

# Nedbank Limited and Nedbank Group Limited Board of Directors Charter



Secretary: Jackie Katzin

## 1. RELATIONSHIP WITH MEMORANDUM OF INCORPORATION (MOI) AND PURPOSE OF THIS CHARTER

This Charter, which is subordinate to the MoI and any regulatory requirements, serves as a guide to the performance by the directors of their duties in accordance with such requirements and the principles of good corporate governance, the appropriate legislative requirements and codes of conduct.

## 2. BOARD LEADERSHIP

The board provides leadership and vision to the Group that should enhance shareholder value and provide entrepreneurial leadership to the Group within a framework of prudent and effective controls which enables risk to be assessed and managed to ensure long-term sustainable development and growth.

### **Nedbank Group Limited and Nedbank Limited Board Composition**

A unitary board structure should be maintained comprising:

- a balance of non-executive and executive directors;
- a majority of non-executive directors, of whom a majority should be independent non-executive directors;
- membership that represents the demographics of South Africa; and
- a minimum of two executive directors, including the Chief Executive and the Chief Financial Officer.

### **Chair of the Board**

The Chair must not be an employee of the Group or a member of the Group Audit Committee or Group Risk and Capital Management Committee of Nedbank Group. The roles of the Chair and the Chief Executive must be separate, with a clearly accepted division of responsibilities.

### **Lead Independent Director**

The board shall appoint a lead independent director to compensate for the Chair of the Board who might not be independent and therefore free

of potential conflicts of interest. The primary function of the lead independent director is to provide assistance, including advice at any board or committee meetings, or at any other meeting of the group or at or in any consultation initiated by Chair of the Board or by any other director or the executive of the group and to chair meetings in the event the Chair is conflicted. The lead independent director will, if necessary, act as an intermediary between the chair and other members of the governing body.

## 3. MEMBERSHIP

Only persons who meet the Companies Act requirements may be appointed as directors, subject to the necessary regulatory approval(s).

### **Membership Attributes**

Members of the Board must:

- have a basic knowledge and understanding commensurate with the nature and scale of the conduct of the business of a bank and of the laws and customs governing the activities of such an institution;
- be able to perform their functions with diligence and care, and with such a degree of competence as can reasonably be expected from persons with their knowledge and experience;
- provide effective challenge to approving initiatives proposed by the Chief Executive and the Group Executive Committee (Group Exco) to meet the Group's medium and long-term strategic aims; and
- adhere to high ethical standards and corporate governance principles.

### **Size of the Board**

The Board should:

- be structured and be of a size that ensures the purpose, involvement, participation, harmony and sense of responsibility of the directors is not jeopardized and achieves the correct balance to achieve the group's strategic objectives;
- at least annually, consider whether or not its size, diversity, demographics and gender

representation is appropriate to ensure its effectiveness.

#### **Other appointments and Conflicts of Interest**

A director may accept other board appointments, provided that such appointments:

- do not conflict with the Group and/or adversely affect the director's duties;
- are discussed and agreed with the Chair; and
- are notified to Group Secretariat who in turn will notify the Prudential Authority.

#### **Rotation of Directors**

Directors must be rotated in accordance with relevant legislation and/or the Mol.

#### **Retirement**

Directors must retire, in the case of:

- executive directors, on their date of retirement from the Company on reaching the age of 60;
- non-executive directors, at the first AGM that follows their reaching the age of 70 or after 9 years of being on the board as a non-executive, unless agreed otherwise by the board.

At least one third of the directors should retire at the company's AGM or other general meeting, but may be re-elected, provided they are eligible and recommended through the Group Directors' Affairs Committee and/or the Board, taking into account past performance and contribution.

### **4. ROLE AND RESPONSIBILITIES**

The Board has ultimate accountability and responsibility for the performance and affairs of the company and group and to this end is responsible for:

- annually reviewing the Group's values to ensure it adheres to high standards of ethics and corporate behaviour, and ensuring that a Code of Conduct which addresses conflicts of interests, particularly relating to directors, is in place for this purpose and that establishes the tone and culture of the Group;
- annually reviewing the Group strategy and continually monitoring management's performance and implementation of such strategy

and satisfying itself that the Group is achieving its goals;

- ensuring that the necessary financial and capital resources are in place for the Group to meet its strategic objectives;
- reviewing the adequacy of the Group's systems of governance, risk and compliance controls to ensure that it complies with its legal and regulatory obligations and any codes of good practice and regulatory codes of practice applicable from time to time;
- reviewing and approving the Group's annual integrated report;
- ensuring that the Group has appropriate systems, including frameworks and policies, for the identification, measurement, control and reporting of all key risk areas and key performance indicators of the business;
- ensuring that risks that are of necessity taken in the conduct of business are managed in a prudent manner;
- safeguarding the interests of the Group's stakeholders, including its shareholders, employees, suppliers, customers and the environment and ensuring that the Group has a communication policy and communicates with its stakeholders openly and promptly;
- protecting the Group's financial position by reviewing the performance of the business of the Group on the basis of, inter alia, quarterly reports, monthly management accounts and analysis, the Chief Executive's reports, and reports provided by the committees of the Board, Group Exco and any other reports it may require to meet its responsibilities;
- ensuring that the financial statements fairly represent the affairs of the Group and contain proper disclosures in conformity with the law and to approve the annual and half-yearly financial statements, reports to shareholders, public announcements and the annual budget;
- establishing committees of the Board, their constitution and terms of reference, having regard to all Codes of Conduct and other governance and regulatory requirements;
- delegating the professional management of the Company to the Chief Executive and the Group Exco;

- reviewing the performance of the Group Exco members, the Chief Executive, the lead independent director and the Chair;
- monitoring the quality of reporting of the Chief Executive and Group Exco, including satisfying themselves about the integrity of information that is provided to them in this regard;
- reviewing remuneration policies and practices in general, including superannuation and incentive schemes for management and providing input into the appointment, succession planning and, where necessary, the removal of directors and, using advice from the Group Remuneration Committee, determining the appropriate levels of executive remuneration for the Chief Executive and Group Exco members.

## 5. STRUCTURE AND FUNCTIONS

The directors and board are entitled to have access, at reasonable times, to all company information; records, documents and property, but must keep all corporate information confidential and strictly observe the provisions of company law, the Mol and this Charter.

Non-executive directors have access to management and may meet separately with management, without the attendance of executive directors, provided this is agreed collectively by the board usually facilitated by the Chair of the Board or the Lead Independent Director.

In accordance with the provisions of Regulations 39(17), 39(18) and 40(4) of the Regulations to the Banks Act the directors must declare, within 120 days after the financial year-end, to the Prudential Authority that there is compliance with the matters referred to in paragraph 4 above.

Non-executive directors may, having discussed this with the Board Chair, the Lead Independent Director, or the Group Company Secretary in advance, obtain external legal or other independent professional advice at the cost of the Group and, with the approval of the Chair of the Board or Chair of the relevant board committee, may secure the attendance of outsiders with relevant experience and expertise at board or board committee meetings on matters within the scope of his/her duties if he/she considers this necessary.

Non-executive directors may request additional documentation from and/or additional meetings

with management from any of the executive directors or the Group Company Secretary.

### Matters reserved for the Board

Subject to compliance with all applicable regulations and the Mol the following matters are reserved for the Board and may not be delegated by it:

#### Financial

- approval of material changes to the accounting policies or practices of the Group;
- the declaration or recommendation of dividends by the Group;
- the raising of incremental borrowing facilities (other than in the ordinary course of business) involving amounts in excess of one billion rand or such other amounts determined by the board;
- the approval of annual financial statements, interim reports, the valuation of unlisted investments, and the forfeiture of unclaimed dividends and balances; and
- the recommendation to shareholders of any increase or reduction in or alteration to the share capital of the Company and the allotment, issue or other disposal of shares of the Company (except for shares allotted under any share incentive or BEE schemes).

### Statutory and Administrative

- changes to the Mol to be recommended to shareholders;
- the establishment of committees of the Board, their constitution and terms of reference;
- appointment, removal or replacement of the external auditors of the Company;
- frequency of meetings of the board;
- convening of general meetings of shareholders and approval of the notices and proxy forms of shareholders' meetings, ensuring that each item of special business is accompanied by a full explanation of the effects of any proposed resolutions;
- approval of recommended policies in respect of industrial relations;
- prosecution, defence or settlement of legal or arbitration proceedings, where material, except in the ordinary course of business;
- appointment of prescribed officers and responsible persons who may be required, in terms of any act of South Africa or elsewhere, in respect of the Company;
- approval of the rules of and the amendments to the Defined Benefit Pension and Provident funds having a material effect on the actuarial liabilities of those funds;
- granting of general signing authorities and changes thereto pursuant to the Mol;
- establishing any overseas branch, or duplicate register of shareholders of the Company;
- variation of the rights attached to shares where such powers are vested in the directors; and
- approval and amendment of the Company's Code of Ethics and other similar codes of corporate conduct and behaviour;
- approval of any agreements with controlling shareholders.

### Regulatory

- the approval of, and authority to issue, circulars to shareholders, of terms and conditions in respect of the Company's rights issues, public offers, capital issues or issues of convertible securities,

including shares, or convertible securities issued for acquisitions;

- the approval and authority to issue prospectuses, listing particulars, rights offer or takeover or merger documents;
- recommending to shareholders that they approve any ordinary or special resolutions or follow a particular course of action proposed by the Group;
- any decision to list the Company's shares on any stock exchange or to terminate any such listing.

### Human Resources matters

- appointments to, and removals from, the board, including the appointment of the Chair, Lead Independent Director, CE, executive directors and non-executive directors, and the approval of nominations for alternate directors (if any);
- the formulation of terms of reference for changes in the composition of the board;
- any changes to directors' fees as recommended by an independent committee of directors;
- the approval of any share incentive scheme, the rules applicable to any such scheme and any material amendment to such rules as recommended by the Group Remuneration Committee for submission to shareholders, if applicable; and
- the formulation of recommended policies in relation to equal-opportunity employment, the environment, health and safety and any such other policies relevant to the Company's primary stakeholders.
- on an annual basis to consider and review the succession planning for Group Executive Committee members

## Strategic issues

- approving the strategy, risk appetite, business plans and annual budgets and any subsequent material changes in strategic direction or material deviations in business plans;
- considering or approving any material departure from strategic objectives and policies, including significant realignments of business in which the group operates or is invested;
- considering or approving any major transactions outside the ordinary course of the Company's business;
- evaluating all key assumptions and business indicators on which the Company's strategic objectives and policies are based;
- considering and reviewing all important policies regulating the Company's relations with its primary stakeholders and significant issues arising from these relationships; and
- the acquisition of a foreign strategic interest, regardless of size or value, in a licensed financial services related company operating in a country in which Nedbank is not present, (Note: The board may delegate this authority to a committee of the Board mandated for that purpose).

## 6. BOARD COMMITTEES AND RISK MANAGEMENT

The Board must establish and set the terms of reference including the tenure for the following committees, all of which report to the Group Board:

- Group Audit Committee,
- Group Risk and Capital Management Committee
- Group Credit Committee
- Large-exposures Approval Committee
- Group Information Technology Committee
- Group Remuneration Committee
- Group Transformation, Social and Ethics Committee
- Group Related-party Transactions Committee
- Group Climate Resilience Committee

- Group Directors' Affairs Committee, and
- any other committee which is necessary for the proper and effective management of the Group.

Every member of the board is entitled to attend any committee meeting as an observer.

### ***Delegation to and authority of Board Committees***

Certain matters are reserved for the Board (see 5 above). In discharging its responsibilities, the board and any committees appointed by it must have regard to all applicable regulatory requirement and also the King IV Codes of Governance

The Board delegates certain responsibilities for overseeing the management of the Group to certain Committees who are vested with all the powers and duties of the main board and should conduct their proceedings in accordance with the provisions of this charter and:

- act independently of management;
- receive such reports as it believes are necessary and appropriate to ensure that it is able to fully and properly acquit themselves of its roles and responsibilities;
- have a relationship with, and may communicate into, the Group Audit Committee; and
- have the right of direct access to all regulators and to such officers or its subsidiaries as it deems necessary.

Committees are authorised to:

- investigate any and all activity within their terms of reference;
- seek any information or data it reasonably requires from any employee and all employees are directed to co-operate with any request made by the Committee;
- establish sub-committees on an ad hoc basis to review in detail, investigate or otherwise address any issue, and then report back to itself.

Chairs of Committees must:



- have direct, unfettered access to the Chair of the Board;
- account and report to the Board on the Committee's activities; and
- make recommendations as appropriate on any matters arising.

## 7. SECRETARIAL

### **Company Secretary**

The Board must approve the appointment, removal or replacement of the Company Secretary and provide him/her with the necessary authority and status to enable him/her properly to fulfil the duties proposed.

### **Secretary of Meetings**

The Secretary appointed by the Board or Committee, must:

- ensure that the content of the agenda of meetings accords with the charter, best practice and regulatory requirements;
- keep appropriate records, minutes and a record of decisions made, which must be signed by the Chair of that meeting; and
- circulate minutes to all members.

## 8. MEETINGS

### **Proceedings**

Except under exceptional circumstances, at least 3 business days' notice must be given of a meeting of the Board or a Committee. Such notice should, where possible, include the agenda and any supporting papers. Meetings and proceedings of the Board and its Committees are governed by the Mol, and in the absence of any relevant provision in the Mol, the provisions of this Charter will apply.

Discussions will be open and constructive. The Chair of the Board or Committee must seek consensus but may, where considered necessary, call for a vote. Discussions and records must remain confidential, unless a specific directive to the contrary is received from the board.

The Board or Committee has sole authority over its agenda. However, any director may request the addition of an item to the agenda. The agenda must be controlled through the Chair of the Board or Committee.

At the start of each Board meeting, at the request of the Chair, all board members must declare any actual and/or potential conflict of interest with matters to be considered at that meeting. Member's declarations must be minuted.

Each board member is responsible for being satisfied that, objectively, he or she has been furnished with all the relevant information and facts before making a decision.

### **Attendance**

Directors and committee members must:

- use their best endeavours to attend scheduled meetings in person or via teleconference;
- prepare thoroughly for all matters to be considered at meetings;
- participate fully, frankly and constructively in discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the meetings;
- advise the Chair of the meeting at an earlier date, and confirm in writing with the Committee Secretary, if they are unable to attend meetings;
- In addition to the appointed members, other directors, executive management or any other persons may be required to attend meetings.

### **Frequency**

Meetings are to be held at such venue and at such time as the Board or Committee deems appropriate. The Board of Directors should meet at least 6 times a year, and other committees quarterly, or as required. The Chair of the Board, Lead Independent Director or Committee may convene a meeting at any time at his/her discretion.

### **Quorum**

The quorum for Nedbank Limited and Nedbank Group Limited board meetings is a majority of directors. Refer to Addenda J1 and J2 for details of board committee quorums.

## 9. SHAREHOLDER RELATIONSHIP

The board must evaluate economic, political, social and legal issues on a regular basis, as well as any other relevant external matters that may influence or affect the development of the business or interests of shareholders in order to familiarise itself with the issues of concern to

shareholders. Having conducted such evaluation the board should develop a strategy and suitable policies about how to manage its relations with each of the stakeholder groups.

The board must encourage shareholders to attend annual general meetings and other meetings of shareholders. All directors should be encouraged to attend these meetings, and at least the following should be present: Chief Executive Officer, Chair of the Board, Lead Independent Director, Chief Operating Officer, Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer, Chairs of the board committees, and any director at the specific request of the Chair of the Board.

## 10. CORPORATE GOVERNANCE

The board must ensure that an adequate and effective system of corporate governance is established maintained and reviewed, and that there is substantial compliance with provisions of King IV and Regulation 39 of the Banks Act. The corporate governance system must:

- be consistent with the nature, complexity and risk inherent in the bank's on-balance sheet and off-balance sheet activities and that responds to changes in the bank's environment and conditions.
- assessed, reviewed and documented, at least once a year, by Nedbank Group Limited Enterprise Governance and Compliance and the external auditors and report their findings to the board.

## 11. REMUNERATION

The remuneration of the directors must be reviewed by the remuneration committee and a detailed report including the Company's remuneration policy must be published in the annual report. Non-executive director's fees must be approved by the Company in a general meeting. Directors' remuneration and fees are deemed to accrue from day to day.

### Non-executive directors

Non-executive directors are entitled to receive a basic fee as ordinary remuneration and additional remuneration for services rendered as the Chair or, member of a committee or, for any special

service as a director.

### Chair of the Board and Lead Independent director

The Chair and the Lead Independent Director shall be paid a level of fees appropriate to their office, which must be reviewed annually by the remuneration committee.

### Executive directors

Executive directors shall not receive any fees in addition other than in accordance with the Company's Mol and their service/employment contracts.

## 12. PROFESSIONAL OR BUSINESS SERVICES PROVIDED BY DIRECTORS

Professional or business services:

- should generally not be provided by directors on an ongoing basis;
- could be, for the purpose of a particular assignment engage the services of a director in his or her specific field of expertise;
- should be competitive, clearly recorded, and all legal requirements with regard to disclosure have to be complied with.

## 13. SHAREHOLDING BY DIRECTORS

Directors must observe all regulatory, policy and procedural requirements for the buying or selling of shares. Non-executive directors should limit their shareholding to a level which would not impair their independence. The Remuneration Committee must regularly review incentive schemes to ensure their continued contribution to shareholder value.

Shareholders should approve in advance all long-term share-based and other incentive schemes or any substantive changes to existing schemes.

The Chair of the Board and non-executive directors should not receive incentive awards geared to share price or corporate performance.

## 14. BOARD EVALUATIONS

The Board must, each year, critically evaluate its composition, performance, processes and procedures to ensure that they are designed to

assist the board in effectively fulfilling its role. Guidance in terms of King IV must be adopted as a minimum.

Individual directors must be evaluated by the Chair of the Board, who must discuss responses with each director.

The position of the Chair of the Board must be discussed with the Lead Independent Director via a review with the non-executive directors.

The Chief Executive's position must be discussed with the Chair of the Board and the non-executive directors.

In terms of King IV the independence of non-executive directors must be considered by the board on an annual basis and in doing must be guided by King IV and any other applicable codes of good practice.

## **15. INDUCTION OF NEW DIRECTORS AND TRAINING FOR SERVING BOARD MEMBERS**

- Directors must:
- receive essential board and company information;
- keep themselves abreast of changes and trends in the business and the Company's environment and markets, and in the economic, political, social and legal climate in general;
- ensure that they attend, on a regular basis, courses, conferences and seminars, to ensure that they keep abreast of changes and trends in the economic, political, social and legal climate, in particular regarding:
  - their statutory and regulatory obligations;
  - their ethical obligations; and
  - items constituting good operational practice.

Newly appointed directors must attend an induction programme aimed at achieving an understanding of the Company, its business, its environment, its markets and risks.