

Group Credit Committee Charter



Secretary: Anmol Singh

Addendum F

1 Introduction and goals

The Group Credit Committee (GCC) is appointed by the Nedbank Group Limited Board (board) to perform the functions set out in this charter and enable Nedbank Group (group) to:

- meet its credit risk management requirements and obligations under the Bank's Act (BA), 94 of 1990, and its regulations; and
- comply with credit risk policies, procedures, processes and practices.

2 Delegation and authority

The board delegates its responsibility and authority, but not accountability, for credit risk management to the GCC in terms of section 72(1)(b) of the Companies Act, 71 of 2008.

The GCC:

- has scope and authority that extends to all activities in the group where there is credit risk; and
- must ensure that Group Credit Risk (GCR):
 - remains functionally independent from the personnel and management functions of clusters and business units that are responsible for the origination of credit exposures; and
 - is headed by a person who, with the approval of the South African Reserve Bank Prudential Authority (SARB PA), reports directly to the Chief Risk Officer (CRO).

Without in any way abrogating its responsibilities the GCC will rely on the work and reporting of cluster credit committees (CCCs), Executive Credit Committee (ECC), Group Risk Analytics (GRA), Group Credit Risk (GCR), Group Internal Audit (GIA) and External Auditors.

3 Roles and responsibilities

The GCC helps the board set credit policy, monitors compliance with that policy, monitors credit risk in the group, and oversees and approves changes to the Advanced Internal Ratings-based (AIRB) system.

To ensure its proper functioning of the GCC, the following applies:

- The GCC has a monitoring and approval responsibility.
- The functions listed in the next sections are the usual activities of the GCC.
- This charter serves as a guide and does not prevent the GCC from carrying out extra functions and adopting extra measures as may be appropriate in the light of changing business, regulatory, strategic, risk or other conditions, or anything related to credit risk management.

4 Approval functions

4.1 Policies, limits and mandates

The GCC must approve the following:

- Level 1 group credit policies, mandates and philosophy.
- The setting of credit limits and guidelines for CCCs as reflected in the Group Credit Risk Management Framework (GCRMF).
- The appropriateness of the credit risk appetite metrics.
- Changes to the credit risk appetite, including the articulation of and tolerance for credit risk across the group.
- The credit risk governance framework in Nedbank Africa Regions (NAR).
- The charters of CCCs and subsidiaries in the group that take on credit or counterparty credit risk.
- The GCC will approve the ECC Charter that is recommended by Group Exco, annually.
- Upgrade on model based NGR ratings by more than 5 rating grades

4.2 Advanced Internal Ratings-based System

The GCC must approve the following:

- Level 1 group AIRB policies connected to or related to new models and material changes to the AIRB system.
- Approval of the AIRB Credit Risk Framework and policies of the group, including any changes to them.

4.3 Impairments

The GCC must approve the following:

- Level 1 group policies related to IFRS 9 impairments and impairment model validations.
- The adequacy of impairments (including overlays) as proposed by the CCCs and reviewed by GCR twice a year.
- The group IFRS 9 impairment figures, together with the macroeconomic forecasts used to calculate them. As the approval is retrospective, any difference that arises between the proposed and approved impairments may require an overlay.

4.4 Credit Risk Weighted Assets

The GCC must approve the following:

- The adequacy of credit risk weighted assets as proposed on a bi-annual basis
The forecast of credit risk weighted assets three times per annum

5 Monitoring functions

The GCC must review and/or monitor the following:

- The procedures and processes in place to manage and control credit risk.
- The credit portfolio, credit risk information and disclosures of the group.
- The effective implementation, maintenance and performance of the AIRB system of the bank as well as its effectiveness and output, including validations performed of the AIRB models.
- Group credit policies, credit mandates, limits and guidelines.
- The appropriateness and effectiveness of the GCRMF, including the adequacy of credit personnel and the composition of credit committees in the clusters and subsidiaries as recommended by the CRO and GCR.
- The charters of the ECC, CCCs and subsidiaries in the group.
- The appropriateness and effectiveness of credit risk governance for all subsidiaries that grant credit, including the Isle of Man and NAR, in line with the Nedbank Group Operating Manual (GOM) (chapter 1–7). The CCC attestations of the subsidiary will include a confirmation that the governance structures are adhered to, as approved by the GCC and in line with the GOM, and any breaches will be reported to the GCC. Further assurance will be obtained through the independent reviews performed by the Nedbank credit team and GIA.
- The credit risk appetite, including reasons for credit risk appetite metrics being above or below the target ranges set by the GCC.
- The trends in asset and portfolio composition, quality and growth, defaulted loans, risk-based pricing, Nedbank-owned Properties (NOPs), intragroup and related-party lending and concentration risk exposures, and the directing of action accordingly when deemed necessary.
- The credit risk management information and Watch List, Large Exposures, Prudential Guidelines and any other risk concentrations as specified from time to time.
- The SARB PA BA 200 series reporting process and graphs.
- The guidance given by business regarding specific industries, geographical locations and clients.

The GCC must monitor and promote sound credit practice areas across the group to ensure the following:

- The establishment and maintenance of an appropriate credit risk management environment.
- The establishment of best risk practices, standards and

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adequate controls for the effective and efficient management of credit risk.

- Proper assessment of asset quality and the adequacy of impairments and reserves.
- Adequate disclosure of credit risk, including appropriate reporting systems and processes.
- A proper analysis of current and future capital requirements in relation to strategic lending goals.

The GCC is responsible for ensuring that the credit committees of the subsidiaries (also for alliances and joint ventures, where provided for in the agreements) have the correct policies, procedures, processes, practices, and people in place to ensure the following:

- The monitoring process adopted by the underlying credit committee is adequate and aligned with Nedbank requirements.
- The impairments, which are reviewed by the underlying credit committee in discharging their responsibilities, are adequate.
- The concerns raised by the underlying credit committee in discharging their responsibilities are dealt with.
- Facilities are monitored in relation to group exposures.

6 Coordinated assurance

The GCC must ensure that the principles of coordinated assurance (CA) have been embedded and that:

- planned assurance activities across all lines of defence (LOD) cover the significant credit risk matters of the group effectively;
- CA plans (coordinated by the chief credit officer) are challenged and approved to ensure sufficient coverage; and
- outcomes of CA activities are reported timeously and considered to enable effective decision-making.

7 Climate risk

The GCC must monitor the climate impact on the lending book, in line with the Climate Risk Management Framework. In this regard, the function of the GCC includes the following:

- To set climate-related credit limits/ risk appetite, in line with the climate risk appetite set by the climate risk committee.
- To monitor climate-related credit risks against the limits/ risk appetite set by the GCC.
- To confirm procedures are in place to manage, control and price credit risk (climate funding).
- to monitor the credit impact resulting from climate change (eg risk of stranded assets).
- To ensure the SEMS process is firmly embedded within the credit process. The SEMS managers will provide feedback in line with GCC requests to monitor the risk.
- To monitor key climate-related risks within the lending facilities.
- To monitor the Thermal Coal Dashboard before it is disclosed in the annual external reports, in accordance with the Level 1 Thermal Coal Policy.
- To monitor and review the incorporation of key climate-related risks and opportunities within the calculation of RWA relating to Credit Risk.

8 General matters

The GCC has authority to deal with matters not referred to in this charter and that are related to the specific functions and powers outlined in this charter and that the GCC could reasonably be expected to deal with in order to discharge its obligations.

9 Procedure

At each meeting of the GCC time must be allotted during which the directors, in the absence of management, may consider and make decisions on any matters raised during the meeting.

10 Large-exposures Approval Committee

All approvals by the Large-exposures Approval Committee (LEAC) remain reserved for the board and the GCC must exercise only a monitoring function in respect of them. If the GCC or a director serving as a member of the GCC becomes aware of any information that may affect any LEAC approval either positively or negatively, it or they must communicate that information to the board as soon as possible.