

# Voluntary disclosure: Our approach to compliance risk management

Ref: Sarie Webster, 2024



**NEDBANK**

**We are committed to preserving our reputation, financial soundness, and integrity through compliance with regulatory requirements. In support of this commitment, we identify, assess, manage, monitor and report compliance risks associated with our business activities.**

## Definition of 'compliance risk'

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or reputational loss that we may suffer if we do not comply with regulatory requirements. Regulatory requirements are requirements set by laws, regulations, or supervisory bodies with which Nedbank Group and its subsidiaries must comply as well as industry codes with which the group and its subsidiaries may voluntarily comply.

## Nedbank Compliance Policy

The Nedbank Compliance Policy (NCP) formalises and documents our approach to managing compliance risk in line with regulatory requirements that impact us.

The NCP is based on the following:

The provisions and regulations of the Banks Act, 94 of 1990. Prudential Standard GOI 3: Risk Management and Internal Controls for Insurers.

Generally accepted industry standards for compliance risk management, supported by the Compliance Institute Southern Africa.

The NCP is closely aligned with the Contact with Regulators Policy, which deals with the management of our regulatory relationships. We strive to have transparent relationships and to maintain open and clear dialogue with regulators. Other policies associated with the NCP include the Enterprise-wide Risk Management Framework; the Employee Code of Ethics and Conduct; the Personal-account Trading Policy; the Privacy Policy; and the Risk and Governance Requirements for Products Policy.

Other policies are also in place to ensure compliance with specific regulatory requirements, such as the Policy for Anti-money laundering and Combating the Financing of Terrorist and Related Activities, and Sanctions.

The NCP defines the compliance responsibilities of the board, executive management, the compliance function and our employees.

Other subjects that the NCP covers include the following:

- The independence of the compliance function.
- A compliance framework, with detailed compliance procedures.
- Authority of the compliance function and its access to the boards and all business units.
- The compliance culture.
- Escalation and reporting of material compliance matters.

- Principles of handling compliance findings.
- Principles of managing regulatory relationships.
- Consequences of deviation from the policy.
- The process to help us understand and assess the effect of regulatory changes regarding how we do business and manage the internalisation of these changes.

## Compliance risk appetite

The group ensures that appropriate controls are in place to comply with regulatory requirements and has no appetite for material non-compliance with regulatory requirements.

## How the policy is monitored and reported on

The Group Chief Compliance Officer (GCCO), who reports directly to the Chief Executive, is responsible for formulating and implementing the NCP. Implementation is achieved by developing compliance manuals in line with the Compliance Risk Management Framework (CRMF).

The GCCO, as part of the second line of defence, monitors the business and its compliance officers to ensure that the policy, manuals, and methodologies are applied consistently so that compliance risks can be identified, assessed, managed, monitored, and escalated uniformly.

The GCCO is invited to meetings of the board and its subcommittees and ensures the appropriate tone from this level, as well as the implementation and monitoring of interventions that communicate the importance of all employees managing compliance risk. The Directors' Affairs Committee (DAC) maintains oversight of the CRMF and the compliance function in Nedbank. The GCCO reports on the level of compliance with regulatory requirements to the DAC, as prescribed by the Banks Act. Group Internal Audit undertakes independent reviews of the CRMF, including the policy, manuals, and the compliance function itself.

## Management's approach

Consistent with the requirements of the Banks Act, the NCP emphasises the importance of culture in managing compliance risk. Management is instrumental in creating a culture that embraces the role of compliance and understands the compliance role of management. This ensures that compliance requirements are operationalised effectively, and that business is conducted in a manner consistent with applicable regulatory requirements. It also ensures that our ethical standards and values are maintained and adhered to.

Management, as the first line of defence, is the owner of compliance risk and performs its duties by doing the following:

- Ensuring that compliance risks are identified, assessed, controlled, monitored, and reported consistently and in line with compliance risk management processes.
- Operationalising compliance into policies, procedures, and processes.
- Establishing, maintaining, and monitoring the system of internal controls relating to, among others, compliance risk.

# Voluntary disclosure: Our approach to compliance risk management

Ref: Sarie Webster, 2024



**NEDBANK**

- Remediating non-compliance.
- Being involved in activities that support the continuous enhancement of the compliance culture.
- Ensuring that the compliance function has adequate resources and stature.

## **Responsibilities of employees**

All employees are responsible for complying with all applicable regulatory requirements in performing their everyday duties. Employees must always act ethically with honesty, integrity and in the best interest of the group, and comply with the Employee Code of Ethics and Conduct.

## **Role of the compliance function**

The compliance function fulfils the role of an adviser to the business, helping it anticipate, interpret, and apply regulatory requirements and in doing so, enabling business to do business. Compliance also performs independent second-line reviews to assure senior management and the board of the level of compliance risk management within Nedbank.