

### 1 INTRODUCTION

The Group Risk and Capital Management Committee (GRCMC) is appointed and authorised by the board in terms of Section 72(1)(b) of the Companies Act and is required to discharge all the functions set out in Section 64A of the Banks Act and the regulations thereto.

### 2 OBJECTIVES:

The objectives of the Committee are to enable the Board to achieve its responsibilities in relation to the Group's:

- 2.1 identification, assessment, control, management, reporting and remediation of all categories of the risks listed below
- 2.2 adherence to internal risk management policies, procedures, processes, and practices
- 2.3 independent oversight of the adequacy and effectiveness of the enterprise risk management framework (ERMF).

### 3 RISK UNIVERSE

With regard to the identification, assessment, and management of risks the GRCMC shall monitor in-scope risks as described in the ERMF as follows:

- 3.1 Liquidity & Funding risks
- 3.2 Operational risk (including operational risks related to inadequate or failed processes, people, systems, legal risk, and external events)
- 3.3 Insurance risk
- 3.4 Capital risk
- 3.5 Market risks [including trading market risks, derivatives, interest rate risk in the banking book, currency translation risk, equity investment risk, and property market risk [all risks that are reported at Group Assets and Liabilities Management and Executive Risk Committee (ALCO)]
- 3.6 Conduct risk
- 3.7 Financial crime risks [Anti-Money Laundering, Combatting Financing of Terrorism and related activities, Countering Proliferation Financing (CPF) and related activities and Sanctions (AML, CFT, CPF & Sanctions) risks, Cyber risk, Fraud, Corruption and Violent Crime risks and Exchange Control risk]
- 3.8 Regulatory risk
- 3.9 Concentration risk (relevant to in-scope risk types)

### 4 RISK EXCLUDED FROM SCOPE

The risks not directly covered by this committee (also refer section 5.7 for the working relationship with other committees) include:

- 4.1 Accounting, Financial and Taxation risks
- 4.2 Information Technology risk
- 4.3 Credit and Credit Concentration risks
- 4.4 Compliance and Governance risks
- 4.5 Reputational risk
- 4.6 Transformational, Social and Environmental risks (including Climate Risk), and
- 4.7 People risk. (Refer to 3.2 Operational risk for the coverage of the people component within Operational risk)

### 5 RESPONSIBILITIES

The Committee has a monitoring and decision-making responsibility. The functions listed below shall be the common recurring activities of the committee in discharging its mandate. This charter serves as a guide and does not prevent the committee from carrying out such additional functions and adopt such additional measures as may be appropriate in the light of changing business, regulatory, strategic, risk or other conditions.

The GRCMC shall at a minimum exercise oversight on those risks listed in the Risk Universe which shall include the consideration, assessment, recommendation and making of decisions relating to:

#### 5.1 Risk Function

- 5.1.1 ensuring the establishment of an independent Group risk management function, including the international activities of that group, the head of which shall act as the reference point pertaining to all aspects relating to risk management within the Group
- 5.1.2 including the responsibility to arrange training of members of the Board in the different risk areas that the Group and banking entities are exposed to.

#### 5.2 Oversight of Overall Risk Management

- 5.2.1 monitoring the implementation and ongoing maintenance of the Group's Enterprise-wide Risk Management Framework, including effective consolidated and conglomerate supervision across the Group, and the



- adoption of best practice in risk management to ensure risk is properly identified, evaluated/measured, managed and monitored on an on-going basis;
- 5.2.2 identification of any build up and concentration of the various risks, including emerging risks, to which the Group and banking entities are actually or potentially exposed;
- 5.2.3 development of a risk mitigation strategy to ensure that the Group and banking entities manage the risks in an optimal manner;
- 5.2.4 ensuring that a formal risk assessment is undertaken at least annually and to monitor that the Enterprise-wide Risk Management and operational risk assessment methodology is implemented, maintained, and reported effectively throughout the Group;
- 5.2.5 identifying and regularly monitoring all key risks to ensure that the decision-making capabilities and accuracy of its reporting is maintained at a high level.

### 5.3 Policy and Communication

- 5.3.1 evaluating the adequacy, effectiveness and efficiency of the risk policies, principles, procedures, practices and controls applied within the Group and banking entities in the day-to-day management of business;
- 5.3.2 reviewing and approval of group-level risk policies and methods;
- 5.3.3 introducing measures which in the Committee's opinion serve to enhance the adequacy, efficiency and effectiveness of the risk management policies, principles, procedures, practices, and controls applied within the Group and banking entities;
- 5.3.4 facilitating and promoting communication of risk related matters between the Board and executive management of the Group.

### 5.4 Capital Management and Related Risks

- 5.4.1 ensuring the Group and bank establishes and maintains an Internal Capital Adequacy Assessment Process (ICAAP) whereby:
- 5.4.1.1 policies and procedures exist to ensure the bank and controlling company identifies, measures, and reports all material risks;
- 5.4.1.2 a comprehensive process is in place that:
- 5.4.1.2.1 relates capital to risk
- 5.4.1.2.2 approves actual year-end Risk Weighted Assets (RWA) in line with the recommendation or approval of the responsible risk committees and notes forecasted RWA;

- 5.4.1.2.3 sets capital adequacy goals with respect to risk, taking account of the bank's strategic focus and business plans
- 5.4.1.3 ensuring that the Group's insurance entities establish and maintain a risk based Own Risk and Solvency Assessment (ORSA) as contained in the Prudential Standards promulgated under the Insurance Act.
- 5.4.2 ensuring that the bank establishes and maintains an Internal Liquidity Adequacy Assessment Process (ILAAP).
- 5.4.3 monitoring the adequacy of the asset and liability management and, capital management processes in the Group;
- 5.4.4 ensuring that the Group effectively manages and understands the nature and level of banking and trading books market risks.
- 5.4.5 review and recommend to the Board group-level risk appetite, limits and authority levels;
- 5.4.6 ensuring that the bank establishes and maintains a Recovery Plan (RP) in support of Resolution Planning.

### 5.5 Management Information and Reporting

Monitor that adequate and reliable risk management information is furnished which enables the committee to:

- 5.5.1 ensure that a strong risk culture is maintained in the bank and the risk management function is independent;
- 5.5.2 understand all the risks listed in the risk universe including compliance with risk appetite, limits and authority levels and the strategy to deal with abnormal events/ issues;
- 5.5.3 effectively manage risk in the Group, to formulate an opinion thereon and to adequately understand the issues involved;
- 5.5.4 review and make recommendations to the board and other committees on all risk related matters;
- 5.5.5 review the adequacy of the regulatory reporting processes, consider the content of any related regulatory reports and the adequacy of management action to resolve issues identified;
- 5.5.6 consider corrective steps taken by management to address risk issues and the implementation of risk management enhancements;
- 5.5.7 review the relevant items from the Group's Key Issues Control Log Report and ensure effective and timely action is taken by management;
- 5.5.8 co-ordinate the monitoring of risk management on a groupwide basis.



## 5.6 Education and Training

5.6.1 The GRCMC shall provide its members with annual continuing education opportunities and customised training focusing on risk management, risk governance and risk oversight.

## 5.7 Other

5.7.1 Make such recommendations with regard to any of the matters listed above and other matters as it deems necessary or appropriate for the effective management of risks and in particular:

5.7.2 perform such other functions as may be:

5.7.2.1 required by the Financial Sector Regulation Bill, in the process of implementing the Twin Peaks model.

5.7.2.2 prescribed by the South African Reserve Bank ("SARB") Prudential Authority ("PA") from time to time in the Regulations relating to Banks;

5.7.2.3 directed by the board or required by regulations over and above the South African Bank's Act, 94 of 1990 as amended ("Banks Act");

5.7.2.4 prescribed by the Financial Sector Conduct Authority (FSCA) from time to time in the Conduct of Financial Institution (COFI) Bill Long Term and Short-Term Insurance Acts;

5.7.2.5 prescribed by the FSCA in the Financial Markets Act, including the criteria for the authorisation of over-the-counter derivative providers.

5.7.3 meet as required with the regulators and separately with the external auditors;

5.7.4 any Board member may meet separately with the External Auditors or Group Chief Risk Officer;

5.7.5 understand the implications and requirements, review plans and monitor implementation of any new group regulatory programme relating to risk types within the scope of this committee;

5.7.6 work closely with the Nedbank Group Remuneration Committee ("Remco") in the evaluation of the incentives created by the compensation system and the principles and standards of the Basel Committee on Banking Supervision regarding remuneration matters that are now or may become applicable;

5.7.7 work closely with the Directors' Affairs Committee (DAC) when the risk types within the scope of this committee will have an impact on governance and compliance risks and reputational risk;

5.7.8 work closely with the Group Audit Committee (GAC) when the risk types within the scope of this committee will have an impact on the Accounting, Financial and Taxation risks;

5.7.9 work closely with the Group Information Technology Committee (GITCO) when the risk types within the scope of this committee will have an impact on technology risk;

5.7.10 for the external whistle blowing hotline is produced to enable the effective management of risk in the Group, for an opinion thereon to be formed and to adequately understand the issues involved and that mitigating actions are put in place to enhance internal controls where necessary.