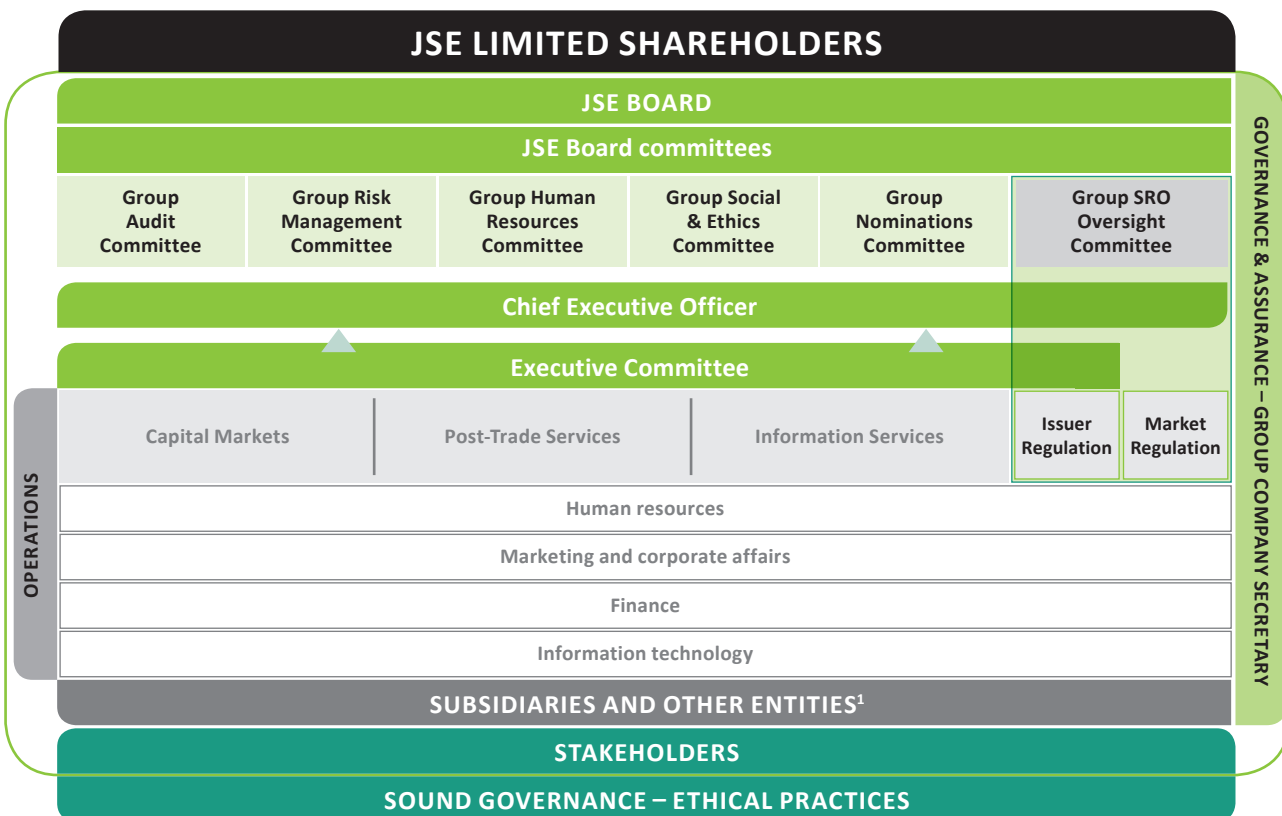
The JSE Board regards corporate governance as fundamentally important to the achievement of the JSE’s mission, its financial and non-financial objectives, the fulfilment of its corporate responsibilities, meeting stakeholder expectations and sustainable value creation.

As the highest governing authority of the Group, the Board is ultimately responsible for the Company’s adherence to sound corporate governance standards, transparency and the highest standards of ethics. The Board’s charter directs its conduct, performance and responsibilities. The Board further ensures that clear strategic direction and appropriate management structures are in place to ensure the long-term sustainability of the business.

The Board is confident that it discharged its fiduciary duties, acting in good faith, with due diligence and care, and in the best interests of the JSE and all its stakeholders during the year under review.

The Board is committed to applying the core governance principles set out in the King IV Code™ on Corporate Governance. These principles of accountability, integrity, fairness and transparency, are embedded in the Board’s charter, and reflect in all of the JSE’s business dealings with its stakeholders.

The JSE recognises its accountability to all its stakeholders and is committed to high standards of integrity and fair dealing in the conduct of its business. The Company continuously promotes responsible business and good governance through its Listings Requirements, market regulation, the FTSE/JSE Responsible Investment Index Series and support for a variety of good governance initiatives in South Africa and beyond.



¹ Refer to legal Group structure at http://www.jsereporting.co.za/ar2017/download_pdf/legal-group-structure-2017.pdf

BOARD OF DIRECTORS

The Board of directors is responsible for the future sustainability of the Company and enhancing long-term value creation for stakeholders.

The Board members and the composition of the Board standing committees are as follows:

Independent non-executive directors	Non-executive director	Executive directors
N Nyembezi (Chairman) AD Botha (Lead independent director) VN Fakude Dr M Jordaan Dr SP Kana Dr M Matooane AM Mazwai NP Mnxasana NG Payne	DM Lawrence	NF Newton-King (CEO) A Takoordeen (CFO)

Group Audit Committee	Group Risk Management Committee ¹	Group Human Resources Committee
NG Payne (Chairman) AD Botha Dr SP Kana NP Mnxasana	Dr MA Matooane (Chairman) Dr M Jordaan Dr SP Kana DM Lawrence AM Mazwai NG Payne NF Newton-King	AD Botha (Chairman) VN Fakude DM Lawrence AM Mazwai NP Mnxasana N Nyembezi
Meetings: 3 Independence of committee: 100%	Meetings: 3 Independence of committee: 71%	Meetings: 3 Independence of committee: 83%
Group Nominations Committee	Group SRO Oversight Committee	Group Social & Ethics Committee
N Nyembezi (Chairman) AD Botha (Lead independent director) DM Lawrence	AM Mazwai (Chairman) Dr SP Kana NP Mnxasana NG Payne	Dr SP Kana (Chairman) VN Fakude DM Lawrence Dr MA Matooane
Meetings: 3 Independence of committee: 67%	Meetings: 2 Independence of committee: 100%	Meetings: 2 Independence of committee: 75%

¹ The JSE's formal induction for new non-executive directors requires attendance at Group Risk Management Committee meetings for the first year. VN Fakude has therefore joined this committee as an invitee for 2017/2018.

BOARD RENEWAL

Succession, skills and diversity

In order to function effectively, remain relevant and maintain continuity, the Board has arrangements in place for the periodic, staggered rotation of the non-executive directors so as to introduce over time directors with new skills, insights and perspectives as well as to ensure appropriate diversity of gender and race on the Board, while retaining valuable knowledge, skills and experience.

As per Principle 7 of the King IV Code, the JSE Board comprises a balance of knowledge, skills, experience, diversity and independence.

The Board embraces diversity – in the composition of the Board, the executive team, and throughout the Company – as a cornerstone of a progressive organisation and as a moral and strategic business imperative. The Group Nominations Committee is guided by these policy imperatives when preparing recommendations for new appointees to the Board. This approach also extends to the search process and the specific talent pools and networks that are utilised to identify candidates from diverse backgrounds.

The Board has maintained a 50/50 gender representation since 2014 and comprises 12 members, six of whom (50%) are female, including the chairman of the Board, the chairman of the Group Risk Management Committee, the CEO and the CFO. The current programme of work underway by the Group Nominations Committee to identify new candidates for appointment to the Board explicitly takes into account the need to address parity in the gender balance of the Board.

The Board understands that the need to further broaden diversity is a fundamental element in the succession process. Currently seven members of the Board (58%) are African, Coloured and Indian.

Further appointments that address both these requirements are expected to be made during the course of 2018, to ensure the orderly succession of directors.

Board tenure

In terms of article 12.6.1 of the JSE's memorandum of incorporation, at least one-third of all directors (including executive directors) is required to retire by rotation each year. Retiring directors, if eligible, may be re-elected by shareholders.

In line with good governance practices, the Board has adopted a formal policy on non-executive director tenure, which policy was effective from 1 January 2017. This tenure policy provides, *inter alia*, that:

- non-executive directors of the Company who have served for nine consecutive years shall thereafter stand for annual re-election by shareholders at each subsequent AGM; and
- non-executive directors of the Company shall serve for no more than 12 consecutive years unless, in the opinion of the Board, exceptional circumstances exist for motivating an extended term in office beyond 12 years.

As the JSE operates in a specialised niche within the financial services sector, the policy aims to balance the need to retain knowledge, skills and experience on the Board over an appropriate timeframe, while adhering to the recommendations of the King Code on Corporate Governance regarding independence and diversity.

Board changes

- Mr AD Botha (Lead independent director) and Mr AM Mazwai will be stepping down after 12 years service on the Board.
- As at the date of the 2018 AGM Mr NG Payne will have served for 12 years. The Board is recommending the re-election of Mr NG Payne at the next AGM, by way of a separate resolution, for a further one-year term. Mr Payne is eligible for such re-election in terms of the Company's MOI.
- Ms VN Fakude, who was appointed by the Board in November 2017 and who is standing for election in accordance with article 12.3.4 of the MOI, will be elected for the first time. Ms Fakude will assume the chairmanship of the Group Human Resources Committee from May 2018. She also serves on the Group Social & Ethics Committee.

Evaluation of Board effectiveness

As required in the King IV Code (Principle 9) the Board undertakes an annual effectiveness review of its performance as a Board and of the various Board Committees. This assessment is performed by an independent service provider who assists the Chairman and Group Company Secretary. The Board is satisfied that it is functioning well to meet its obligations and make a meaningful contribution to sustainable value creation in the Company.

In overall terms, the feedback is very positive with respect to the work of the Board, especially in the following areas:

- Professional and positive
 - In general the work and the dynamics of the Board are at a high level with an ongoing upward trend in effectiveness and professionalism. The work at the Board is relevant, focused and professional.
 - Good atmosphere and positive chemistry during Board meetings and members show good respect for each other and the work of the Board.
 - Board meetings are considered to be efficiently managed and time is spent adequately addressing the critical issues.
 - The Board is satisfied that management provides clear and unvarnished information and the information flow in general is very positive.
- Board leadership well regarded
- Cooperation with management is excellent

PROFILE OF BOARD COMMITTEES

The Board has established a number of standing committees to facilitate efficient decision-making and to assist it in the execution of its duties, powers and authority. The Board may establish, and delegate authority to, committees and may delegate authority to one or more designated members of the committees.

The chairman and members of each standing committee are nominated by the Board with each committee comprising of at least three non-executive directors. Each committee of the Board acts in terms of its mandate and has access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities. For the year under review, each committee has confirmed that it has executed its responsibilities in accordance with its terms of reference.

Six standing committees, established by the Board, provide assistance and expert insight to the Board as a whole on key areas of the Company's business, and serve to strengthen the governance and oversight of key functions within the Company.

Board Committee	Independence %	Chairman	Members	Classification of members	Number of meetings held in 2017
Group Audit Committee	100%	NG Payne	AD Botha (Lead independent director) Dr SP Kana NP Mnexasana	4 INEDs	3
Mandate	<ul style="list-style-type: none"> Constituted as a statutory committee of the Company under section 94(7) of the Companies Act with responsibility for the duties set out in the Act. Key responsibilities include: <ul style="list-style-type: none"> oversight and assessment of the Company's finance function; nomination of the independent auditor of the Company, and evaluating the independence, effectiveness and performance of the independent auditor, the fees to be paid and the allowable non-audit services; reviewing the accounting policies, procedures and financial reports of the Company; and reviewing, evaluating and reporting on the effectiveness of the Company's system of internal controls and the combined assurance model and overseeing the Company's internal audit function. 				

Board Committee	Independence %	Chairman	Members	Classification of members	Number of meetings held in 2017
Group Risk Management Committee	71%	Dr MA Matooane	Dr M Jordaan Dr SP Kana DM Lawrence (NED) AM Mazwai NG Payne NF Newton-King (ED)	5 INEDs 1 NED 1 ED	3
Mandate	<ul style="list-style-type: none"> Provides independent oversight of all enterprise-wide risk management policies, procedures and activities of the JSE Group. Specifically ensures that the Company has implemented an effective policy and plan for risk management that will enhance the JSE's ability to achieve its strategic objectives; and that disclosure of all enterprise and business risks is comprehensive, timely and relevant. 				

Board Committee	Independence %	Chairman	Members	Classification of members	Number of meetings held in 2017
Group Human Resources Committee	83%	AD Botha (Lead independent director)	VN Fakude DM Lawrence (NED) AM Mazwai NP Mnxasana N Nyembezi	5 INEDs 1 NED	3
Mandate	<ul style="list-style-type: none"> Provides an independent oversight role with responsibility for all strategic human resource issues facing the JSE, and in particular, the governance of remuneration for directors, executives and staff, and for ensuring accurate, complete and transparent disclosure of remuneration paid by the JSE. 				

Board Committee	Independence %	Chairman	Members	Classification of members	Number of meetings held in 2017
Group Nominations Committee	67%	N Nyembezi	AD Botha (Lead independent director) DM Lawrence (NED)	2 INEDs 1 NED	3
Mandate	<ul style="list-style-type: none"> Provides expert input to and oversight of Board governance policies, and specifically the process for ensuring the appropriate composition of the Board and Board committees, including succession planning for the Board. Undertakes the annual review of the effectiveness of the Board. 				

Board Committee	Independence %	Chairman	Members	Classification of members	Number of meetings held in 2017
Group SRO Oversight Committee	100%	AM Mazwai	Dr SP Kana NP Mnxasana NG Payne	4 INEDs	2
Mandate	<ul style="list-style-type: none"> Provides independent oversight of all regulatory matters, policies and related activities of the JSE Group. 				

Board Committee	Independence %	Chairman	Members	Classification of members	Number of meetings held in 2017
Group Social & Ethics Committee	75%	Dr SP Kana	VN Fakude DM Lawrence (NED) Dr MA Matoane	3 INEDs 1 NED	2
Mandate	<ul style="list-style-type: none"> Provides independent oversight of all social, ethics and sustainability matters for the Group. 				

Shareholder information

SHAREHOLDER DIARY

Events or reports in relation to the 2018 financial year

Release of summarised annual financial statements with the declaration of a dividend	Wednesday, 21 February 2018
Annual results presentation	Tuesday, 22 February 2018
Record date to determine which shareholders are entitled to receive the AGM notice	Friday, 9 March 2018
Publication of 2017 integrated annual report	Friday, 16 March 2018
Record date for annual general meeting	Friday, 11 May 2018
Annual general meeting	Thursday, 17 May 2018
Release of summarised interim report for the six months ended 30 June 2018	Thursday, 2 August 2018

ORDINARY DIVIDEND



A gross dividend of 605 cents per share was declared and approved by the Board on 21 February 2018. Refer to the annual financial statements available online at http://www.jsereporting.co.za/ar2017/download_pdf/afs_2017.pdf.

SALIENT DATES FOR DIVIDEND

Dividend declaration date	Wednesday, 21 February 2018
Last day to trade JSE shares cum dividend	Monday, 19 March 2018
JSE share commence trading ex dividend	Tuesday, 20 March 2018
Record date to participate in the dividend	Friday, 23 March 2018
Payment date of dividend	Monday, 26 March 2018

SHARE INFORMATION

The JSE Limited has a primary listing on the Johannesburg Stock Exchange. There are no secondary listings.

Share code: JSE

ISIN: ZAE000079711

Sector: Financial Services

Subsector: Investment Services

	Shares in issue	Closing price (R)	Market capitalisation (R)
31 December 2016	86 877 600	164.27	R14.3 billion
30 June 2017	86 877 600	122.51	R10.6 billion
31 December 2017	86 877 600	153.84	R13.4 billion

CORPORATE INFORMATION AND DIRECTORATE

ADMINISTRATION

JSE Limited
(Incorporated in the Republic of South Africa)
Registration number: 2005/022939/06
Share code: JSE
ISIN: ZAE000079711

Registered office

One Exchange Square
2 Gwen Lane
Sandown, 2196

Transfer secretary

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

Postal address

Private Bag X991174 Sandton 2146

Contacts

Telephone: +27 (0) 11 520 7000
Web: www.jse.co.za
Investor relations: ir@jse.co.za

Auditors

EY South Africa

Sponsor

Rand Merchant Bank
1 Merchant Place
Corner Fredman and Rivonia Road
Sandton, 2196

Bankers

First National Bank of SA Limited
Corporate Account Services
4 First Place
Bank City
Simmonds Street
Johannesburg, 2001

Directors¹

N Nyembezi (Chairman)
AD Botha (lead independent director)
VN Fakude²
Dr M Jordaan
Dr SP Kana
DM Lawrence
Dr MA Matookane
AM Mazwai
NP Mnxasana
NG Payne
NF Newton-King (CEO)
A Takoordeen (CFO)

Alternate directors

LV Parsons³
JH Burke

Group Company Secretary

GA Brookes



¹ Refer to pages 10 to 11 for brief biographies of the directors.

² Appointed 15 November 2017

³ Resigned 31 December 2017

All investor queries directed to ir@jse.co.za will be attended to and, where applicable, redirected to the Chairman, the CEO or another mandated officer for an appropriate response.

ABOUT THIS REPORT

REFLECTIONS FROM
OUR CHAIRMAN

VALUE
CREATION

CREATING VALUE
THROUGH OUR STRATEGY

MEASURING
VALUE

REWARDING
VALUE CREATION

PROTECTING
VALUE CREATION



