





**JSE LIMITED**  
**REMUNERATION REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2017



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## NAVIGATION



References to online data [www.jse.co.za](http://www.jse.co.za)



Page referencing for additional reading in this report



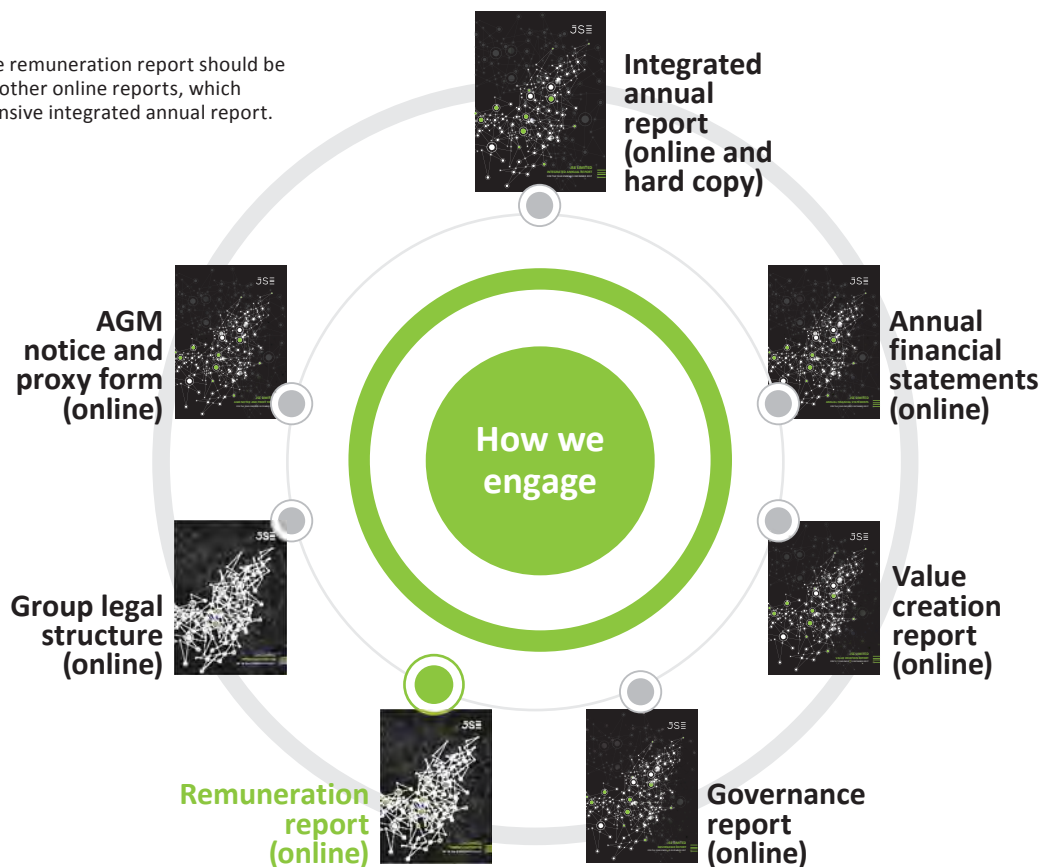
Material matters

We welcome feedback from stakeholders on this report and invite you to contact [IR@jse.co.za](mailto:IR@jse.co.za) should you have any questions.

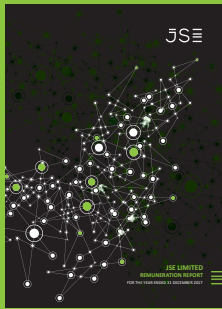
## ABOUT THIS REPORT

### Additional information for our stakeholders

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



# How to read this report



This remuneration report has been compiled in accordance with the principles and recommended practices on remuneration set out in the King Code of Corporate Governance for South Africa, 2016 (King IV).

This report aims to communicate the salient information needed to inform your view of the JSE's remuneration policy and how we implemented our remuneration policy and practices in 2017.

In addition to the information reflected in this report, various statutory disclosures, which are subject to independent audit, are contained in notes 20 and 25 of the JSE's audited consolidated annual financial statements for the year ended December 2017. For a complete view of JSE remuneration, shareholders are encouraged to reference these notes when reviewing this report.

 This remuneration report houses our full remuneration policy can be accessed and downloaded at [http://www.jsereporting.co.za/ar2016/download\\_pdf/remuneration-report-2017.pdf](http://www.jsereporting.co.za/ar2016/download_pdf/remuneration-report-2017.pdf).

## Scope and boundary

The information in this report covers the period from 1 January 2017 to 31 December 2017 and describes the Exchange, its five financial markets and the investor protection funds associated with its markets (JSE, the Exchange, the Group or the Company). Unless otherwise stated, qualitative and quantitative indicators are reported primarily for the Group as a whole.

Guided by the statutory provisions of the Companies Act of South Africa, 71 of 2008 (Companies Act), and King IV, this report serves as the report-back to shareholders at the annual general meeting (AGM), and the information in this report is subject to two non-binding advisory votes by shareholders at the AGM on 17 May 2018:

Advisory vote on remuneration policy	AGM ordinary resolution 7	See the Remuneration philosophy and policy section of this report
Advisory vote on implementation of remuneration policy	AGM ordinary resolution 8	See the Remuneration policy outcomes section of this report

## Guiding regulations and global initiatives

The following regulations and initiatives guide our approach to remuneration. These are referenced throughout the report where relevant.

- Companies Act
- JSE Limited Listings Requirements (Listings Requirements)
- International Integrated Reporting Council's Integrated Reporting Framework (IIRC <IR> Framework) remuneration reporting requirements
- King Code on Corporate Governance for South Africa, 2016 (King IV)
- Various guidelines on compensation matters issued by leading governance and other agencies as the G20 and the Financial Stability Board.

# LETTER TO SHAREHOLDERS



## Dear shareholder

The overall responsibility for the governance of remuneration at the JSE rests with the Board of Directors which sets the overarching remuneration philosophy for the organisation. This philosophy is intended to promote fair, responsible and transparent remuneration, and is expressed through a comprehensive remuneration policy, supported by specific remuneration practices.

The Board is assisted in discharging its responsibility for remuneration matters by a standing Board committee – the Group Human Resources Committee (GHRC).

The principal focus of the GHRC is to ensure that remuneration policy and practices support the achievement of the Company's strategic and business goals, to the ultimate benefit of shareholders and other stakeholders.

In discharging its mandate, the GHRC is guided by the statutory provisions of the Companies Act of South Africa, 71 of 2008, as amended (the Companies Act) the King Code on Corporate Governance for South Africa, 2016 (King IV) and various guidelines on compensation matters issued by leading governance and other

agencies such as the G20 and the Financial Stability Board. 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 this report.

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.

This remuneration report covers the period from 1 January 2017 to 31 December 2017 and sets out the JSE's remuneration policy, and how we implemented the policy and practices for the year. This report has been organised in three parts:

### **Remuneration philosophy and policy**

Presents the remuneration policy for executive management and employees.

### **Remuneration policy outcomes**

Shows the reward outcomes for executives and staff, as well as the fees paid to non-executive directors.

### **Committee administration and AGM resolutions**

Outlines the governance framework of the committee, and its role, responsibilities and composition.

This report can be accessed and downloaded at <http://www.jsereporting.co.za/ar2017/remuneration.asp>.

## Operating context

South Africa's low economic growth and heightened political risk were flagged by international rating agencies during the course of the year and were key drivers behind the sovereign credit downgrade. The political and national policy uncertainty and the widespread social discontent have played out against a backdrop of a stalling economy and increasing levels of unemployment, poverty and inequality.

Declining economic activity has translated into lower national tax revenues, and, combined with reported high levels of wasteful and fruitless expenditure by various government departments and agencies, has constrained the ability of government to address in any meaningful way the needed improvements in living standards for the unemployed.

The JSE continued to focus on its key strategic pillars during the year – enhanced stakeholder focus, a diversification of product offerings and regulatory readiness – and our performance is evidence that our strategic objectives are sound and drive the right behaviours to create sustainable value to benefit all stakeholders.

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.

## Remuneration philosophy

The JSE's remuneration philosophy is founded on enduring principles, which are applied consistently each year. Our remuneration philosophy applies across the organisation and informs all our remuneration policies.

This philosophy seeks to engender a culture of enterprise, diligence and delivery throughout the organisation, with an explicit linkage between pay and performance, in order to align the interests of staff with those of stakeholders.

The GHRC is satisfied that the JSE's remuneration policies are aligned with the overall remuneration philosophy, and that the policies have achieved their stated objectives for the year under review. There has been no change to our core philosophy during 2017.

## Remuneration responsibilities discharged in 2017

During the course of the year the GHRC has:

- reviewed and approved the proposed corporate and CEO scorecards for 2017;
- assessed corporate and CEO performance for 2017 against the approved corporate and CEO scorecards and determined the overall quantum of the discretionary reward pool;
- approved the individual remuneration for JSE executive directors and members of executive management, based on input from the JSE's independent remuneration advisors, PwC;
- approved the aggregate annual salary increases for staff;
- assessed corporate performance against LTIS 2010 vesting targets and determined the percentage of corporate performance shares that vest under allocations 4 and 5 of the scheme;
- reviewed and endorsed proposals from management and the JSE's independent remuneration advisors regarding emoluments for the JSE's non-executive directors, which proposed emoluments were considered and approved by shareholders at the AGM in May 2017;
- ensured that JSE remuneration disclosure is aligned with King IV;
- monitored progress regarding employment equity, and ensured that the JSE HR team files the appropriate returns with the Department of Labour; and
- interrogated management's proposals regarding leadership continuity to ensure that JSE operations are supported by an appropriate pipeline of fresh talent.

The GHRC has engaged PwC as its remuneration consultant, and is satisfied that they are independent and objective, and that PwC understands the JSE's remuneration policy and the linkages to the JSE's overall business strategy.

## Refinements to our remuneration practices during 2017

During the course of the year the GHRC has:

- reviewed the performance conditions, targets and LTIS 2010 allocation benchmarks against market best practice, based on input provided by the JSE's independent remuneration advisors, PwC; and
- tailored the specific targets for the EBIT growth financial metric under LTIS 2010 to take account of the expected slowdown in economic activity in the medium term.

## Shareholder voting and feedback

At each AGM, the remuneration policy is placed before shareholders for consideration and approval under the terms of an advisory non-binding vote. The implementation of the Company's remuneration policy is also put to shareholders in a separate advisory, non-binding vote as recommended by the King IV Code.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the implementation resolution, then:

- Executive management will engage with shareholders to ascertain the reasons for the dissenting vote. This will form part of the existing engagement process on remuneration matters which is already a standard feature of the JSE's annual engagement with key institutional shareholders. Where considered appropriate, members of the GHRC may participate in these engagements with selected shareholders.
- Executive management will make specific recommendations to the GHRC as to how the legitimate and reasonable objections of shareholders might be addressed, either in the Company's remuneration policy or through changes in how the remuneration policy is implemented.

The JSE values feedback from its shareholders, and we set out below our responses to the feedback on the remuneration policy received from shareholders during 2017.

Shareholder feedback	JSE response
Explanations should be given on salary increases for the CEO and executives.	The factors motivating annual salary increases are explained under "total guaranteed pay" in the Policy section of this remuneration report.
The annual performance targets and the actual performance against those targets should be disclosed in respect of the discretionary bonus scheme.	The detailed corporate performance scorecard and how the JSE has performed against that scorecard in 2016 is reflected in the implementation report. Performance against this scorecard translates into discretionary bonus awards.

At the AGM held on 26 May 2017, shareholders endorsed our remuneration policy with a 99.51% vote in favour of the policy, with 0.49% of the votes being cast voting against the policy.

## Forward-looking changes to remuneration policy

The existing long-term incentive scheme (LTIS 2010) closed at the end of 2017 and the GHRC and the Board have endorsed a new LTIS 2018 scheme for consideration and approval by shareholders at the AGM to be held in May 2018, based on the principles of LTIS 2010.

## Non-executive director emoluments

During 2012, the GHRC proposed a change to the JSE's retainer and meeting fee structure with the introduction of a single-fee model. Shareholders approved this new model at the 2012 AGM and it has been retained in the period since then.

The Board has resolved, on the recommendation of the GHRC, to propose that shareholders consider and approve a 7.1% increase in non-executive director emoluments for the 2018 year. This proposal has been based on input from the committee, independent auditors and the full motivation is set out in this remuneration report.

## JSE remuneration report

I trust that our remuneration report is transparent and that it contains the salient information needed to inform your view of the JSE's performance and reward processes.

Various other statutory disclosures, which are subject to independent audit, are contained in notes 20 and 25 of the JSE's audited consolidated annual financial statements for the year ended December 2017. For a complete view of JSE remuneration, shareholders are encouraged to reference these notes when reviewing this report.

I would like to urge you to peruse our remuneration policy set out in this report, and to offer your support by voting in favour of the policy at the upcoming AGM to be held on 17 May 2018. Although this shareholder resolution is non-binding, the GHRC takes cognisance of shareholder views.

The GHRC is also asking shareholders to consider how the Company's remuneration policy has been implemented, and to express a view on this by means of a separate, non-binding advisory vote. This vote on the implementation of the remuneration policy is in accordance with the recommendations of King IV. In the event that 25% or more of the votes cast at the AGM in respect of these two resolutions are recorded against these resolutions, we will consult on the reasons for the dissenting votes. I will also be available at the meeting to respond to any questions raised by shareholders in connection with this report.

The GHRC plans to continue its engagement with shareholders and your suggestions to improve our remuneration policy and practices, and the implementation thereof, can be forwarded to the Group company secretary, who will table these at the appropriate meeting of the GHRC.

In closing, I wish to thank my fellow committee members for their rigorous engagement on matters of policy and practice, and for their support and wise counsel during the year.



**AD Botha**  
Chairman: Group Human Resources Committee

# REMUNERATION PHILOSOPHY AND POLICY

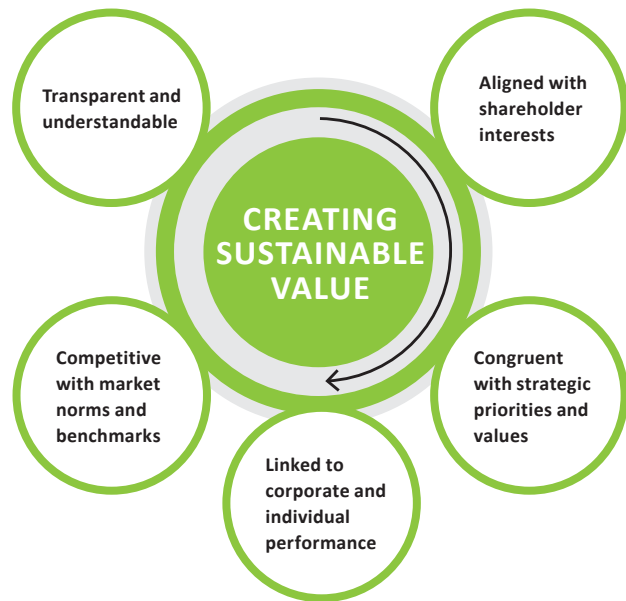
## Remuneration philosophy

*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.



## 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 in this report.

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
- Submits the remuneration policy to a non-binding advisory vote by shareholders at every AGM
- Submits the remuneration policy implementation report to a non-binding advisory vote by shareholders at every AGM

### Group Human Resources Committee (GHRC)

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

Further details on the mandate of the GHRC can be found on page 26.

## REMUNERATION PHILOSOPHY AND POLICY (CONTINUED)

The JSE's remuneration policy as set out in this section of the Remuneration report is subject to an advisory vote by shareholders at the AGM to be held on 17 May 2018 (Ordinary resolution 7).

The remuneration philosophy and policy is an organisation-wide policy, and addresses the remuneration of members of executive management (executive directors and prescribed officers) as well as that of other employees.

### REMUNERATION PHILOSOPHY

The JSE's remuneration philosophy aims to:

- align pay to performance in line with the corporate strategy;
- promote a culture that supports innovation, enterprise and the execution of company strategy;
- align the interests of staff with attaining profitable (and sustainable) long-term growth of the business for the benefit of all stakeholders; and
- offer an equitable remuneration mix that attracts, motivates and retains the appropriate calibre of executives and staff.

In determining the overall level of rewards that can be paid to executives and staff, the remuneration philosophy also takes into account:

- the reality of the JSE's size and its significant role in the South African financial sector;
- the nature of the business, its risk profile, the competitive environment and the issue of financial affordability; and
- balancing rewards with the funding of capital to maintain and grow the JSE, dividend payments to shareholders and payments to wider society (through taxation and corporate social responsibility).

Remuneration is structured in a fair and reasonable manner, recognising individual contributions and collective results. There is a clear differentiation between executives and staff based on line-of-sight responsibility, accountability, competencies, work performance and scarcity of skills. In order to drive a pay-for-performance approach, there is also an increasing element of variable

pay at senior management levels.

### Fair and responsible remuneration

The JSE is committed to observing the concept of fair and responsible remuneration for executive management in the context of overall employee remuneration. The following elements are factored into our remuneration policy and practices:

- The principle of equal pay for work of equal value
  - Guaranteed pay is determined on the basis of clear role descriptions, and validated by an independent remuneration advisor.
  - Pay levels are benchmarked against independent market data, and any unjustifiable income disparities are subject to adjustment.
- Overall pay ratios between executives and other staff are considered when determining annual salary increments.
- The JSE invests in employees through career pathing and talent mapping, providing skills development opportunities to promote progress within the JSE
- Provision of financial education, debt counselling and training on basic financial education to assist employees in avoiding over-indebtedness.

### REMUNERATION MODEL

Our remuneration model comprises three core elements:

- Fixed pay
- Annual incentives
- Long-term incentives

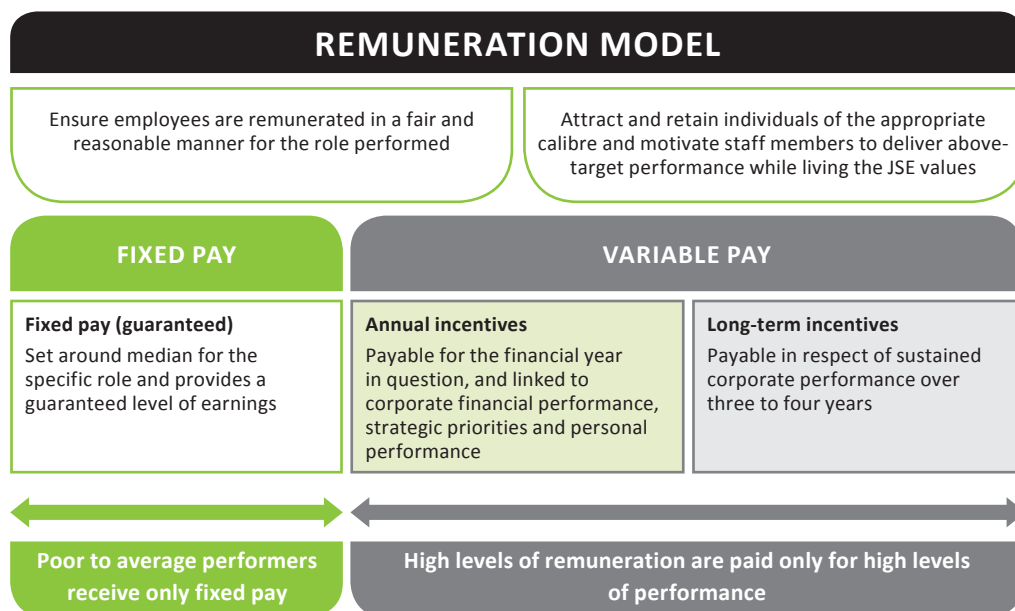
These are linked to performance, to ensure that high levels of pay are achieved only for high performance and where there is sustained value creation for shareholders.

This pay mix varies with seniority, with an increasing element of variable pay at senior levels.

Executive management and the chief executive officer (CEO) have the largest proportion of total annual package being subject to performance hurdles, with the targeted mix tending towards 25%/50%/25% (fixed pay vs annual incentives vs long-term incentives). This is intended to create a significant degree of alignment with shareholder interests, with the aim of driving sustainable value creation over a longer-term horizon.



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



ELEMENT	FIXED PAY AND BENEFITS	ANNUAL INCENTIVES	LONG-TERM INCENTIVES
<b>Components</b>	<ul style="list-style-type: none"> <li>Basic salary</li> <li>Retirement</li> <li>Medical aid benefits</li> </ul>	<ul style="list-style-type: none"> <li>Deferred compensation bonus scheme</li> <li>Discretionary bonus scheme</li> <li>Bonus shares</li> <li>Company performance award</li> </ul>	<ul style="list-style-type: none"> <li>Performance share scheme (LTIS 2010)</li> <li>Critical skills scheme</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>Attraction and retention</li> </ul>	<ul style="list-style-type: none"> <li><i>Deferred compensation bonus scheme</i> rewards personal performance</li> <li><i>Discretionary bonus scheme</i> rewards corporate performance</li> <li>Bonus shares seek to build an ownership culture within JSE</li> </ul>	<ul style="list-style-type: none"> <li>Incentivise corporate performance and long-term shareholder value creation</li> <li>Retention of senior staff with scarce or critical skills</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>All staff</li> </ul>	<ul style="list-style-type: none"> <li>All staff, in alignment with the scheme's purpose</li> </ul>	<ul style="list-style-type: none"> <li><i>LTIS 2010</i>: Senior leadership group</li> <li><i>Critical skills scheme</i>: Senior staff with scarce or critical skills</li> </ul>
<b>How the pay level is set</b>	<ul style="list-style-type: none"> <li>Structured on a total cost-to-company basis</li> <li>Benchmarked against independent market data</li> <li>Reflects scope and depth of role, experience required and level of responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Linked to performance delivered annually as measured against the corporate, CEO and staff member scorecards</li> <li><i>Deferred compensation bonus scheme</i> awards are capped at a percentage of fixed pay</li> <li><i>Discretionary bonus scheme</i> is fully discretionary and subject to Company financial and strategic performance</li> <li><i>Bonus shares</i> are a discretionary award for all staff members, vesting over three years subject to continued employment at the JSE</li> <li><i>Company performance award</i> is a discretionary award of up to approximately one month's guaranteed pay, for those not receiving discretionary bonuses</li> </ul>	<ul style="list-style-type: none"> <li><i>LTIS 2010</i> is an annual award of JSE equity, linked to corporate performance over three and four-year vesting periods</li> <li><i>Critical skills scheme</i> is an annual cash award, vesting over two years</li> </ul>


### Fixed pay

The JSE applies a total cost-to-company approach for its employees, based on the employee's role and performance in the organisation. Fixed pay includes a defined contribution pension plan and medical aid for all permanent employees.


Financial services industry and general corporate benchmarks are used to determine competitive fixed pay levels for all roles in the JSE. The PwC Remchannel database (including both financial services and general market benchmarks) is used together with input from independent specialists to ensure all roles are correctly sized and graded as part of the salary benchmarking process.

As a policy, the aim is to move base salaries towards median, although cost considerations sometimes do not allow this. In limited instances – either for historical reasons or to retain scarce skills – salaries above median are paid. Annual salary increments are informed by the annual benchmark exercise and, where appropriate, take into account expanded individual responsibilities. Individual performance is also factored into a merit adjustment component.

### Annual incentive schemes

The JSE operates two annual incentive schemes that apply to permanent staff and vary with seniority. These schemes are described in detail in the remuneration model table set out on page 7. 

#### Link between performance targets for annual incentives and Company performance

Please refer to the Corporate performance section on pages 14 and 15 of this report. 

#### Bonus shares

On 1 March of each year, bonus shares are awarded to all staff members in the employ of the Group, as a recognition of the overall contribution of each staff member to the financial performance of the JSE. These are discretionary awards and not guaranteed in any year. In 2017, each staff member was awarded 104 JSE ordinary shares, which vest over three years, subject to continued employment with the JSE.

### Long-term incentive schemes

The JSE operates two long-term incentive schemes that apply to permanent staff and vary with seniority:

- **LTIS 2010 performance share scheme:** Senior leadership group involved in strategic decision-making
- **Critical skills cash scheme:** Key staff with scarce or critical skills (not including the senior leadership group)

#### LTIS 2010

LTIS 2010 is a full-value, performance share scheme, approved by shareholders in 2010, which provides selected senior JSE employees with exposure to JSE shares. The intention is to create a "share ownership class" among JSE staff and an improved alignment of management interests with those of shareholders.

To achieve this, each invited participant receives an annual share allocation, which is in line with the King IV recommendation to make regular awards under long-term incentive schemes so as to reduce the risk of unanticipated outcomes and cyclical factors. Participants receive immediate beneficial ownership, although full vesting is subject to both time and corporate performance measured over the vesting periods. All participants in the LTIS 2010 Scheme are also subject to malus and claw-back provision in respect of awards granted under the scheme.

In order to make the share awards, the LTIS 2010 Trust acquires a specific number of JSE shares in the open market. The Trust is funded by the JSE in accordance with the scheme rules. There is no fresh issue of shares (nor any gearing) under LTIS 2010. The Board is mindful of the dilutive effect of the scheme and that it represents a transfer of value from shareholders to employees (as would any incentive scheme). Accordingly, various limits and guidelines apply to the scheme in order to limit the size of awards, both in aggregate and to individual participants.

LTIS 2010 limit or guideline	Comment
<b>Aggregate award limit</b>  0.625% of JSE's issued share capital (per annum)	<b>Limit is hard-coded in scheme rules and requires shareholder approval for any change</b>  Over any rolling four-year period, dilution may not be more than 2.5% of issued share capital or 0.625% per annum  Well within annual guideline of 1% per annum
<b>Aggregate award cash cost guideline</b>  Aggregate annual award usually no more than 10% of prior year's net profit after tax (NPAT)	<b>Guideline only</b>  The Board is mindful of the cash cost of the scheme, and exercises discretion on the cash cost of each aggregate annual allocation
<b>Annual individual limit</b>	<ul style="list-style-type: none"> <li>• CEO allocation limit of 125% of guaranteed pay</li> <li>• Exco allocation limit of 80% of guaranteed pay</li> <li>• Senior staff allocation limit of 45% guaranteed pay</li> </ul>

LTIS 2010 comprises only corporate performance shares (previously the scheme also included a personal performance component). These corporate performance shares are subject to corporate performance targets, and a participant must, of course, remain in the JSE's employ (or be a "good leaver" as defined) in order for share awards to vest.

Each share award vests in two tranches – 50% over three years and 50% over four years. Performance metrics applicable to the corporate performance shares are clearly identified (and disclosed) at grant date, with automatic forfeiture should targets not be achieved, and with no retesting in subsequent periods. Vesting takes place on a straight-line basis between the threshold and full performance target levels. The Board remains satisfied that a three to four-year vesting horizon is appropriate for the JSE business and is in line with competitive practice in South Africa.

With regard to corporate performance metrics, the Board's view is that management ought to be incentivised to pursue balanced, sustainable growth in shareholder value with due regard for the JSE's wider responsibilities to the South African financial markets.

For this reason, the Board has selected a basket of metrics rather than a single metric that might result in hit-or-miss performance.

This basket of four metrics is aimed at driving earnings growth, encouraging an optimal balance sheet structure, generating returns for shareholders as well as focusing management on strategic business development objectives.

The specific targets for earnings growth (EBIT) and return on equity (ROE) are determined by the GHRC and are specifically set at levels that recognise the JSE's wider responsibilities to the financial markets. In addition to these two internal financial metrics, the Board also applies a relative performance measure – total shareholder return (TSR) – which is evaluated against the FINI 15 Index constituents and a selection of global exchange groups. For the full allocation to vest, the JSE is required to achieve top-quartile performance over the vesting period for each allocation.

The fourth metric relates to strategy, and in particular, strategic targets that are aimed at transformational business efforts. The strategic target varies for each annual allocation, and this allows the GHRC to focus management's attention on fundamental strategic actions that might not have an immediate financial payoff but are nevertheless critical to future business success, long-term financial performance and value creation for stakeholders.



## REMUNERATION PHILOSOPHY AND POLICY (CONTINUED)

Performance metrics	Total shareholder return (TSR)	Return on equity	EBIT growth	Strategic metric
Weighting: Allocation 1	0%	30%	30%	40%
Allocations 2-4	20%	20%	20%	40%
Measured relative to	Selected comparator group	Cost of capital	CPI	Strategic delivery
Threshold vesting target: Allocation 1	N/A	15% average per annum	CPI compound per annum	Develop Interest Rate Market
Allocation 2	Median TSR of comparator group			Technology excellence
Allocation 3				OTC product solution
Allocation 4				Build a Post-Trade Services business/ back-office technology
Full vesting target: Allocation 1	N/A	21% average per annum	CPI+4% compound per annum	2017 vision scorecard
Allocation 2	Upper quartile TSR of comparator group			Develop Interest Rate Market
Allocation 3				Technology excellence
Allocation 4				OTC product solution
Full vesting target: Allocations 5-6	Upper quartile TSR of comparator group	24% average per annum	CPI+6% compound per annum	Build a Post-Trade Services business/ back-office technology
Allocation 4		2017 vision scorecard		
Weighting: Allocations 5-6	10%	30%	20%	40%
Measured relative to	Selected peer group	Cost of capital	CPI	Strategic delivery
Threshold vesting target: Allocations 5-6	Median TSR of comparator group	15% average per annum	CPI+2% compound per annum	ITaC technology project
Full vesting target: Allocations 5-6	Upper quartile TSR of comparator group	25% average per annum	CPI+6% compound per annum	
Weighting: Allocation 7-8	10%	30%	20%	40%
Measured relative to	Selected peer group	Cost of capital	CPI	Strategic delivery
Threshold vesting target	Median TSR of comparator group	16% average per annum	CPI+1%	ITaC Project 2
Full vesting target	Upper quartile of comparator group	25% average per annum	CPI+4%	Net new revenues New business opportunities (Allocation 8)

The change in the EBIT growth targets for allocations 7 and 8 reflects the expected slowdown in economic activity in the medium term.

## Review of LTIS 2010

The performance conditions and vesting ranges for the LTIS 2010 were reviewed by our independent remuneration advisors against the practice among the JSE's comparator companies. They were found to be in line with market practice. One of the corporate performance metrics applicable to LTIS 2010 is TSR. The JSE uses a mix of local financial sector data and peer exchange data when assessing TSR for purposes of LTIS 2010 vesting. The constituent companies of this TSR comparator group are as follows:

- London Stock Exchange Group
- PSG Group
- Capitec Bank
- Discovery
- Investec Plc
- Old Mutual
- Investec Ltd
- Zurich Financial

- Rand Merchant Bank
- FirstRand
- Sanlam
- Sasfin
- Reinnet Investments
- ASX
- Bursa Malaysia
- Liberty Holdings

- Santam
- Nedbank Group
- TMX Group
- Standard Bank Group
- Barclays Africa Group
- BM&F Bovespa

### Critical skills cash scheme

During 2014 the GHRC introduced a new long-term cash incentive (LTI) scheme designed to retain key senior staff with scarce technical skills who do not participate in LTIS 2010.

This scheme comprises an annual cash award of up to 25% of the participant's annual salary, with these cash awards vesting over two years and linked to continued employment and performance in the JSE.

The introduction of this new critical skills cash scheme has no impact on issued scheme capital dilution and is not intended to increase the overall cash cost of the JSE's LTI schemes beyond the existing 10% of NPAT guideline.

### SERVICE CONTRACTS

Members of executive management (with the exception of the CEO) are employed on standard employment agreements, not fixed-term contracts. These employment agreements provide for a notice period of three months, and entitle the employee to standard JSE benefits as well as participation in the JSE's short and long-term incentive schemes, subject to the rules of these schemes from time to time.

There is a shorter notice period for executives who are dismissed following the results of disciplinary proceedings. Furthermore, there are no contracted balloon payments due to executives upon termination.

Employees are required to retire at age 65. For "no fault terminations" (retirement, retrenchment, disability or death) the contractual arrangements on termination of employment provide that:

- any deferred compensation award may be accelerated on a *pro rata* time basis and paid out with simple interest calculated to the date of termination;
- unvested long-term cash incentives will be accelerated without any adjustment for time served, with the full grant value being paid out together with simple interest (based on the JSE Trustees' rate) calculated to the date of termination; and

- unvested long-term equity incentives (in the LTIS 2010 scheme) may, at the discretion of the GHRC, either be retained in the scheme until the original vesting dates or may be accelerated to the date of termination on a *pro rata* time and performance basis.

No additional provisions exist for a change of control of the JSE, save for the termination of employment in accordance with the prevailing JSE policy, and the accelerated *pro rata* vesting of long-term incentives as set out in the rules of the relevant scheme.

### OTHER APPOINTMENTS

Staff members are not entitled to accept outside Board appointments to any listed company so as to avoid any real or perceived conflict of interest. They are, however, entitled to accept appointments to non-listed public or private companies or non-governmental organisations, where the time commitment is reasonable and subject always to the prior approval of the CEO, or the chairman of the JSE Board (in respect of any CEO appointments). Fees earned from such non-executive appointments are payable to the JSE.

### NON-EXECUTIVE DIRECTOR EMOLUMENTS

The JSE seeks to appoint and retain non-executive directors that are able to contribute in a meaningful way to the direction and oversight of the Group's affairs.

Prior to 2012, emoluments comprised annual fixed retainers (which varied by role) and a fee per meeting attended (for all Board and Board committee meetings). At the AGM in April 2012, shareholders approved a new single-fee model for non-executive director emoluments. As a result, the JSE now pays a single annual retainer reflective of role to each non-executive director.

The role of a non-executive director at the JSE, as with financial services companies in general, extends substantially beyond attendance at meetings. Non-executive directors are also accountable for decisions taken, regardless of attendance at meetings. Emoluments should therefore be a function of Board and Board committee membership rather than a reward for attending meetings. A single annual retainer, reflective of the role and

## REMUNERATION PHILOSOPHY AND POLICY (CONTINUED)

responsibilities being discharged by a non-executive director, also has the advantages of being administratively simpler, easy to understand and allows for clear comparisons by shareholders from year to year.

The chairmen of Board committees are paid a premium in respect of their roles as chairman, as compensation for the additional responsibilities and time commitment expected of a chairman. The fee for a Board committee chairman is set at twice the fee for a committee member, except for the Group Audit Committee chairman, whose annual fee may be set at up to 2.5 times the annual fee of a Group Audit Committee member.

The lead independent director on the JSE Board is also paid a premium on the standard annual retainer, which premium is set at 30% of the annual non-executive director retainer.

Non-executive directors do not receive short-term incentives, nor do they participate in the JSE's LTI schemes. There is no requirement for non-executive directors to hold a minimum shareholding in the JSE as a consequence of their Board membership, and there are no provisions for emoluments or other payments in respect of loss of office. During the course of 2015 the Board introduced a new elective policy relating to non-executive director shareholdings, in terms of which Board members are encouraged to hold one times their annual Board retainer in JSE Limited equity.

Out-of-pocket expenses, such as travel and accommodation costs, incurred by non-executive directors in the execution of their responsibilities are also reimbursed on request.

All recommendations regarding non-executive director emoluments are informed by independent market data provided by the Company's remuneration advisors. The GHRC reviews this benchmark data and also takes into account the complexity, responsibility, time commitment and risk inherent in membership of the JSE Board and the various Board committees when preparing its recommendation on non-executive director emoluments. The GHRC is satisfied that the fee structure for non-executive directors of the JSE remains appropriate.

### Non-executive director fee benchmarks

To ensure consistency in the market data from year-to-year, the GHRC has selected the FTSE/JSE Financials Index as an appropriate industry index, and benchmarks the emoluments paid by the JSE against those of the constituent companies in the index (after first excluding investment holding companies, property companies and dual-listed companies from the comparator group, given their very different business models from that of the JSE).

Although the JSE is a medium-sized financial services organisation, it fulfils a unique role in the economy as a self-regulatory organisation and as a market place for capital formation. The JSE also competes for non-executive talent with other regulated financial services companies. In the view of the GHRC, it is therefore reasonable that

the JSE should use a comparator group comprising major South African financial services groups.

PricewaterhouseCoopers (PwC) provides the GHRC with detailed market data, based on the latest publicly available information disclosed by the companies in the selected comparator group. In addition to considering benchmark data, the GHRC also takes into account the complexity, responsibility, time commitment and risk inherent in membership of the JSE Board and the various Board committees when preparing a recommendation on non-executive director emoluments.

Based on the benchmark policy set out above, the companies in the comparator group utilised for purposes of the 2018 non-executive director (NED) fee proposal (as set out under committee administration and AGM resolutions on page 27 of this report) were as follows:

- FirstRand Limited
- Standard Bank Group Limited
- Barclays Africa Group Limited
- Sanlam Limited
- Nedbank Group Limited
- Discovery Limited
- Capitec Bank Holdings Limited
- PSG Group Limited
- MMI Holdings Limited
- Liberty Holdings Limited
- Santam Limited
- Coronation Fund Managers Limited
- Alexander Forbes Group Holdings Limited
- Transaction Capital Limited



### 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: **483**)

### 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.
- 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.

# REMUNERATION POLICY OUTCOMES

The implementation of the JSE's remuneration policy translates into various reward outcomes each year. These reward outcomes are a consequence of the Company achieving various annual and long-term performance goals.

The remuneration policy outcomes set out in this section of this Remuneration report constitute the implementation report, which is subject to a separate non-binding advisory vote by shareholders at the AGM to be held on 17 May 2018 (Ordinary resolution 8).

## CORPORATE PERFORMANCE 2017

In each of the four performance areas on the corporate scorecard, the JSE has recorded notable successes during the course of 2017. These are set out below in the corporate scorecard focus areas for 2017.

### 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

##### 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

##### 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

##### Progress independent clearing house

##### Slightly below-target performance

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

##### New business

##### On-target performance

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

#### 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

#### Deliver bond ETP

##### On-target performance

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

#### Strate's debt instrument solution (DIS)

##### Below-target performance

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

### 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

### 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

## REMUNERATION POLICY OUTCOMES (CONTINUED)

### TOTAL REMUNERATION OUTCOMES

The table below sets out the audited single-figure remuneration for executive directors and other executives during the period under review.

These executives are prescribed officers within the meaning of the Companies Act.

		Basic salary <sup>1</sup> R'000	Defined contribution pension plan R'000	Medical aid <sup>1</sup> , UIF and other R'000	Total guaranteed pay R'000
<b>Directors' and executives' remuneration<sup>4</sup></b>					
<b>Executive directors – Current year remuneration</b>					
<b>2017</b>					
NF Newton-King	Chief Executive Officer	3 832	317	149	4 298
A Takoordeen	Chief Financial Officer	2 306	126	2	2 434
		<b>6 138</b>	<b>443</b>	<b>151</b>	<b>6 732</b>
<b>2016</b>					
NF Newton-King	Chief Executive Officer	3 678	304	132	4 113
A Takoordeen	Chief Financial Officer	2 132	121	77	2 330
L Fourie <sup>5</sup>	Director of Post-Trade and Information Services	1 172	104	42	1 318
		<b>6 982</b>	<b>529</b>	<b>250</b>	<b>7 761</b>
<b>Other key executives – Current year remuneration</b>					
<b>2017</b>					
GA Brookes <sup>10</sup>	Director of Governance and Assurance	996	–	63	1 029
JH Burke	Director of Issuer Regulation	2 265	199	180	2 644
A Greenwood	Director of Post-Trade Services	2 422	173	2	2 597
Z Jacobs	Director of Marketing and Corporate Affairs	2 140	129	57	2 326
D Khumalo	Director of Human Resources	1 789	100	933	2 822
TJ Matsena <sup>11</sup>	Director of Trading and Market Services	2 038	156	56	2 250
D Nemer	Director of Capital Markets	2 584	197	180	2 961
LV Parsons	Director of Information Services	2 214	214	158	2 586
R van Wamelen <sup>12</sup>	Chief Information Officer	2 257	105	96	2 458
		<b>18 675</b>	<b>1 273</b>	<b>1 725</b>	<b>21 673</b>
<b>2016</b>					
GA Brookes	Director of Governance, Risk and Compliance	1 853	–	50	1 903
JH Burke	Director of Issuer Regulation	2 179	190	168	2 537
A Greenwood	Director of Post-Trade Services	2 125	152	2	2 279
Z Jacobs	Director of Marketing and Corporate Affairs	2 051	124	50	2 225
D Khumalo	Director of Human Resources	295	19	7	321
TJ Matsena	Director of Trading and Market Services	844	68	25	937
D Nemer	Director of Capital Markets	2 416	184	161	2 761
LV Parsons	Director of Information Services	2 106	205	142	2 453
R van Wamelen	Chief Information Officer	2 322	133	115	2 570
		<b>16 190</b>	<b>1 074</b>	<b>720</b>	<b>17 985</b>

<sup>1</sup> Represents short-term employee benefits.

<sup>2</sup> Contractual bonuses are subject to personal performance and are calculated according to a fixed percentage of basic salary (which percentage varies on a sliding scale based on grade). Altogether 50% of all contractual bonuses are subject to six-month deferral linked to continued employment. The full contractual bonus award is reflected here, together with interest on the deferred portion at 10%, in accordance with the contractual bonus policy.

<sup>3</sup> Discretionary bonuses are subject to both personal performance and the achievement of specific corporate deliverables (per the annual corporate scorecard approved by the Board at the beginning of each financial year). These awards are not subject to deferral, unless otherwise so determined by the Board in any particular year. A portion of the discretionary bonus may be paid in equity, at the discretion of the Group Human Resources Committee.

<sup>4</sup> All executive directors and other key executives are full-time employees of JSE Limited.

<sup>5</sup> Resigned on 18 July 2016.

Contractual bonus <sup>1,2</sup> (includes deferral) R'000	Discretionary bonus <sup>1,3</sup> R'000	Total annual incentives R'000	Total current year remuneration R'000	Total long-term and other benefits <sup>7</sup> R'000	Total number of shares granted in the LTIS 2010 scheme <sup>8</sup>	Total number of shares granted for restraint of trade <sup>9</sup>
4 339	1 835 <sup>6</sup>	6 174	10 472	5 691	175 460	–
769	985	1 754	4 188	2 114	62 920	15 000
5 108	2 820	7 928	14 660	7 805	238 380	15 000
4 152	4 700	8 852	12 965	6 129	149 140	–
736	2 075	2 811	5 141	1 269	54 560	15 000
–	–	–	1 318	2 479	42 460	–
4 888	6 775	11 663	19 424	9 878	246 160	15 000
310	–	310	1 339	1 797	40 500	12 390
848	1 015	1 863	4 507	2 449	70 320	16 540
818	860	1 678	4 275	–	28 740	–
734	885	1 619	3 945	2 075	60 370	14 320
607	820	1 427	4 249	–	19 164	–
799	840	1 639	3 889	–	15 510	–
933	1 195	2 128	5 089	–	48 070	17 730
911	1 165	2 076	4 662	2 635	75 590	17 790
621	–	621	3 079	3 734	68 110	16 560
6 581	6 780	13 361	29 543	12 690	426 374	95 330
607	1 350	1 957	3 860	862	33 230	12 390
811	2 200	3 011	5 548	2 781	61 430	16 540
783	2 075	2 858	5 137	–	15 960	–
702	2 075	2 777	5 002	1 278	52 610	14 320
–	–	–	321	–	9 684	–
591	1 450	2 041	2 978	–	5 860	–
870	2 400	3 270	6 031	–	33 500	17 730
872	2 300	3 172	5 625	2 988	66 050	17 790
812	2 325	3 137	5 707	2 479	58 750	16 560
6 048	16 175	22 223	40 208	10 388	337 074	95 330

<sup>6</sup> CEO's discretionary bonus – cash only.

<sup>7</sup> Represents the net value (after forfeiture for corporate performance) of share awards granted under provisions of the LTIS 2010 Long-Term Incentive Scheme in 2012 and 2013 that vested during the current financial year.

<sup>8</sup> Represents unvested shares as at 31 December 2017, granted under the provisions of the LTIS 2010 Long-Term Incentive Scheme.

<sup>9</sup> Represents shares granted to certain Executive Committee members as part of a three-year share based restraint arrangement implemented during the current financial year.

<sup>10</sup> Resigned from the Executive Committee effective 1 July 2017.

<sup>11</sup> Appointed Chief Information Officer effective 8 October 2017.

<sup>12</sup> Resigned 7 October 2017.

## REMUNERATION POLICY OUTCOMES (CONTINUED)

### ANALYSIS OF REMUNERATION 2017


	Notes	2017 R'000	2016 R'000
<b>Personnel expenses</b>			
Remuneration paid to employees		441 520	473 893
Fixed-term contractors		12 645	14 364
Contribution to defined contribution plans		15 504	16 215
Restructure costs		23 199	
Directors' emoluments		28 326	37 104
– Executive directors	25.1*	19 645	29 301
– Non-executive directors	25.3*	8 681	7 803
<b>LTIS scheme</b>			
– JSE LTIS 2010		45 422	42 763
Gross personnel expenses		566 616	584 339
Less: Capitalised to intangible assets		(17 554)	(19 343)
		549 062	564 996

\* Refers to notes in the annual financial statements

### ANNUAL INCENTIVES 2017

Total deferred compensation awarded was R54.7 million (2016: R62.8 million). The portion paid to executive management (excluding the CEO) amounted to R6.4 million (2016: R6.8 million).

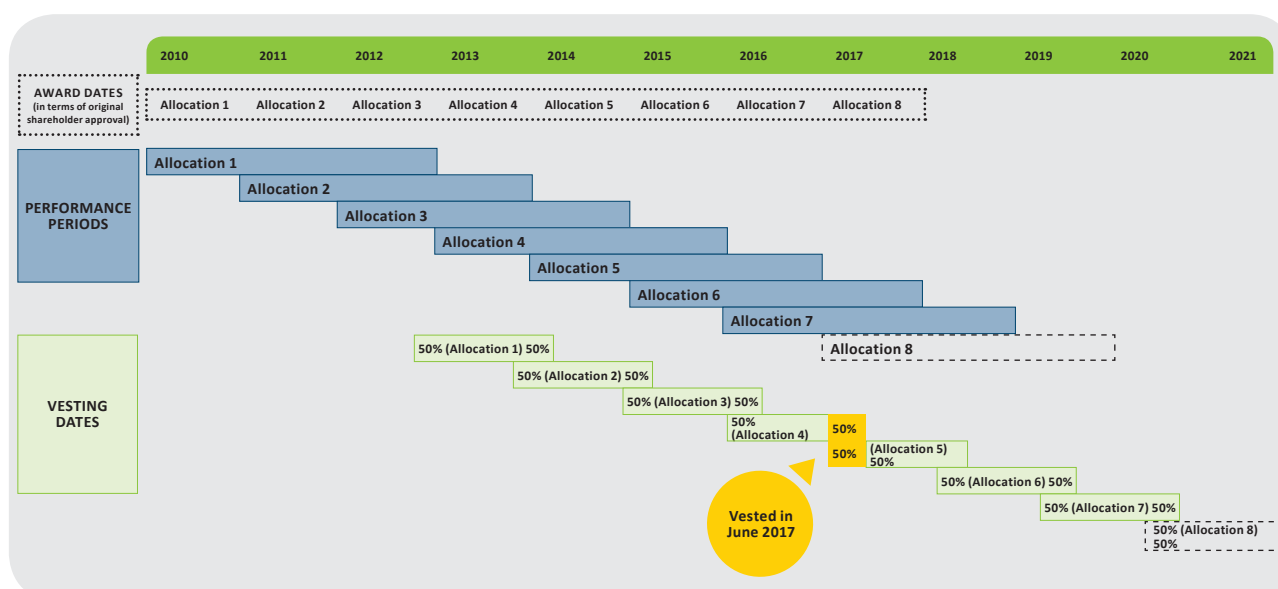
Total discretionary bonus payments awarded were R60 million (2016: R88.9 million). Approximately 42% of the JSE's staff complement was awarded discretionary bonuses. An *ex gratia* payment (known as the Company performance bonus) totalling R10.5 million (2016: R8 million) was allocated to the balance of the staff as recognition for their contribution to the JSE's successful financial performance.

The CEO does not participate in the deferred compensation bonus scheme, but is eligible for a contractual bonus based on the GHRC's assessment of the CEO's performance. The CEO also participates in the discretionary bonus pool. Details of the CEO's performance bonuses are outlined separately on page 22. 

### LONG-TERM INCENTIVES VESTED/AWARDED

Long-term incentives are intended to align management interests with those of shareholders, and thereby drive sustainable value creation over a longer horizon. Our restricted share scheme (LTIS 2010) remains our primary long-term equity reward mechanism.

#### LTIS 2010 vesting profile



The GHRC assessed long-term corporate performance against the LTIS 2010 targets in respect of two allocations that vested during 2017, these being tranche 2 of allocation 4 (awarded in June 2013) and Tranche 1 of Allocation 5 (awarded in May 2014). The GHRC determined that 85% and 100% of these allocations respectively should vest, with the remainder being forfeited by executive management.

The GHRC awarded Allocation 8 under LTIS 2010 in March 2017.

The detail relating to all allocations is summarised in the table below.

	Allocation 1 (granted May 2010)	Allocation 2 (granted May 2011)	Allocation 3 (granted June 2012)	Allocation 4 (granted May 2013)	Allocation 5 (granted May 2014)	Allocation 6 (granted May 2015)	Allocation 7 (granted Feb 2016)	<b>Allocation 8 (granted Feb 2017)</b>
Actual number of JSE shares awarded per allocation	482 900	426 900	366 600	457 100	424 800	302 340	351 774	290 530
Dilution of issued share capital	0.56%	0.49%	0.42%	0.52%	0.49%	0.35%	0.40%	0.33%
Acquisition cost price per share	R66.48	R67.44	R78.68	R76.92	R102.27	R131.54	R148.57	R147.92
Cash cost	R32.1m	R28.9m	R28.8m	R35.1m	R43.4m	R39.8m	R52.2m	R42.9m
Number of participants	80	71	67	72	38	39	40	43
Total JSE personnel expense for the financial year	R338m	R299m	R353m	R426m	R467m	R496m	R565m	R549m

### Critical skills cash scheme

Cash awards to 44 senior staff (who do not participate in LTIS 2010) with an aggregate value of R11.6 million.

## REMUNERATION POLICY OUTCOMES (CONTINUED)

The individual allocations in terms of the LTIS 2010 for executive directors and prescribed officers are set out below.

Year awarded	Number allocated	Number vested in year	Number forfeited in year	Closing number	Vesting date	Grant value <sup>1</sup> R'000	Indicative expected value <sup>2</sup> R'000
<b>A Takoordeen</b>							
2013	15 700			15 700	June 16/17	1 207	
2014	18 120			33 820	June 17/18	1 852	
2015	13 590			47 410	June 18/19	1 787	
2016	30 000*	7 285	565	69 560	June 19/20	4 457	
<b>2017</b>	12 010	16 280	630	64 660	<b>June 20/21</b>	1 621	
	89 420	23 565	1 195	64 660			6 963
<b>JH Burke</b>							
2010	21 200			21 200	May 13/14	1 409	
2011	18 200			39 400	May 14/15	1 227	
2012	16 400			55 800	June 15/16	1 290	
2013	18 600	7 679	2 920	63 801	June 16/17	1 430	
2014	20 610	17 891	1 810	64 710	June 17/18	2 106	
2015	14 980	15 345	1 955	62 390	June 18/19	1 970	
2016	33 080*	15 964	1 536	77 970	June 19/20	4 915	
<b>2017</b>	13 240	18 863	743	71 604	<b>June 20/21</b>	1 787	
	156 310	75 742	8 964	71 604			7 710
<b>A Greenwood</b>							
2016	15 960			15 960	June 19/20	2 371	
<b>2017</b>	12 780			12 780	<b>June 20/21</b>	1 725	
	28 740	–	–	28 740			3 095
<b>Z Jacobs</b>							
2013	15 800			15 800	June 16/17	1 215	
2014	17 420			33 220	June 17/18	1 780	
2015	12 970			46 190	June 18/19	1 706	
2016	28 640*	7 335	565	66 930	June 19/20	4 255	
<b>2017</b>	11 460	15 980	630	61 780	<b>June 20/21</b>	1 547	
	86 290	23 315	1 195	61 780			6 652

Year awarded	Number allocated	Number vested in year	Number forfeited in year	Closing number	Vesting date	Grant value <sup>1</sup> R'000	Indicative expected value <sup>2</sup> R'000
<b>D Khumalo</b>							
2016	9 684			9 684	June 19/20	1 578	
<b>2017</b>	9 480			19 164	<b>June 20/21</b>	1 279	
	19 164	–	–	19 164			2 063
<b>TJ Matsena</b>							
2016	5 860			5 860	June 19/20	871	
<b>2017</b>	9 650			15 510	<b>June 20/21</b>	1 302	
	15 510	–	–	15 510			1 670
<b>DM Nemer</b>							
2015	15 770			15 770	June 18/19	2 074	
2016	35 460*			51 230	June 19/20	5 268	
<b>2017</b>	14 570			65 800	<b>June 20/21</b>	1 966	
	65 800	–	–	65 800			7 085
<b>LV Parsons</b>							
2010	21 800			21 800	May 13/14	1 449	
2011	18 600			40 400	May 14/15	1 254	
2012	17 500			57 900	June 15/16	1 376	
2013	20 100	7 887	3 012	67 101	June 16/17	1 546	
2014	22 100	18 347	1 854	69 000	June 17/18	2 259	
2015	16 110	16 007	2 043	67 060	June 18/19	2 119	
2016	35 580*	17 150	1 650	83 840	June 19/20	5 286	
<b>2017</b>	14 240	20 298	803	76 979	<b>June 20/21</b>	1 922	
	166 030	79 689	9 362	76 979			8 289

\* 50% of the 2016 shares awarded is in respect of restraint of trade.

<sup>1</sup> Grant value is determined using the share price on the date of acquisition.

<sup>2</sup> The indicative expected value (cash realisation value) is calculated using the JSE Limited closing share price on 31 December 2017 together with an adjustment for expected value on the date of vesting. The share price on vesting date is not taken into account.

## REMUNERATION POLICY OUTCOMES (CONTINUED)

### CEO PERFORMANCE AND REWARD

#### Service contract

The CEO is the only member of staff with a specific service contract, which ran for an initial three-year term from 1 January 2012 and now continues on an indefinite basis. The contract contains a four-month notice period and a one-year restraint of trade (post-termination of employment).

The agreed restraint of trade precludes the CEO from being engaged by any stock exchange, bond or futures market, or any clearing house, depository or stock-broking business carried on in South Africa for a period of one year from the date of termination of her employment.

The GHRC is of the view that this restraint is fair and reasonable in order to protect the strategic proprietary interests of the JSE.

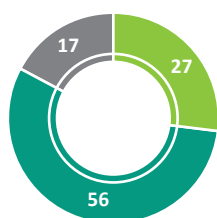
#### Fixed pay

The CEO's fixed pay and any annual adjustment thereto are determined by the GHRC at the beginning of each financial year.

The CEO's guaranteed salary was fixed at R4.3 million for 2017. This 4.5% increase to guaranteed pay was based on an updated benchmarking exercise and with due consideration for the local socio-political environment, with salary increments for executive management being moderated wherever possible.

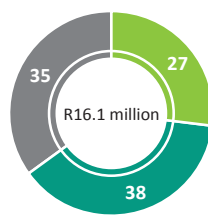
#### CEO pay mix %

2016



■ Base pay  
■ Annual incentives  
■ Long-term incentives

2017



■ Base pay  
■ Annual incentives  
■ Long-term incentives

The assessment of CEO performance and the determination of CEO remuneration are essential activities undertaken annually by the GHRC. CEO performance is measured against the JSE corporate scorecard for each financial year, as well as against the CEO's personal scorecard as agreed annually with the GHRC. In addition, the CEO plays a key role in delivering corporate performance over a sustained period. As a result, the vesting of corporate performance shares under the LTIS 2010 scheme is also reflective of the CEO's impact on financial and strategic performance.

#### Annual performance

CEO bonus awards for 2017 were as follows:


Bonus scheme	Performance measured against	2017 bonus awarded by GHRC	2016 bonus awarded by GHRC
Contractual bonus	CEO scorecard	R4.3 million cash (50% deferred)	R4.1 million cash (50% deferred)
Discretionary bonus	Corporate scorecard	R1.8 million cash (no deferral)	R4.4 million cash and R0.3 million JSE shares



The performance rating awarded by the GHRC is reflective of the committee's assessment of the CEO's actions in delivering the JSE strategy, achieving the reported annual financial results, her accountability for JSE technology and new business initiatives, as well as improving customer and stakeholder relationships, among other deliverables. The CEO's contractual bonus is capped at 100% of fixed salary in any year. Deferral applies to the contractual bonus, with 50% deferred for six months, on which interest of 5% is payable by the Company. Given that the JSE did meet all scorecard objectives for 2017, the overall bonus pool for the Company was reduced by 33% to R60 million for 2017 (2016: R88.9 million). The CEO's discretionary bonus award was reduced by 61% to R1.8 million for 2017 (2016: R4.7 million).

## Long-term performance

The CEO's long-term incentives comprise awards that vested in 2017 as well as share allocations granted during the year. The CEO is subject to the same corporate performance assessment as other participants in the LTIS 2010 scheme, and accordingly, her allocation 4 awards vested at 85% and her allocation 5 awards at 100%, based on performance against the pre-set financial targets (ROE, EBIT growth and relative TSR) and delivery of the strategic metric over the preceding three and four years.

A new share allocation was granted during 2017 (Allocation 8) and the value of the CEO's award totalled 125% of base salary. This translated into 33 020 JSE ordinary shares, which are scheduled to vest in two tranches, 50% on 1 June 2020 and 50% on 1 June 2021, subject to corporate performance over this vesting term. Further details of the CEO's remuneration are set out in the audited tables in note 25 to the annual financial statements. 

Year awarded	Number allocated	Number vested in year	Number forfeited in year	Closing number	Vesting date	Grant value R'000	Expected value R'000
<b>NF Newton-King</b>							
2010	21 800			21 800	May 13/14	1 449	
2011	18 600			40 400	May 14/15	1 254	
2012	37 100			77 500	June 15/16	2 919	
2013	42 200	7 887	3 012	108 801	June 16/17	3 246	
2014	49 790	18 347	1 854	138 390	June 17/18	5 090	
2015	37 010	24 053	3 797	147 550	June 18/19	4 868	
2016	41 240	35 182	4 468	149 140	June 19/20	6 127	
<b>2017</b>	<b>33 020</b>	<b>43 835</b>	<b>2 160</b>	<b>136 165</b>	<b>June 20/21</b>		
	<b>280 760</b>	<b>129 304</b>	<b>15 291</b>	<b>136 165</b>			<b>14 663</b>

The CEO is subject to a minimum shareholding requirement, in terms of which the CEO must hold JSE Limited ordinary shares in own name (excluding any unvested LTIS 2010 shares) equivalent in value to 250% of her annual base pay.

Pay ratios	2017	2016
CEO base pay	<b>R4 298 000</b>	R4 113 000
Lowest-grade base pay	<b>R192 000</b>	R181 000
<b>Pay ratio</b>	<b>22.4 times</b>	22.7 times
CEO base pay plus contractual bonus	<b>R8 637 000</b>	R8 265 000
Median salary plus bonus (grades 1-16)	<b>R785 000</b>	R724 000
<b>Pay ratio</b>	<b>11 times</b>	11.4 times

## REMUNERATION POLICY OUTCOMES (CONTINUED)

### NON-EXECUTIVE DIRECTORS' EMOLUMENTS

Emoluments paid to the JSE's non-executive directors are set out below.

		Total R'000	Board member fees R'000	Committee member fees R'000
<b>2017</b>				
AD Botha	Chairman of Group Human Resources Committee	893	325	568
VN Fakude		99	–	99
M Jordaan		465	325	140
SP Kana	Chairman of Group Social & Ethics Committee	950	325	625
DM Lawrence		750	325	425
MA Matooane	Chairman of Group Risk Management Committee	646	325	321
AM Mazwai	Chairman of Group SRO Oversight Committee	840	325	515
NP Mnxasana		735	325	410
N Nyembezi	Board Chairman, Chairman of Group Nominations Committee	2 000	2 000	–
NG Payne	Chairman of Group Audit Committee	933	325	608
		<b>8 311</b>	<b>4 600</b>	<b>3 711</b>
<b>2016</b>				
AD Botha	Chairman of Group Human Resources Committee	840	310	530
M Jordaan		310	310	–
SP Kana		695	310	385
DM Lawrence		608	310	298
MA Matooane	Chairman of Group Risk Management Committee	673	310	363
AM Mazwai	Chairman of Group SRO Oversight Committee	930	310	620
NP Mnxasana		690	310	380
N Nyembezi	Board Chairman, Chairman of Group Nominations Committee	1 850	1 850	–
NG Payne	Chairman of Group Audit Committee	870	310	560
		<b>7 466</b>	<b>4 330</b>	<b>3 136</b>

# COMMITTEE ADMINISTRATION AND AGM RESOLUTIONS

The governance of remuneration at the JSE is prescribed by the:

- Companies Act;
- King IV Code; and
- Terms of reference of the GHRC.

Within this governance framework, the GHRC is accountable for the effective oversight of remuneration at the JSE. This includes responsibility for the JSE's remuneration philosophy and strategy, monitoring the structure and level of remuneration for executive management, assessing corporate and CEO performance over relevant measurement periods, and approving all annual incentive awards for executives and share allocations under the Company's share incentive scheme.

In order for the GHRC to discharge this mandate in an effective and independent manner, it is constituted as a standing committee of the Board, operating in terms of a clear mandate, and accountable directly to the Board. The committee comprises non-executive directors of the JSE, appointed to the committee on an annual basis by the Board. The GHRC must comprise at least three members. No members of the GHRC have any day-to-day involvement in the management of the JSE.

At a minimum, the GHRC is required to meet three times each calendar year. During the year under review, the GHRC convened on three occasions, and attendance at these meetings was as follows:

February	February	July	November	Total attendance
AD Botha – Committee chairman	✓	✓	✓	3/3
VN Fakude (appointed November 2017)	N/A	N/A	✓	1/1
DM Lawrence	✓	✓	✓	3/3
AM Mazwai	✓	✓	✓	3/3
NP Mnxasana	✓	Apology	✓	2/3
N Nyembezi	✓	✓	✓	3/3

The CEO and the director of human resources attend GHRC meetings by invitation, and provide input and submit remuneration proposals to the committee. Other senior members of management also attend meetings from time-to-time as required. The Group Company

Secretary attends all Board committee meetings and advises on matters of corporate governance. No individual, irrespective of position, is present when their remuneration is discussed.

## COMMITTEE ADMINISTRATION AND AGM RESOLUTIONS (CONTINUED)

The GHRC is bound by formal, written terms of reference approved by the Board, which terms of reference are regularly reviewed for continued relevance. There were no changes to the committee's terms of reference during the year. The full terms of reference can be accessed on the JSE's website. The committee's remuneration mandate is to:

<b>Review and/or develop:</b>	<ul style="list-style-type: none"> <li>the JSE remuneration philosophy, policy and practices to ensure their continued relevance and effectiveness;</li> <li>specific policy on executive and senior management remuneration;</li> <li>the terms and conditions of executive directors' service agreements, taking into account information from comparable organisations where relevant;</li> <li>benchmark salary data and other relevant data relating to short and long-term incentive awards;</li> <li>compliance with the Revised Financial Sector Code and the JSE's employment equity report; and</li> <li>the JSE code of conduct and ethical standards.</li> </ul>
<b>Recommend:</b>	<ul style="list-style-type: none"> <li>to the Board for approval any fundamental changes to the JSE's remuneration philosophy or policy;</li> <li>to the Board for approval on an annual basis all elements of remuneration for the CEO;</li> <li>to the Board for approval the size of the overall annual discretionary bonus pool and the aggregate share awards for allocation under the Company's LTI scheme;</li> <li>to the Board for approval the annual aggregate salary adjustments for JSE staff; and</li> <li>to the Board for consideration the proposed emoluments for non-executive directors.</li> </ul>
<b>Monitor, assess and/or approve:</b>	<ul style="list-style-type: none"> <li>the implementation of executive and senior management remuneration;</li> <li>the annual corporate and CEO scorecards and key performance indicators;</li> <li>corporate and CEO performance over relevant measurement periods (annually for bonus awards and over the vesting term for share awards);</li> <li>the vesting of share awards under the Company's LTI scheme; and</li> <li>senior management succession plans.</li> </ul>
<b>Report:</b>	<ul style="list-style-type: none"> <li>to the Board after each meeting, and more frequently if required;</li> <li>to the Board on compliance with the GHRC terms of reference; and</li> <li>to stakeholders by means of an annual online remuneration report.</li> </ul>

In exercising its mandate throughout 2017, the GHRC has aimed to support the JSE's business strategies by creating a direct linkage between pay and performance, and to build upon the JSE's solid corporate governance foundations by improving the quality of remuneration disclosure and shareholder interaction.

The performance of the GHRC was assessed as part of the overall Board performance self-review, which is undertaken annually under the guidance of the Chairman of the Board. The Board has also confirmed that the GHRC has discharged its mandate and the responsibilities delegated to it during 2016.

### INDEPENDENT ADVICE

The GHRC is empowered to seek independent, external advice as it may deem necessary. During the year under review, the GHRC received advice and guidance regarding remuneration benchmarks and best practice from PwC, an independent advisory firm.

## SHAREHOLDER RESOLUTIONS ON REMUNERATION MATTERS

At the AGM in May 2018 the Company is proposing various resolutions relating to remuneration, for shareholder consideration and approval. All shareholder resolutions, together with explanatory notes, are set out in the AGM Notice which is available at <http://www.jsereporting.co.za>

For ease of reference, the resolutions relating to remuneration are reproduced below:

- Approval of JSE remuneration policy Ordinary resolution 7
- Approval of JSE remuneration implementation report Ordinary resolution 8
- Approval of non-executive director emoluments for 2018 Special resolution 5
- Approval of long-term incentive scheme 2018 Ordinary resolution 10
- Specific authority to acquire shares for LTIS 2018 Special resolution 3
- Specific authority to provide financial assistance for LTIS 2018 Special resolution 4

### Ordinary Resolution 7

#### Non-binding advisory vote on the remuneration policy of the Company

“Resolved that the shareholders endorse the remuneration policies of the Company as set out in the remuneration report, available online at <http://www.jsereporting.co.za/ar2017>.”

### Ordinary Resolution 8

#### Non-binding advisory vote on the implementation report as set out in the remuneration report of the Company

“Resolved that the shareholders endorse the implementation report as set out in the remuneration report of the Company, available online at <http://www.jsereporting.co.za/ar2017>.”

### Special Resolution 5

#### Proposed non-executive director emoluments for 2018

“Resolved that the Company be and is hereby authorised, in terms of section 66(9) of the Companies Act, to pay the emoluments as set out in this Special Resolution to its non-executive directors for their services as directors in respect of the period from 1 January 2018 to the date of the AGM of the Company to be held during 2019, plus any value-added tax (VAT) to the extent applicable.”

	Existing Fees 2017 ZAR	Proposed increase for 2018 ZAR	Proposed new fee for 2018 ZAR
Board Chairman	2 000 000	150 000	2 150 000
Non-executive director	325 000	20 000	345 000
Lead independent director	97 500	6 000	103 500
Group Audit Committee			
<i>Committee Chairman</i>	343 000	17 000	360 000
<i>Member</i>	160 000	10 000	170 000
Group Risk Management Committee			
<i>Committee Chairman</i>	280 000	20 000	300 000
<i>Member</i>	140 000	10 000	150 000
Group Human Resources Committee			
<i>Committee Chairman</i>	250 000	20 000	270 000
<i>Member</i>	125 000	10 000	135 000
Group Social & Ethics Committee			
<i>Committee Chairman</i>	200 000	20 000	220 000
<i>Member</i>	100 000	10 000	110 000
Group SRO Oversight Committee			
<i>Committee Chairman</i>	250 000	20 000	270 000
<i>Member</i>	125 000	10 000	135 000
Group Nominations Committee			
<i>Member</i>	60 000	5 000	65 000
<i>Ad hoc fee (per meeting)</i>	24 000	1 000	25 000

Average increase 7.1%

### Ordinary Resolution 10

#### Authorisation to implement resolutions

“Resolved that any one director of the Company or the Group Company Secretary be and are hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to implement all resolutions passed at the meeting at which this Ordinary Resolution 10 is considered.”

### Special Resolution 3

#### Specific authority to acquire shares for the purpose of the LTIS 2018

“Resolved that, subject to the passing of Ordinary Resolution 9:

- the JSE LTIS 2018 Trust be and is hereby authorised, by way of a specific authority for the purpose of section 48 of the Companies Act, the JSE Listings Requirements and article 9 of the Company’s memorandum of incorporation, to the extent applicable, to acquire on behalf of the LTIS 2018 participants from time to time in the open market at the then ruling price, no more than 4 320 000 (four million three hundred and twenty thousand) ordinary shares in the Company in aggregate during the period commencing 1 June 2018 and ending 31 December 2025, for the purposes of giving effect to LTIS 2018; and further
- for the duration of the LTIS 2018, to acquire for no consideration the ordinary shares in the Company forfeited by LTIS 2018 participants in terms of the Rules of the LTIS 2018 from time to time,

provided that the JSE LTIS 2018 Trust may not acquire securities in the Company in the open market during a prohibited period as defined in the JSE Listings Requirements.”

### Special Resolution 4

#### Specific financial assistance in respect of the LTIS 2018

“Resolved that the Company and its subsidiaries be and are hereby authorised, in terms of sections 44 and 45 of the Companies Act, for a period of two years from the passing of this Special Resolution, to provide direct and/or indirect financial assistance to the JSE LTIS 2018 Trust, and to the directors and prescribed officers of the Company or any of its subsidiaries participating in the LTIS 2018, for the purpose of and/or in connection with the acquisition of ordinary shares of the Company from time to time or otherwise, as may be required for the operation and administration of the LTIS 2018, subject to the provisions of the Companies Act.”



