



**NEDBANK  
GROUP**

# CREATING VALUE BY USING OUR FINANCIAL EXPERTISE TO DO GOOD.

## GOVERNANCE AND ETHICS REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2019

GOV

see money differently

# CONTENTS

## 1 GOVERNANCE REVIEW

- 1 Introduction
- 1 Our governance philosophy
- 1 Nedbank Group structure
- 1 Effective and ethical leadership
- 2 Leading the way to value creation through good governance
- 5 Board of directors
- 8 Effective control
- 9 Group Audit Committee
- 10 Group Risk and Capital Management Committee
- 11 Group Remuneration Committee
- 12 Group Information Technology Committee
- 13 Group Transformation, Social and Ethics Committee
- 14 Group Credit Committee
- 15 Group Related-party Transactions Committee
- 16 Group Director's Affairs Committee
- 20 Good performance and legitimacy
- 30 Group Governance Framework

## 32 ETHICS REVIEW

- 32 Our culture of ethics
- 33 Governance of Ethics Framework
- 34 Governance structures
- 35 Ethics management
- 38 Our commitment to uphold human rights in business
- 41 The year in review
- 41 Focus on 2020 onwards
- 42 Our purpose lived through ethics, values and human rights
- 42 Nedbank Sustainable Development Framework
- 42 Our employee value proposition



### Covid-19

At the time of publishing, many governments were implementing emergency measures to curb the spread of the virus, including a full lockdown in SA. At Nedbank, we are working tirelessly to ensure that we do all we can to ensure stakeholders are prepared to deal with this escalating challenge. Our primary focus is on the health and safety of our staff alongside the continuous and uninterrupted provision of worldclass banking and other financial services to our clients.



Please refer to [nedbank.co.za](http://nedbank.co.za) or our 2019 Integrated Report for further details on our response.

Our integrated report is supplemented by our full suite of online publications, which caters for the diverse needs of our broad stakeholder base as part of our comprehensive integrated reporting. These can be accessed on our group website at [nedbankgroup.co.za](http://nedbankgroup.co.za).



### INTEGRATED REPORT 2019



### FINANCIAL AND RISK MANAGEMENT REPORTING

- Results booklet and presentation
- Nedbank Group Annual Financial Statements
- Pillar 3 Risk and Capital Management Report
- Tax Report



### SUSTAINABLE DEVELOPMENT REPORTING

- Sustainable Development Review
- Stakeholder Engagement Report
- People Report
- Transformation Report and BBBEE certificate
- Global Reporting Initiative Standards
- ESG disclosures



### GOVERNANCE REPORTING

- Governance and Ethics Review
- Director and executive profiles
- Remuneration Report
- Key policies



### SHAREHOLDER INFORMATION

- Notice of 53rd AGM
- Form of proxy
- Shareholding profile

# GOVERNANCE REVIEW

## INTRODUCTION

This Governance Review, which has been approved by the board, is provided to inform our stakeholders and interested parties how Nedbank Group is governed and how we responded to governance developments during the year. These developments, informed by changes in regulatory requirements and stakeholder demands, included, among others, a limit on the number of boards a director may serve on, digital transformation requiring boards to review and enhance board skills, and increased pressure on boards to make decisions that are not only good for business, but for the environment as well.

## OUR GOVERNANCE PHILOSOPHY

At Nedbank we are committed to the highest standards of governance, ethics and integrity. We embrace worldclass banking practices and robust institutional governance and risk frameworks to ensure our banking services are secure, fair and stable. We constantly review these practices and frameworks, being mindful of the dynamic landscape, influenced by, among others, cultural shifts in the workplace, digital trends such as artificial intelligence, geopolitics, enhanced data safety and security requirements, and climate change risks, to ensure that we act in the best interests of our stakeholders while remaining ahead of our targets. We believe that good governance contributes to living our values through enhanced accountability, strong risk and performance management, transparency and effective leadership.

## NEDBANK GROUP STRUCTURE

Good governance practices are integrated across the Nedbank Group.

As a parent company Nedbank Group Limited strives to exercise appropriate governance oversight over its subsidiaries while acknowledging and respecting their independence and the legal and governance responsibilities that apply to each subsidiary.

Our board is accountable for approving and providing oversight of the governance processes and frameworks, and our executive management is responsible for implementing policies and procedures through which governance occurs within the organisation.

## EFFECTIVE AND ETHICAL LEADERSHIP

### Nedbank board structure and composition

Nedbank Group Limited's unitary board comprised 11 independent directors, two non-executive directors and three executive directors at 31 December 2019.

Our board of directors continues to provide prudent leadership and strategic guidance to safeguard stakeholder value creation within a framework of robust and effective controls. This makes it possible to assess and manage emerging risks and opportunities continuously to ensure long-term sustainable development and growth. The board retains ultimate accountability and responsibility for the performance and affairs of the company and ensures that the group adheres to high standards of ethical behaviour.

There is a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

Both our board and our group executive management strive to create maximum shared value by delivering on our purpose and ensuring the relevance and sustainability of the business model by monitoring the macro environment, the availability and quantity of capital inputs, and stakeholder needs, all of which inform the strategy of the group.

This strategy, delivered through our strategic focus areas, enables the group to maintain focus in conducting operations underpinned by good governance, and at the same time deliver our financial targets.

Aligned with best-practice governance, our board comprises an independent Chairman, Vassi Naidoo, a Lead Independent Director, Mpho Makwana, our Chief Executive (CE), Mike Brown, and an appropriate number of directors. Our board's diverse knowledge, skills, experience and independence enable varied but balanced perspectives to be brought into board discussions and decisionmaking.

Our Group Executive Committee (Group Exco) assists our CE to manage the group.

## LEADING THE WAY FOR VALUE CREATION THROUGH GOOD GOVERNANCE

The board and group executive strive to create maximum shared value by delivering on our purpose and ensuring the relevance and sustainability of the business model by monitoring the macro environment, the availability and quality of capital input, and stakeholder needs, all of which inform the strategy of the group. This strategy delivered through our strategic focus areas, enable the group to maintain focus in conducting operations underpinned by good governance, and at the same time deliver our financial targets.

### OUR GOVERNANCE PHILOSOPHY IV

Banks are expected to adapt to regulatory changes quickly, which means we have to entrench good governance practices, while retaining the flexibility to respond proactively to the fast-changing regulatory environment. However, governance within Nedbank Group entails far more than legislative compliance and best-practice principles.

### RISK MANAGEMENT IV

Risk management is fundamental to Nedbank's strategy and the business of banking. The pervasiveness of risk in financial services means that the board considers risk management as an integral part of our strategy. The board, through the Group Risk and Capital Management Committee, governs risks across the bank's Enterprisewide Risk Management Framework (ERMF), which includes the risk strategy, policies, procedures, limits and exposures, among others. Our risk strategy focuses on the new era of risk and the opportunities and threats in a radically changing landscape of banking. Consequently, the risk universe covered by Nedbank has grown exponentially over the past few years and now includes the new C-suite of risks: client/competitor risk, change risk, cyberrisk, conduct and culture risk, and criminality risk, in addition to the ever-important traditional risks such as credit risk, operational risk, market risk, liquidity risk and capital risk.

#### Our top five risks updated for the impact of the Covid-19 pandemic:

- 1 Business (global and country) risk
- 2 People and operational risk
- 3 Liquidity risk
- 4 Credit risk
- 5 Capital risk

 Read more about our top 12 risks on pages 63 to 64 of the 2019 Nedbank Group Integrated Report and in our Pillar 3 Risk and Capital Management Report at [nedbankgroup.co.za](http://nedbankgroup.co.za).

### VALUES-DRIVEN OBJECTIVES OF OUR BOARD ROOTED IN KING IV PRINCIPLES IV

Nedbank is committed to the highest standards of governance, ethics and integrity.

The board's governance oversight is guided by its commitment to its responsibilities and governance objectives. The objectives provide a mechanism to measure and evaluate performance in applying the King IV principles and outcomes.

#### Leadership, ethics and corporate citizenship

The board will set the tone and lead the group ethically, effectively and responsibly. This means that, in decisionmaking, individual boardmembers act with independence, inclusivity, competence, diligence and courage, and with the necessary awareness, insight and information. The board will ensure that the group plays a key role in society as a major employer, taxpayer, skills provider and facilitator of economic growth, to name a few. (Principles 1 to 3.)

#### Strategy, performance and reporting

The board will take accountability for the performance of the group. In so doing, the board will support the group in setting its purpose and achieving its strategic objectives. Information related to required disclosures will be contained in, among others, the Integrated Report and other supplementary reports available at [nedbankgroup.co.za](http://nedbankgroup.co.za). (Principles 4 and 5.)

#### Governance structures and delegation

The board continues to provide guidance and oversight to the group on the management of compliance risk, remuneration governance, as well as the enterprisewide risk management function, which fully support good governance practices. Strategies are in place for technology enhancements through both Managed Evolution execution and the Digital Fast Lane, ensuring separate governance structures for information technology. (Principles 6 to 10.)

#### Governance of functional areas

The board will provide leadership and vision to the group. This ensures sustainable growth and delivery on our purpose for the benefit of all stakeholders of the group. (Principles 11 to 15.)

#### Stakeholder relationships

The board will ensure a stakeholder-inclusive approach. (Principles 16 and 17.)

### VALUES AND CULTURE IV

Governance is supported by the tone at the top, and the board and management strive to lead by example. We regularly review our tone and ethical culture in the context of our strategy, the new world of work and digital transformation of financial services. Group Exco is driving and enabling the new leadership mindset and capabilities required to manage and thrive in an agile, digital, innovative, fast-paced, client-centred and competitive environment.

### BOARD INDEPENDENCE IV

The Chairman and the majority of Nedbank's boardmembers are independent directors, which is in compliance with King IV and global best-practice governance.

An independent board committee, the Group Related-party Transactions Committee, chaired by our Lead Independent Director, is in place to consider, review, evaluate and provide oversight over related-party transactions to ensure the transactions are fair and in the best interest of Nedbank.



## COLLECTIVE RESPONSIBILITIES OF THE BOARD

IV

The board works to fulfil the primary governing roles and responsibilities recommended in the King IV Report, namely to:

- set and steer strategic direction;
- approve policy and planning;
- provide oversight and monitoring; and
- ensure accountability.

In doing so the board has committed to fulfilling the following responsibilities:

- Delegate management of the group to a competent executive management team.
- Ensure that a robust strategy process is defined and executed by management.
- Oversee the management of technology and information as two separate elements.
- Ensure compliance with appropriate legislation (including regulations), supervisory codes and appropriate best practices.
- Govern disclosures so that stakeholders can effectively assess the performance of the group.
- Protect the interests of the group's stakeholders and ensure fair, responsible and transparent people practices.
- Oversee the risk management function and ensure that it informs management's development and implementation of the strategy.

## ENGAGING WITH THE BUSINESS ON STRATEGIC MATTERS

IV

Although the board maintains its independence, it is important for it to have a deep understanding of the business by investigating, monitoring and engaging with management on multiple levels:

- In addition to the three executive boardmembers, the other 11 Group Exco members with the Nedbank Board, serve on various board committees and engage in strategy sessions and other specific matters such as results presentations.
- Following the annual strategy session between the board and Group Exco, the board debates and approves the strategy framework, group business plan and relevant risk appetites. Our key focus areas remain traction in client experiences enabled by technology and people; transactional and main-banked client growth; cost containment, particularly driven through digitisation; competitive pressures; organisational change through people and brand; and technology acceleration, strategic portfolio tilt and social compacting.
- The board conducts onsite visits to various bank operations and business units, and attends operational meetings from time to time, while one-on-one meetings may be requested by individual directors.
- A monthly CE Report provides the board with comprehensive feedback on the performance of the business across various disciplines, including finance, client activities, risk management and staff performance.
- There is interaction between the board and our stakeholders and boardmembers are invited to selected client functions, eg the Chairman and Lead Independent Director hold an annual governance roadshow.



## CONFLICT OF INTEREST

IV

A director or prescribed officer is prohibited from using their position, or confidential or price-sensitive information, to the benefit of themselves or any related third-party whether financially or otherwise. Directors and officers are also required to inform the board timeously of conflicts of interest or potential conflicts of interest, that they may have in relation to particular items of business or other directorships.

Comprehensive registers of individual directors' interests in and outside the company are maintained and updated and signed by the directors, with details noted by the board at each board meeting.

## SIZE OF BOARD AND SELECTION PROCESS

IV

The board is a size that ensures that the purpose, involvement, participation, harmony and sense of responsibility of the directors are not jeopardised and that it achieves the correct balance to realise the group's strategic objectives. The board annually considers whether or not its size, diversity, demographics and gender representation are appropriate to ensure its effectiveness.

# GOVERNANCE REVIEW

continued

## Number of directors

We believe that our board, currently at 15 members, has the capacity to ensure that their purpose, involvement, participation, harmony and sense of responsibility are not jeopardised and that the correct balance is achieved to realise the group's strategic objectives. Furthermore, the size of our board, influenced by the demands of a rather vast and complex banking industry, enables the board to have enough members for our eight board committees, of which four are statutory. The statutory committees are: Group Audit Committee, Group Risk and Capital Management Committee, Group Directors' Affairs Committee, and Group Transformation, Social and Ethics Committee. This provides the board and management with reasonable capacity, protection and time to guide the group's strategy.

## Leadership of the board

The primary role of our Chairman is to provide leadership to the Nedbank Board, set the tone for its performance and undertake the management thereof. Our Chairman regularly engages with boardmembers, both as a collective and separately with the non-executive directors through one-on-one meetings, as well as at regular non-executive director meetings to maintain the collegiality among the directors.

The Chairman also considers and recommends the CE's remuneration to the Group Remuneration Committee and Nedbank Group Board.

In the absence of the Chairman, our Lead Independent Director leads the board. He acts as intermediary between the Chairman and other members of the board, if necessary, and chair discussions and decisionmaking by the board on matters where the Chairman has a conflict of interest. He also leads the performance appraisal of the Chairman.

## Independence

The board assesses the independence of our directors on appointment and continuously during their tenure. Each director provides an annual attestation of their interests, conflicts and independence and is presented with an opportunity to declare their interests throughout the year.

None of our directors have an interest in Nedbank that exceeds 5% of the group's total number of shares in issue, or which is material to their personal wealth. Only executive directors participate in the group's share incentive/option scheme.

A director may accept other board appointments, provided that any potential conflicts are considered and appropriately disclosed and managed, and the appointments do not conflict with the group and/or adversely affect the director's duties. The proposed board appointment must also be agreed with the Chairman prior to the director accepting such appointment. To ensure that Nedbank directors are able to devote sufficient time to their responsibilities, a boardmember may hold the position of director on no more than five (including the Nedbank boards) listed and/or significant unlisted operating boards, with the relevant director's circumstances and the nature, scale and complexity of the respective directorships being taken into account. Directorships held in non-profit companies, private investment companies or non-operating subsidiaries are excluded from this requirement.

## Diversity (females and minorities)

We pride ourselves that the Nedbank Board is among the most representative in the SA banking sector. Our board annually considers whether its size, diversity, demographics and gender representation are appropriate to ensure its effectiveness. Currently there are four black females, seven black males and four white males on the board. Our board is satisfied with its composition as it relates to, size, diversity and demographics.

## Tenure

With regard to tenure, any non-executive director in office for a period of nine years is required to retire from the board. Should the board resolve that the director should remain a member of the board after nine years, the director will be considered to be a non-executive director, but not independent.

Joel Netshitenzhe has been on the board for over nine years and retires at the conclusion of the Nedbank Group annual general meeting (AGM) on 22 May 2020.

## Balance of knowledge, skills, experience

We are satisfied that our directors have the necessary qualifications, 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.

Our boardmembers perform their functions with diligence, care and competence as may reasonably be expected from persons with their knowledge and experience. They provide effective challenges when approving initiatives and adhere to high ethical standards and corporate governance principles.

The board has a robust succession planning process which is considered during the course of the year. In the past three years the board strengthened its skills composition with more retail banking, investment banking, other financial services such as insurance, large corporates, accounting and auditing, HR, strategic planning, mining, resources and infrastructure, innovation and digital, IT, doing business in emerging economies, innovation, cyberresilience and environment and climate expertise.

Furthermore, our board ensures that the arrangements for delegation within its own structures promote independent judgement and assist with a balance of power and the effective discharge of our board's duties.

# GOVERNANCE REVIEW

continued

## Nedbank board composition

The Nedbank Group Board is diverse in demographics, skills and experience and 73% of the directors are independent non-executive directors. Below are the details of our board and our Exco for the financial year 2019.

### Nedbank Group Limited Board

IV

## BOARD OF DIRECTORS

Independent non-executive



**VASSI NAIDOO** <sup>65</sup>  
**Chairman: Nedbank Group and Nedbank Limited**  
 4 years on the board





**MPHO MAKWANA** <sup>49</sup>  
**Lead Independent Director**  
**Chair: DAC, GRPTC, GTSEC**  
 8 years on the board





**HUBERT BRODY** <sup>55</sup>  
**Chair: Remco**  
 2 years on the board





**BRIAN DAMES** <sup>54</sup>  
 5 years on the board





**NEO DONGWANA** <sup>47</sup>  
 2 years on the board





**ERROL KRUGER** <sup>62</sup>  
**Chair: GRCMC, GCC**  
 3 years on the board





**LINDA MAKALIMA** <sup>51</sup>  
 2 years on the board





**TSHILIDZI MARWALA** <sup>48</sup>  
 < 1 year on the board





**MANTSIKA MATOOANE** <sup>44</sup>  
**Chair: GITCO**  
 5 years on the board





**JOEL NETSHITENZHE** <sup>63</sup>  
 9 years on the board



Non-executive



**STANLEY SUBRAMONEY** <sup>61</sup>  
**Chair: GAC**  
 4 years on the board





**ROB LEITH** <sup>57</sup>  
 3 years on the board



Executive



**MIKE BROWN** <sup>53</sup>  
**Chief Executive**  
 15 years on the board





**RAISIBE MORATHI** <sup>50</sup>  
**CFO**  
 10 years on the board





**MFUNDO NKUHLU** <sup>53</sup>  
**COO**  
 5 years on the board



Non-executive directors are given no fixed term of appointment, and all directors are subject to retirement by rotation in terms of the company's memorandum of incorporation. An executive director is required to retire from the board at age 60 unless otherwise agreed by the board.

Executive directors are subject to six-month notice periods. This excludes the CE, who is subject to a 12-month notice period. Executive directors are discouraged from holding significant directorships outside the group.

**Board changes since 52nd AGM**  
**Additions** Prof Tshilidzi Marwala  
**Retirement** Malcolm Wyman (2019), **Resignation:** Peter Moyo (2020)

**Board nominees for 53rd AGM on 22 May 2020**  
**Election** Prof Tshilidzi Marwala  
**Reelection** Hubert Brody, Errol Kruger, Linda Makalima, Mpho Makwana, Mantsika Matooane

YOUR VOTE IS NEEDED ON

Director elections

Board representation as at 31 March 2020.

# GOVERNANCE REVIEW

continued

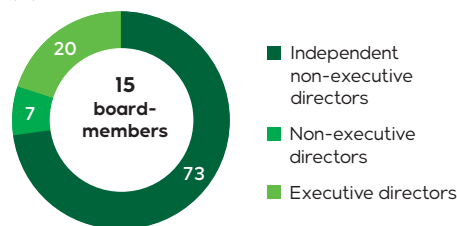
## 2019 DIRECTORS' BOARD MEETING ATTENDANCE

Director	NGL	NL
Vassi Naidoo*	7/8	6/7
Paul Makwana	8/8	7/7
Hubert Brody	8/8	7/7
Brian Dames	7/8	6/7
Neo Dongwana	8/8	7/7
Errol Kruger	8/8	7/7
Linda Makalima	7/8	6/7
Tshilidzi Marwala	5/5	4/4
Mantsika Matookane	8/8	7/7
Joel Netshitenzhe	8/8	7/7
Stanley Subramoney	8/8	7/7
Rob Leith	8/8	7/7
Peter Moyo*	3/8	3/7
Mike Brown	8/8	7/7
Raisibe Morathi	8/8	7/7
Mfundo Nkuhlu	8/8	7/7
<b>Total attendance</b>	<b>94%</b>	<b>94%</b>

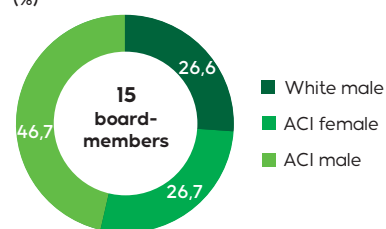
\* Vassi Naidoo was unable to attend the Nedbank Limited and Nedbank Group Limited board meetings held on 10 May 2019 due to a family matter that arose the previous evening. The Lead Independent Director chaired the board meetings in his absence.

\*\* Peter Moyo (a nominee director) was nominated to the Nedbank Limited and Nedbank Group Limited boards by Old Mutual Limited (OML) in terms of the Nedbank Group/OML Relationship Agreement. Following his suspension as Chief Executive of OML by OML in 2019, he tendered his apologies for Nedbank board meetings.

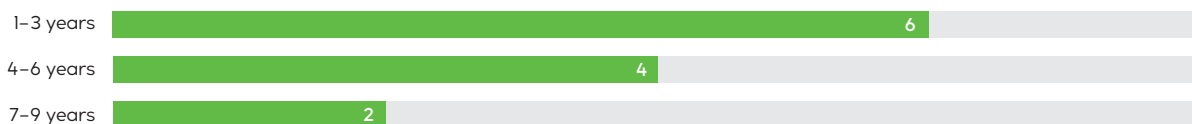
## INDEPENDENCE PROTECTING THE INTERESTS OF ALL STAKEHOLDERS (%)



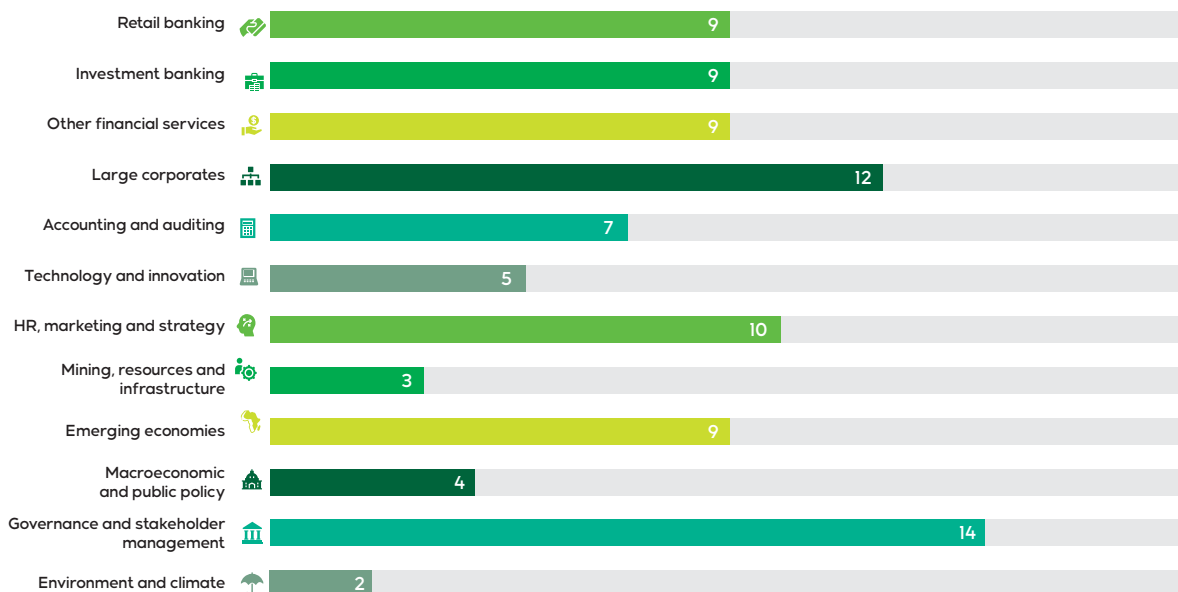
## BOARD DEMOGRAPHICS RELEVANT IN A TRANSFORMING SOCIETY (%)



## INDEPENDENT AND NON-EXECUTIVE DIRECTORS: TIME ON BOARD – A BLEND OF EXPERIENCE AND NEW INSIGHTS



## BOARD SKILLS AND EXPERIENCE



# GOVERNANCE REVIEW

continued

## Our group executive committee

The Nedbank Group Exco is a diverse and experienced management team that comprises the Chief Executive (CE), Chief Operating Officer (COO), Chief Financial Officer (CFO) and 11 other members of top management.



**MIKE BROWN** <sup>53</sup>  
**CE**  
 Exco member since: 17 June 2004  
 Appointed CE: March 2010  
 26 years' service at Nedbank

**RAISIBE MORATHI** <sup>50</sup>  
**CFO**  
 Exco member since: 1 September 2009  
 10 years' service at Nedbank

**MFUNDO NKUHLU** <sup>53</sup>  
**COO**  
 Exco member since: 1 December 2008  
 15 years' service at Nedbank

## Get to know our new Group Exco members



**TERENCE SIBIYA** <sup>50</sup>  
**Group Managing Executive: Nedbank Africa Regions**  
 Exco member since: 1 April 2020  
 8 years' service at Nedbank  
**Qualifications:**  
 • BSc (Information and Decision Systems) *Carnegie Mellon University*  
 • MEd and EdD in Instructional Systems Design and Information Technology *University of Pittsburgh*  
 • Advanced Management Programme *Duke University*

**Recent roles:**  
 Prior to starting his current role in 2018, Terence was the Managing Executive: Client Coverage in Nedbank CIB.

**ANÉL BOSMAN** <sup>53</sup>  
**Group Managing Executive: CIB**  
 Exco member since: 1 April 2020  
 18 years' service at Nedbank  
**Qualifications:**  
 • BCom (Econometrics) (Hons) (cum laude) *University of Johannesburg*  
 • MPhil (Economics) *University of Cambridge*

**Recent roles:**  
 In 2015, Anél was appointed as Managing Executive for Nedbank CIB Markets, with responsibility for all trading activities in Nedbank as well as wholesale funding.

**BRIAN KENNEDY** <sup>60</sup>  
**Group Managing Executive: CIB**  
 Exco member since: 14 November 2003  
 23 years' service at Nedbank



**CIKO THOMAS** <sup>51</sup>  
**Group Managing Executive: RBB**  
 Exco member since: 18 January 2010  
 9 years' service at Nedbank



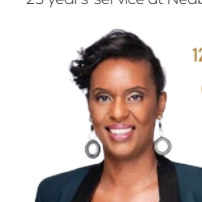
**IOLANDA RUGGIERO** <sup>49</sup>  
**Group Managing Executive: Wealth**  
 Exco member since: 1 May 2015  
 16 years' service at Nedbank



**TREVOR ADAMS** <sup>57</sup>  
**Chief Risk Officer**  
 Exco member since: 5 August 2009  
 23 years' service at Nedbank



**MIKE DAVIS** <sup>48</sup>  
**Group Executive: Balance Sheet Management**  
 Exco member since: 1 January 2015  
 23 years' service at Nedbank



**DEB FULLER** <sup>47</sup>  
**Group Executive: Group HR**  
 Exco member since: 25 June 2018  
 1 year's service at Nedbank



Our nine prioritised SDGs are allocated to Group Exco members who champion groupwide responses to the SDGs.

Refer to pages 82 and 83 for our progress on sustainable development finance.



**ANNA ISAAC** <sup>50</sup>  
**Group Chief Compliance Officer**  
 Exco member since: 1 January 2019  
 22 years' service at Nedbank



**PRIYA NAIDOO** <sup>46</sup>  
**Group Executive: Strategy**  
 Exco member since: 1 January 2015  
 18 years' service at Nedbank

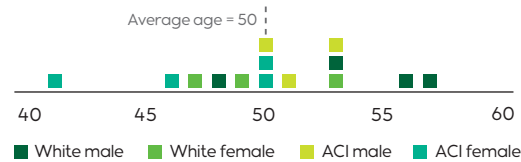


**KHENSANI NOBANDA** <sup>41</sup>  
**Group Executive: Group Marketing and Corporate Affairs**  
 Exco member since: 15 May 2018  
 2 years' service at Nedbank



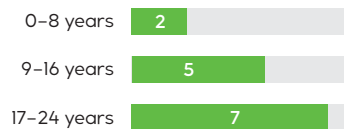
**FRED SWANEPOEL** <sup>56</sup>  
**Chief Information Officer**  
 Exco member since: 1 November 2008  
 23 years' service at Nedbank

### GROUP EXCO AGE<sup>1,2</sup> (Years)



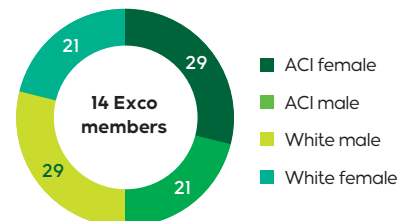
**Nedbank policy:** Group Exco members must retire on reaching the age of 60.

### GROUP EXCO TENURE AT BANK<sup>2</sup> (Number of Exco members)



More than 214 years of combined service.

### GROUP EXCO DEMOGRAPHICS<sup>2</sup> (%)



**Group Exco changes:** **Additions:** Anna Isaac (January 2019), Anél Bosman (1 April 2020) and Terence Sibiya (1 April 2020)

**Retirement:** Brian Kennedy (end-March 2020)

<sup>1</sup> Age as at 31 March 2020.

<sup>2</sup> Group Exco statistics exclude Brian Kennedy. Brian retired at the end of March 2020, however he will continue to serve as special advisor to CIB until September 2020 in the context of the current environment.

## EFFECTIVE CONTROL

### Roles and responsibilities

The board discharges its corporate governance responsibilities in respect of the oversight of the appointing and succession planning of directors; the oversight of the effectiveness of the organisation's assurance functions and combined assurance; risk governance; compliance governance; technology and information governance; remuneration governance; oversight of organisational ethics; responsible corporate citizenship; sustainable development; and stakeholder relationships, through delegation, to dedicated board committees.

The Board Charter serves as a guide for 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 applicable codes of conduct. It outlines and informs the board of directors' roles and responsibilities, the establishment of board committees and delegation of authority to those board committees.

The board discharges its responsibilities within a clearly defined governance framework, which informs the robust mechanisms of our governance best practices and provides clear direction for decisionmaking in the group. Through this framework the board, without abdicating its responsibilities, delegates and discharges its governance responsibilities to specific board committees, the CE and subsidiary boards.

The board establishes and sets the charters of the board committees, which provides for the composition, roles, delegation of authority and responsibilities of each of the board committees listed below, all of which reports on its activities to the board.

The board has established eight board committees, namely the Group Audit Committee; Group Risk and Capital Management Committee; Group Remuneration Committee; Group Information Technology Committee; Group Transformation, Social and Ethics Committee; Group Credit Committee; Group Related-party Transactions Committee; and Group Directors' Affairs Committee.

The board is satisfied that the board committees are aligned with King IV and the statutory committees are aligned with the Companies Act, 71 of 2008, and Banks Act, 94 of 1990, where relevant. During the year the composition of the committees was as indicated below and these committees under the leadership of the respective independent non-executive chairmen, supported by executive management focused on the matters listed under the respective committee reports.

### Setting the board agenda

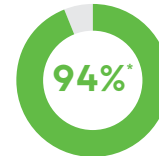
The board and board committees set the annual workplan and agree the agenda for each meeting with the chairmen. In terms of the Board Charter, the board of directors should meet at least six times a year and all the other board committees at least quarterly or as required. The board and board committees maintain an agenda matrix, which is aligned with the board and relevant board committee charters to ensure that all matters that the board and board committees are responsible for, are responded to during the year. Every director is free and is encouraged to contribute in setting the agenda.

The board believes that board papers, which accompanies the agenda, provide the directors with the relevant information needed to place them in a position to apply their independent mind properly to the matters at hand to discharge their statutory and fiduciary duties. Therefore, the level of detail required in board papers should be counterbalanced against providing unnecessary information. With the view to ensure that best-practice governance standards are continuously applied, the Group Directors' Affairs Committee embarked on an exercise to review the content of the board agenda and board papers.

Details of the committee's considerations during 2019 and focus areas for 2020 are covered in the following reports by the chairman of each committee. In addition, we also provide the board's meeting attendance register on page 31 of this report, which indicates how well the board and committee meetings were attended. For 2019 the total attendance was 94%.

During 2019 the following board committees operated within Nedbank Group:

### BOARD MEETING ATTENDANCE



\* 97%, excluding Peter Moyo

Total number of board and board committee meetings **47**

## GROUP AUDIT COMMITTEE (GAC)

The fundamental role of the GAC is to assist the board in effecting its oversight responsibilities in the areas of internal and external audit, internal financial controls and financial reporting. While formal meetings of the GAC are at the heart of the chair's work, our contact goes beyond the boardroom through engaging with various stakeholders, including meetings with the auditors (internal and external), working closely with other board subcommittees and achieving synergies across our coordinated assurance process.

**Stanley Subramoney**  
(Chair)



### Ensuring and protecting value in 2019

- Monitored the transition and onboarding of the newly appointed audit firm Ernst & Young.
- Considered and recommended to shareholders the appointment of Deloitte & Touche and Ernst & Young as external auditors for the 2020 financial year.
- Monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence.
- Approved the external auditors' 2019 audit plan and related scope of work, confirming suitable reliance on Group Internal Audit and the appropriateness of key audit risks identified.
- Continued to monitor reputational-risk concerns related to the external auditors and received regular updates from the external audit firms' senior leadership.
- Reviewed the findings and recommendations of the external auditors and confirmed that there were no material unresolved matters.
- Reviewed the 2019 audited Annual Financial Statements and related disclosures and recommended them to the board for approval.
- Reviewed reports from management, the Chief Internal Auditor and the external auditors, and considered the effectiveness of the internal financial controls.
- Ensured that Group Internal Audit performs an independent assurance function and monitored the effectiveness of the Group Internal Audit function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation.
- Monitored and challenged, where appropriate, actions taken by management regarding adverse internal-audit findings.
- Assessed compliance with all statutory requirements in terms of the Companies Act of 2008, King IV, JSE Listings Requirements and any other applicable regulatory requirements and confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005.

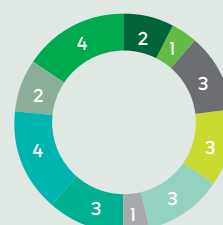
### Focus for 2020 and beyond

- Continue focus on ensuring that the group's financial systems, processes and internal financial controls are operating effectively.
- Ensure, through the Chairman's College of Audit Committee Chairs, that there is meaningful engagement between the GAC chair and the chairs of subsidiary audit committees.
- Monitor the accounting implications arising from hyperinflation accounting in Nedbank Zimbabwe and accounting implications from the significant investment in ETI.
- Review and consideration of management's plans in respect of future changes to the International Financial Reporting Standards (IFRS) and other regulations, most notably: IFRS 17: Insurance contracts, which replaces the current limited guidance contained in IFRS 4: Insurance contracts.
- Monitor the implementation of the amended JSE listing requirements, in particular the requirements regarding internal financial controls.
- Continue to monitor the requirements arising from MAFR that will require Deloitte & Touche to rotate after the 2023 financial year-end.
- Continue to monitor audit firm rotation at a subsidiary level.

Members	Board status	Years on the committee
Hubert Brody	Independent non-executive	2
Neo Dongwana	Independent non-executive	2
Errol Kruger	Independent non-executive	1
<b>Stanley Subramoney (Chair)</b>	<b>Independent non-executive</b>	<b>4</b>

Independent members 100%

### SKILLS AND EXPERIENCE



- Retail banking
- Investment banking
- Other financial services
- Large corporates
- Accounting and auditing
- Technology and innovation
- HR, marketing and strategy
- Mining, resource and infrastructure
- Emerging economies
- Macroeconomic and public policy
- Governance and stakeholder management
- Environment and climate

### Stakeholders



### Top 12 risks

- 1 Business (global and country) risk
- 2 People and operational risk
- 3 Liquidity risk
- 4 Credit risk
- 5 Regulatory, accounting and compliance risk
- 6 Reputational (and association) risk
- 7 Cyberrisk
- 8 Regulatory, accounting and compliance risk
- 9 Reputational (and association) risk
- 10 Regulatory, accounting and compliance risk
- 11 Reputational (and association) risk
- 12 Reputational (and association) risk

# GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE (GRCMC)

The GRCMC remains focused on Nedbank's organisational resilience in this everexpanding risk universe, with traditional risks such as credit, market, operational, capital and liquidity risks being impacted by externally driven trends. These trends include adverse geopolitical and macroeconomic risks as well as the new major C-Suite risks, ie cyber, conduct, crime/corruption, change, climate and Covid-19 risks. Nedbank is also faced with the Abnormal Regulatory Change Agenda, the Fourth Industrial Revolution and change risks linked to internal programmes

**Errol Kruger**  
(Chair)



## Organisational resilience in 2019

- Monitored Nedbank's risk universe heatmap and risk trends, together with the key issues control log and the Chief Risk Officer's top-of-mind reports, and spent extra time on oversight of various thematics which included, inter alia:
  - Cyberresilience, including independent benchmarking
  - AML, CFT and Sanctions
  - Conduct risk
  - Climate risks
  - Market risk management
  - Nedbank Africa Regions
  - People risk (operational risk)
- Oversight of nine of the 17 key risks in Nedbank's ERMF, namely:
  - Concentration risk
  - Financial crime risk
  - Operational risk
  - Liquidity and funding risks
  - Capital risk
  - Market risk
  - Regulatory risk
  - Conduct risk
  - Insurance risk
- Reviewed reporting thereon across all the three Lines of Defence in Nedbank's Risk Governance structure (Line 1: Business; Line 2: Independent Group Risk; Line 3: Independent Assurance from Internal Audit and External Audit).
- Ensured Nedbank's ERMF remained 'fit for purpose' including monitoring the evolution/maturity of the newer major non-financial (or C-Suite) risks and other emerging risks.
- Monitored that the board-approved 2019 Risk Strategy and Risk Appetite (per 2019-2021 Group Business Plan), and top 10 risks (for 2019) were successfully managed in all material respects.
- Encouraged management's evolution of combined assurance (or at Nedbank we call it 'coordinated assurance').
- Reviewed Nedbank's Balance Sheet Management risks, in particular oversight of the sound outcomes across Capital Management, Liquidity and Funding, and Interest Rate Risk in the Banking Book.
- Reviewed and approved the annual Internal Capital and Liquidity Adequacy Assessment Processes (ICAAP and ILAAP), and associated stress and scenario testing outcomes. The stress and scenario testing results assist GRCMC to understand, and appropriately respond to, possible variations in Nedbank's forecast earnings, impairments, liquidity and capital positions in mild, high and severe stress macroeconomic environments, and specifically chosen other plausible stress-related events.
- Oversight of Nedbank's R4,0bn Regulatory Change Programme, including, among others, AML, CFT and sanctions, Risk Data Aggregation and Risk Reporting (BCBS 239), market conduct, and the fundamental review of the trading book.
- Oversaw the progress relating to the digitisation of risk, audit and compliance across the enterprise (Digi-RACE). In line with the Fourth Industrial Revolution and Nedbank's strategy and information technology, Managed Evolution and Digital Fast Lane initiatives, Digi-RACE was launched. The vision of Digi-RACE is to deliver magical moments to our clients impacted by risk, regulation and compliance, win and maintain clients' trust and improve operational excellence within risk, audit and compliance across the enterprise.

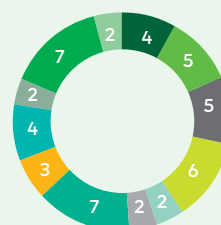
## Key focus areas for 2020

- In the wake of challenging external macroeconomic and geopolitical environments and (including volatile financial markets), a thematic on the balance sheet management risks and stress/scenario testing, including Nedbank's strategic portfolio tilt V2.0 and risk appetite.
  - Key to this will also be the 2020 ICAAP and ILAAP.
- Updated thematics on AML, CFT and sanctions, cyber, climate and conduct risks, together with a special focus on 'Are we changing safely in the Fourth Industrial Revolution?' (strategic execution risk) and the fast-emerging digital/technology risks, and so ultimately organisational resilience.
- Continue to watch closely the risk universe heatmap and changing risk trends or new emerging risks and management's response.
- Implementation of the 2020 Risk Strategy and Risk Management Plan (part of the 2020-2022 Group Business Plan), alongside the board-approved risk appetite.
- Oversee and manage the impact of the Market Crisis 2020/Covid-19 with specific focus on how these events affect Nedbank's top 12 risks. This will include concentrated efforts on the health and safety of staff (and clients), operational resilience, people risks as well as capital and liquidity risks.
- Monitor completion (in all material respects) of Nedbank's current Regulatory Change Programme by end 2020.
- Oversee progress on Digi-RACE.

Members	Board status	Years on the committee
Mike Brown	Executive	5
Rob Leith	Non-executive	3
Brain Dames	Independent non-executive	1
<b>Errol Kruger, (Chair)</b>	<b>Independent non-executive</b>	<b>3</b>
Linda Makalima	Independent non-executive	1
Mpho Makwana	Independent non-executive	1
Joel Netshitenzhe	Independent non-executive	9

Independent members 71%

## SKILLS AND EXPERIENCE



- Retail banking
- Investment banking
- Other financial services
- Large corporates
- Accounting and auditing
- Technology and innovation
- HR, marketing and strategy
- Mining, resource and infrastructure
- Emerging economies
- Macroeconomic and public policy
- Governance and stakeholder management
- Environment and climate

## Stakeholders



## Top 12 risks

- Business (global and country) risk
- People and operational risk
- Liquidity risk
- Credit risk
- Capital risk
- Market risk
- Cyber risk
- Regulatory, accounting and compliance risk
- Conduct risk
- Strategic execution risk
- Climate risks

## GROUP REMUNERATION COMMITTEE (REMCO)

Our Group Remco is mandated by the board to oversee and govern all aspects of remuneration and operates according to an approved charter. The committee is satisfied that it has fulfilled the requirements of its charter and that the objectives of the Remuneration Policy have been met, without material deviation.

**Hubert Brody**  
(Chair)



### Ensuring and protecting value in 2019

- Reviewed the corporate performance targets (CPTs) of the long-term incentive plan. This was informed by shareholder feedback at the 2019 annual governance roadshow. From 2020 onwards a cost-to-income CPT will replace both the strategic initiative targets, namely the 'Benefits from the Target Operating Model (TOM)' and the 'Growing the transactional banking franchise' CPT.
- Reviewed the findings of the external independent review of the Remuneration Policy and its implementation. The findings remain positive, providing comfort that our remuneration practices are in accordance with the policy and that the policy is aligned with applicable legislation and regulation.
- Approved management proposals to transfer the remaining unallocated shares in the Black Management and Executive Trusts to the Nedbank Foundation, commencing in 2021. Subject to trustee approval, these shares will remain for the benefit of Black People and for the support of the YES programme and similar initiatives.
- Ensured fair pay outcomes. In 2019 a more extensive exercise was conducted to provide higher comfort that remuneration differentials can be reasonably explained and justified on appropriate grounds. The Committee was satisfied with the outcome of this exercise.
- Reviewed the annual reports of the Chief Risk Officer and Group Internal Audit, after approval at the Group Risk and Capital Management Committee. The Committee was satisfied that there were no risk or financial performance issues in 2019 to warrant a downward risk adjustment to either the proposed STI or the LTI pools, nor were there any issues to warrant the implementation of malus and clawback.
- Approved the Remuneration Policy, ensuring it continued to meet changing legislative and regulatory requirements.
- Approved the overall remuneration increases for all staff, as well as remuneration proposals for the Chief Executive and Group Exco members.
- Approved the STI pool and STIs of executives, as well as the LTI allocation percentages and awards.

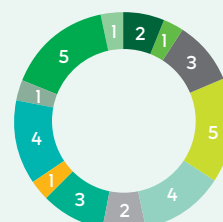
### Focus for 2020 and beyond

- Staffmembers at cluster and Group Exco level will not receive an increase in their 'guaranteed package' (GP) in the 2020 annual pay review. Furthermore, the overall budget for GP spend at non-bargaining unit staffmembers below cluster Exco level will be limited to 4% in the 2020 annual pay review.
- GP increases for staffmembers at the bargaining-unit level effective April 2020 have been agreed with SASBO at 6.3%.
- Continued dialogue with stakeholders, ensuring the relevance and appropriateness of the Remuneration Policy in achieving our strategic objectives.
- Ensuring that the implementation of remuneration is in accordance with the Remuneration Policy.
- The continued fulfilment of the requirements of the Remco charter.
- A repositioning of our employee benefit offering ensuring alignment with the People Promise.
- Ensure the Remuneration Policy and resultant outcomes support our strategic objectives and are appropriate in the environment of unprecedented health, safety and economic challenges that arose during early 2020 as a result of Covid-19 challenges. The duration, nature and extent of these challenges are uncertain at this time. However, as the group pivots its strategy in response to the new economic environment we will review our Remuneration Policy and future targets to seek appropriate outcomes in both the level and means of delivery of remuneration across Nedbank. In addition, we will monitor emerging regulatory interventions as a result of Covid-19.

Members	Board status	Years on the committee
<b>Hubert Brody (Chair)</b>	<b>Independent non-executive</b>	<b>2</b>
Neo Dongwana	Independent non-executive	2
Linda Makwana	Independent non-executive	8
Stanley Subramoney	Independent non-executive	< 1 year

Independent members 100%

### SKILLS AND EXPERIENCE



- Retail banking
- Investment banking
- Other financial services
- Large corporates
- Accounting and auditing
- Technology and innovation
- HR, marketing and strategy
- Mining, resource and infrastructure
- Emerging economies
- Macroeconomic and public policy
- Governance and stakeholder management
- Environment and climate

### Stakeholders



### Top 12 risks

- 1 Business (global and country) risk**
- 2 People and operational risk**
- 11 Strategic execution risk**

## GROUP INFORMATION TECHNOLOGY COMMITTEE (GITCO)

GITCO ensures alignment and implementation of an effective and properly resourced IT strategy which enables the organisation to remain competitive, and monitors the effectiveness of all governance functions pertaining to the group's technology capability. The ability to enable staff to work remotely during the Covid-19 pandemic in a short period of time is evidence of Nedbank's technology leadership.

**Mantsika Matookane**  
(Chair)



### Delivering value in 2019

#### Digitise

- Monitored and managed system availability and stability through 2019. Our KPIs in this regard continue to compare favourably when compared against a 10-year trend, despite the volume of technical change increasing by 17% year on year, with project-related changes increasing by approximately 50%.
- Oversaw the implementation of Eclipse, Nedbank's new client and product onboarding system, tracking the progress through the development funnel with ongoing reviews of any deviations to approved cost, scope and timing. Staff are now able to assist clients in onboarding digitally, with 95% of applications being processed end-to-end on Eclipse by the end of December.
- Monitored the execution and successful implementation of digital programmes resulting in 21% of our products now being sold through digital channels (30% in December), and 114 of our services previously offered only through staff-assisted channels now available digitally.
- Reviewed Nedbank's cybersecurity improvements, maintaining focus on improving cyberresilience.
- Monitored the first phase of Nedbank's cloud migration for the backup data centre, which was completed in 2019. Additionally, the Amazon Web Services master servicing agreement was concluded, complementing the Microsoft Azure capacity already created as aligned with the group's approved IT strategy.
- Provided oversight on the group's technology spend that is well managed and in line with our three-year plan forecasts and commitments.

#### Delight

- Monitored resource and skills levels in support of the bank's talent and workforce management practices focusing on wellbeing, resilience and digital skills.
- Reviewed progress of maturation of the group's data capability and the use of data in a meaningful way (including cybersecurity), thereby ensuring revenue uplift, cost optimisation, and compliance.
- Launched our revised 'loyalty and rewards' money management programme, which underpins how we will incentivise and reward the right money management behaviours by helping our clients secure a better financial future.
- Monitored the effective implementation of the group's Africa Regions IT strategy with delivery of the most competitively priced and leading money transfer product across Africa, in partnership with ETI.

#### Disrupt

- Stayed informed about Open Banking standards and progress internationally, to adequately monitor the group's progress in this space. Nedbank became the first bank in Africa to launch an application programming interface (API) platform which is aligned with international Open Banking standards, enabling approved African fintechs to develop innovative digital services.
- Oversaw good progress in embedding the digital way of working across the organisation to ensure digital innovation at pace, solving for client needs with commercial impact.

### Focus for 2020 and beyond

#### Digitise

- Ensure the appropriate prioritisation and magnitude of IT development spend, with specific focus on materially completing the Managed Evolution IT strategy in a way that creates competitive advantage across all business clusters.
- Continue to monitor the group's IT risk, cybersecurity and regulatory change portfolio, considering systemic developments and increased cyberrisks.
- Ensure improved availability and stability for clients, notwithstanding increased velocity of change.
- Monitor the execution and successful implementation of wholesale clients onboarding through Eclipse.

#### Delight

- Ensure alignment and prioritisation to advance the group's data capability with emphasis on 'the right to win' and associated advanced analytics capabilities.
- Monitor the acceleration of Nedbank's Africa Regions IT strategy, with more services and functions made available on the Nedbank Money (Africa) app, and increased speed to market for solutions through digital channels, while providing a more consistent client experience across the enterprise.

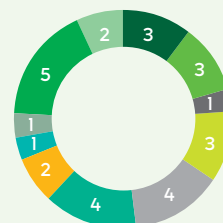
#### Disrupt

- Oversee the successful deployment of the group's platform play and achievement of its 'beyond banking' targets.
- Ensure that appropriate frameworks and policies are in place to monitor effectively different models being explored to position banking in the Fourth Industrial Revolution.

Members	Board status	Years on the committee
Rob Leith	Non-executive	1
Brian Dames	Independent non-executive	5
<b>Mantsika Matookane, (Chair)</b>	<b>Independent non-executive</b>	<b>5</b>
Mpho Makwana	Independent non-executive	7
Tshilidzi Marwala	Independent non-executive	< 1 year
Joel Netshitenzhe	Independent non-executive	6

Independent members 83%

### SKILLS AND EXPERIENCE



- Retail banking
- Investment banking
- Other financial services
- Large corporates
- Accounting and auditing
- Technology and innovation
- HR, marketing and strategy
- Mining, resource and infrastructure
- Emerging economies
- Macroeconomic and public policy
- Governance and stakeholder management
- Environment and climate

### Stakeholders



### Top 12 risks

- 2 People and operational risk
- 7 Cyberrisk
- 8 Regulatory, accounting and compliance risk
- 11 Strategic execution risk

## GROUP TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE (GTSEC)

At Nedbank we are financial experts who do good – we are committed to authentic organisational transformation by creating an empowering and ethical culture and delivering innovative, market-leading client experiences. We do business responsibly and ethically. Our ethics philosophy underpins a relationship of trust with our internal and external stakeholders and our actions demonstrate that we act in their best interests.

**Mpho Makwana**  
(Chair)



### Ensuring and protecting value in 2019

- Conducted an indepth review of the governance and institutionalisation of ethics.
- Monitored implementation of recommendations from The Ethics Institute's Ethics Risk Assessment (ERA) conducted in the Nedbank Africa Regions.
- Commissioned The Ethics Institute to conduct an ERA in Nedbank SA.
- Monitored progress on employment equity plans and a diagnostic to understand underrepresentation and higher attrition rates of Africans in senior and middle management.
- Oversaw the Youth Employment Service (YES) initiative, which positioned Nedbank as a pioneer and thoughtleader in this space. Enrolled 3 315 youths and invested R133,8m in providing first employment opportunities either through placements internally or sponsored placements with implementation partners including Wildtrust, UnlockD, ORT SA, Tradeway and Youth at Work.
- Oversaw management of the impact of the Amended Financial Sector Code (FSC) against the industry targets to measure broad-based black economic empowerment contributor status. Nedbank retained level 1 status in 2019.
- Oversaw and tracked progress of employee wellbeing initiatives.
- Reviewed shifts in Nedbank's culture agenda using the Compass Survey results and plans to address areas of vulnerability.
- Oversaw delivery on the bank's purpose through referencing the SDGs as measures of such delivery. This included the assessment of Nedbank's progress in terms of the Sustainable Development Framework through the lens of specific material SDGs per lever of activation, namely sustainable development finance, operations and corporate social investment, as well as progress relative to other leading best-practice responses and guiding principles.
- Oversaw awareness initiatives to enhance understanding of the sustainable development agenda as central to the bank's purpose-led business agenda.
- Oversaw the bank's response to climate change from an operational perspective and received training to inform the bank's understanding of and approach to the impact of climate change.
- Oversaw the Market Conduct and Culture Programme (MCCP) initiatives and the incorporation of Treating Clients Fairly principles according to market conduct requirements.

### Focus for 2020 and beyond

- Continue oversight and guidance to enhance the culture of ethics and ethical leadership at Nedbank, including ethical remuneration.
- Continue monitoring benchmarking of Nedbank's ethics management against best practice, and oversee completion of the ERA in SA including implementation of recommendations from The Ethics Institute.
- Continue working with key stakeholders and industry bodies to deliver better outcomes for society and inform the industry view on transformation.
- Continue monitoring improving African representation in middle and senior management and building a culture of inclusivity in line with our People Promise.
- Continue oversight of the YES initiative in 2020.
- Continue to monitor the impact of the FSC, specifically focusing on executing against new targets for access to financial services and empowerment financing.
- Continue to oversee and monitor employee wellbeing in 2020.
- Continue to oversee and monitor the launch of the revised integrated People Change Plan focusing on the launch of the employee value proposition and behavioural change plan.
- Continue to oversee the development of the bank's sustainable finance offering as part of delivering on the bank's purpose.
- Oversee the implementation of The Nedbank Foundation's development and monitoring framework to measure the social return on our investments.
- Continue to monitor the building of a client-focused organisational culture through the implementation of the MCCP.
- Continue to oversee the bank's maturing approach to the measurement, assessment and disclosure of its financial exposure to climate-related risks.
- With a growing focus on stakeholder capitalism we will continue to ensure our corporate governance mechanisms seek to align our goals with those of our broad base of stakeholders in fulfilling our purpose of using our financial expertise to do good.

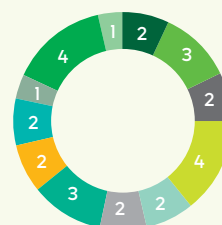
### Strategic focus areas

- Supporting the national agenda to bring about transformation.
- Adopting a collaborative approach to ethical leadership, having a commonly accepted and lived set of values, effective governance, and effective risk and compliance management.

Members	Board status	Years on the committee
Mike Brown	Executive	1
Linda Makalima	Independent non-executive	2
<b>Mpho Makwana, (Chair)</b>	<b>Independent non-executive</b>	<b>8</b>
Tshilidzi Marwala	Independent non-executive	< 1 year
Stanley Subramoney	Independent non-executive	4

Independent members 80%

### SKILLS AND EXPERIENCE



- Retail banking
- Investment banking
- Other financial services
- Large corporates
- Accounting and auditing
- Technology and innovation
- HR, marketing and strategy
- Mining, resource and infrastructure
- Emerging economies
- Macroeconomic and public policy
- Governance and stakeholder management
- Environment and climate

### Stakeholders



### Top 12 risks

- 2 People and operational risk
- 8 Regulatory, accounting and compliance risk
- 9 Reputational (and association) risk
- 11 Strategic execution risk
- 10 Conduct risk
- 12 Climate risks

## GROUP CREDIT COMMITTEE (GCC)

The challenging macroeconomic and political environments in SA and globally, exacerbated by loadshedding, low economic growth and policy uncertainty, adversely affected Nedbank's credit portfolio by increasing consumer distress, therefore impairments, across all industries. The GCC provides independent oversight of credit risk, to ensure a high-quality and adequately impaired credit portfolio. We continue to support our clients while managing the capital and impairment impact, particularly given the new challenges of Covid-19.

**Errol Kruger**  
(Chair)



### Credit resilience in 2019

- A key feature of the FY 2019 Nedbank results is the year-on-year 66% increase in impairments and the credit loss ratio (CLR) increasing from 53 bps to 82 bps (still within the target range of 60 bps to 100 bps). The GCC does not have a concern that these increases are indicative of an issue with the overall quality of Nedbank's credit portfolio, but rather was:
  - largely as a result of the prolonged, adverse macroeconomic and political environment, causing almost all individual business portfolios to trend negatively (ie no offsetting positive vs negative trends, as is often the case);
  - in CIB, only five client counters contributed to CIB's significant yoy increases;
  - in RBB, MFC (CLR: 148 bps to 182 bps) and Personal Loans (CLR: 521 bps to 639 bps) with real notable yoy increases, and Business Banking (CLR: 15 bps to 50 bps) off a very low base in 2018, now at the bottom end of their CLR target range of 50 bps to 70 bps. An unfortunate poor collections outcome in December 2019 impacted MFC; and
  - historical macroeconomic overlays released and significant ad hoc recoveries in 2018, not repeated in 2019.
- Higher credit risk was experienced across all sectors industrywide, nevertheless Nedbank applied effective credit risk mitigation strategies, early identification of distressed portfolios and proactive watchlist client management.
- Nedbank navigated through government policy and election uncertainty, and proactively managed and monitored

exposures to state-owned enterprises (SOEs), as well as municipalities.

- Oversaw the implementation of DebiCheck and ensured that the technical delivery of the DebiCheck system was achieved. The GCC will continue to monitor progress and ensure full implementation.
- Adopted the 2018 IFRS 9 implementation fully as business-as-usual. The committee approved the quarterly macroeconomic scenario forecasts that incorporated stressed testing analysis, which included a base case, mild, high and stressed scenarios for IFRS 9 models. These scenarios were incorporated into the calculations of expected credit losses.
- Maintained an effective advanced internal ratings-based (AIRB) system and approved all material AIRB credit models as being fit-for-purpose and reflective of the SARB regulatory requirements.
- Nedbank's Credit Risk Appetite Framework, incorporating credit concentration risk, was refreshed including alignment to changes in accounting standards from IAS 39 to IFRS 9, as well as ensuring alignment to the overall group credit strategy.
- Closely monitored subsidiaries in Nedbank Africa Regions, which also faced challenging macroeconomic and political environments, especially significant currency volatility and the recurring hyperinflation in Zimbabwe.
- Assessed Nedbank's credit models' landscape and enhanced the Model Risk Management Framework (beyond just credit models).

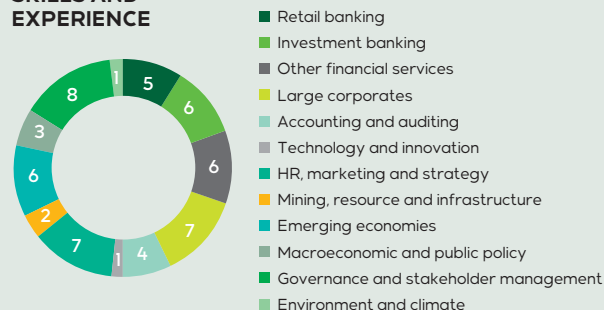
### Key focus areas for 2020

- Monitor additional risks emanating from Covid-19. We established the Credit Covid-19 Crisis Committee to address credit-related matters that arise as a result of the pandemic. The primary focus of the Credit Covid-19 Crisis Committee is to provide support to our clients with payment holidays and other initiatives in conjunction with regulatory guidance and consider the impact on IFRS 9 (impairments) and RWA (regulatory capital).
- Focus on early identification strategies of distressed portfolios, industry-specific concentration risks and proactive key watchlist client management, including SOEs.
- Assess the impact of the Moody's sovereign-credit-rating downgrade of SA on the credit portfolio.
- Oversight of the implementation of the Strategic Portfolio Tilt V2.0 strategy for 2020-2022, to ensure that an optimal balance of credit risk versus return/reward is attained and in a manner that is appropriate within the macroeconomic climate in SA.
- Review and refresh of the group's credit loss ratio (CLR) target range, and the cascade thereof by major business line.
- Ongoing review of policies, processes, procedures and practices regarding DebiCheck.
- Oversight of Nedbank's evolution of its position on climate change, climate risk management and policies, and enabling financial disclosure, from a credit risk perspective.

Members	Board status	Years on the committee
Mike Brown	Executive	8
Mfundo Nkuhlu	Executive	5
Raisibe Morathi	Executive	8
Rob Leith	Non-executive	3
Brian Dames	Independent non-executive	5
Neo Dongwana	Independent non-executive	1
<b>Errol Kruger, (Chair)</b>	<b>Independent non-executive</b>	<b>3</b>
Linda Makalima	Independent non-executive	2
Stanley Subramoney	Independent non-executive	4

Independent members 56%

### SKILLS AND EXPERIENCE



### Stakeholders



### Top 12 risks

- 1 Business (global and country) risk
- 4 Credit risk
- 8 Regulatory, accounting and compliance risk
- 12 Climate risks

## GROUP RELATED-PARTY TRANSACTIONS COMMITTEE (GRPTC)

2019 marked the first year for Nedbank without a controlling shareholder and a free float of approximately 80%. A special thanks to Mr Wyman, the former Chairman of GRPTC, for his stewardship of the Managed Separation (MS) process.

**Mpho Makwana**  
(Chair)



### Ensuring and protecting value in 2019

- The GRPTC oversaw the Nedbank and Old Mutual commercial business transactions underpinned by Old Mutual's strategic shareholding in Nedbank. This required:
  - ensuring that the mutually beneficial commercial arrangements retained post the MS were at arm's length, commercially viable and compliant with regulatory and competition law requirements; and
  - ensuring that Old Mutual and Nedbank only shared information that they were legally required and permitted to do, where the information was required by Old Mutual for regulatory and financial reporting and which information did not contravene any JSE Listing Requirements.
- Post the successful implementation of the odd-lot offer in December 2018, the GRPTC ensured that it monitored and advised on unclaimed odd lot offer fund holders.
- The GRPTC ensured the accurate disclosure of on-balance-sheet transactions in the annual financial report in terms of IAS24: Related-party Disclosures.
- Stayed informed about Open Banking standards and progress internationally, to adequately monitor the group's progress in this space. Nedbank became the first bank in Africa to launch an API platform that is aligned with international Open Banking standards, enabling approved African fintechs to develop innovative digital services.
- Oversaw good progress in embedding the digital way of working across the organisation to ensure digital innovation at pace, solving for client needs with commercial impact.

### Focus for 2020 and beyond

- Continue to monitor and review of related-party transactions with Old Mutual Limited.
- Monitor and review the Relationship Oversight Committee, which governs the commercial relationship between Nedbank and Old Mutual Limited.
- Monitor and review all related-party transactions above R50m and those below R50m at the GRPTC's discretion if required to do so.

Members	Board status	Years on the committee
Vassi Naidoo	Independent non-executive	1
<b>Mpho Makwana, (Chair)</b>	<b>Independent non-executive</b>	<b>4</b>
Joel Netshitenzhe	Independent non-executive	4
Linda Makalima	Independent non-executive	1
Stanley Subramoney	Independent non-executive	2

Independent members 100%

### SKILLS AND EXPERIENCE



- Retail banking
- Investment banking
- Other financial services
- Large corporates
- Accounting and auditing
- Technology and innovation
- HR, marketing and strategy
- Mining, resource and infrastructure
- Emerging economies
- Macroeconomic and public policy
- Governance and stakeholder management
- Environment and climate

### Stakeholders



Regulators



Shareholders

### Top 12 risks

- 8 Regulatory, accounting and compliance risk
- 9 Reputational (and association) risk
- 10 Conduct risk
- 11 Strategic execution risk

## GROUP DIRECTOR'S AFFAIRS COMMITTEE (DAC)

The promotion of a culture of compliance throughout the group is of prime importance so that operationalising regulatory requirements becomes accepted behaviour and not merely a formal exercise.

**Mpho Makwana**  
(Chair)



### Ensuring and protecting value in 2019

- Ensured that the bank maintained and enhanced structurally an effective and independent compliance function as required in terms of the Banks Act.
- Approved the refresh of the Compliance Framework to transition to a framework that is principles-based, and outcomes focused.
- Reviewed compliance monitoring findings and related trends to assess and track the level of compliance risk. Challenged, where appropriate, action taken by management with regard to remediation of adverse findings.
- In order to align with a risk-based compliance model, a change to the Compliance Policy risk appetite statement was approved. The words 'zero tolerance for non-compliance with regulatory requirements' was removed and replaced with 'a commitment to ensuring that appropriate controls are in place to enable compliance with applicable regulatory requirements'.
- Oversaw the group's deliberations on issues of potential reputational risk by association to individuals, entities and suppliers implicated, among others: (i) in testimony led at the Commission of Inquiry into State Capture (Zondo Commission) and the Nugent Commission of Inquiry; (ii) publications by investigative journalists; and (iii) investigation reports in the public domain. The committee also oversaw continued cooperation with the Zondo Commission.
- Approved the GRRC four-tiered framework for escalation of material reputational risk matters (the fourth tier being to DAC for decisionmaking) and approved recommendations from the GRRC in respect of client/supplier relationships aimed at proactive management of reputational risk.
- Continued to set the tone at the top and ensured that the group is led ethically, effectively, and responsibly within acceptable risk parameters and in a manner that protects the reputation of the group and builds investor confidence.
- Oversaw market conduct-related compliance breaches, client complaints and the remediation action taken to address same. As such the compliance framework was amended to include customer impact considerations over and above the basic regulatory requirements and enhanced and automated the screening process of the honesty, integrity and good standing requirements of staff who deliver financial services to clients.
- Maintained oversight of:
  - » AML, CFT and sanctions compliance levels and the successful remediation of the SARB findings; and
  - » the implementation and closure of the Privacy Programme that gives effect to the Protection of Personal Information Act, 4 of 2013.
- Undertook a review of board committee memberships as a result of the Managed Separation process and other pending retirements from the boards, while ensuring the mix of experience and tenure on the committees remained appropriate.
- Oversaw the review of governance for group operating subsidiaries.

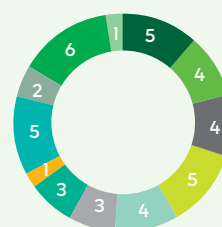
### Focus for 2020 and beyond

- Continuing to review compliance findings and related trends.
- Tracking of the compliance coverage plans and specifically the themes-based monitoring approach.
- Monitoring the implementation of the Regulatory Advocacy Office.
- Receiving quarterly updates from the Group Reputational Risk Committee on reputational risk matters, including evidence emerging from various commissions of inquiry.
- Reviewing developments in law that may impact market conduct and reputational risk.
- Increasing focus on the fair treatment of customers by assessing and monitoring compliance findings relating to existing consumer legislation to not only avoid regulatory sanction but to ensure a solid foundation for the implementation of the requirements of the Conduct of Financial Institutions Act, the promulgation of which is imminent.
- Ensuring the enhancement of reputational risk management and the implementation of 'lessons learnt' and measures to prevent and mitigate reputational risk in a commercially sound and efficient manner.
- Refreshing the Group Governance Framework and continuing to monitor the application of King IV by the Nedbank Group.
- Reviewing of the Board Continuity Programme to ensure alignment with SARB's directive on the promotion of sound corporate governance.

Members	Board status	Years on the committee
Vassi Naidoo	Independent non-executive	4
Hubert Brody	Independent non-executive	1
Errol Kruger	Independent non-executive	2
Mantsika Matoane	Independent non-executive	5
<b>Mpho Makwana, (Chair)</b>	<b>Independent non-executive</b>	<b>6</b>
Stanley Subramoney	Independent non-executive	2

Independent members 100%

### SKILLS AND EXPERIENCE



- Retail banking
- Investment banking
- Other financial services
- Large corporates
- Accounting and auditing
- Technology and innovation
- HR, marketing and strategy
- Mining, resource and infrastructure
- Emerging economies
- Macroeconomic and public policy
- Governance and stakeholder management
- Environment and climate

### Stakeholders



### Top 12 risks

- 8 Regulatory, accounting and compliance risk
- 9 Reputational (and association) risk
- 11 Strategic execution risk
- 10 Conduct risk
- 12 Climate risks

## Matters reserved for the board

Subject to compliance with all applicable regulations and the memorandum of incorporation, certain governance matters are reserved for the board and may not be delegated by it. These governance matters are dealt with by the board itself and not the board committees.

## Board and committee evaluations

Our board and board committees are monitored annually for effectiveness and transparency. Decisions are reviewed for the value that they add to the bank and our clients. The evaluations of the board, board committees and those of the subsidiaries (local and international) for 2018/19 were initiated during December 2019/January 2020. An independent assessment of the Nedbank Board and board committees will be conducted in 2020. The board and committee evaluations for the subsidiaries (local and internationally) will also be conducted externally in 2020.

## Board continuity programme

Our board continuity programme addresses the proportionate skills, experience and other qualities required for the effective functioning of the Nedbank Group Limited and Nedbank Limited boards, and processes around the selection and appointment of directors, the induction and ongoing training of directors, the evaluation of directors' performance, director independence and directors' succession planning.

Our board continuity programme incorporates Nedbank Group's Board appointment policy, the policy on the promotion of diversity, and the requirements of Directive 4 of 2018 issued by the South African Reserve Bank's Prudential Authority in terms of section 6(6) of the Banks Act.

## Director retirement

All directors are subject to retirement by rotation and reelection by the shareholders at least once every three years in accordance with the board's memorandum of incorporation. At least one third of the board should retire by rotation at the company's AGM. Rotation of

boardmembers is structured so as to retain valuable skills, to have continuity of knowledge and experience, and to introduce persons with new ideas and expertise.

A curriculum vitae of each director standing for election or reelection at the AGM accompanies the notice of the AGM contained in the integrated annual report.

At the 2019 AGM the following directors retired by rotation and were re-appointed by shareholders' vote as follows:

- Mike Brown (CE) – 99,01% in favour
- Brian Dames (Independent Non-executive Director) – 100% in favour
- Vassi Naidoo (Independent Chairman) – 99,90% in favour
- Stanley Subramoney (Independent Non-executive Director) – 99,93% in favour

The following directors also retired at the 2019 AGM and were appointed by shareholders' vote as follows:

- Peter Moyo, who has been appointed as a director since the previous annual general meeting (2017) and retired at the 2019 AGM – 98,45% in favour
- Rob Leith, who has been appointed as a director since the previous annual general meeting (2017) and retired at the 2019 AGM – 97,73% in favour

## Director succession planning

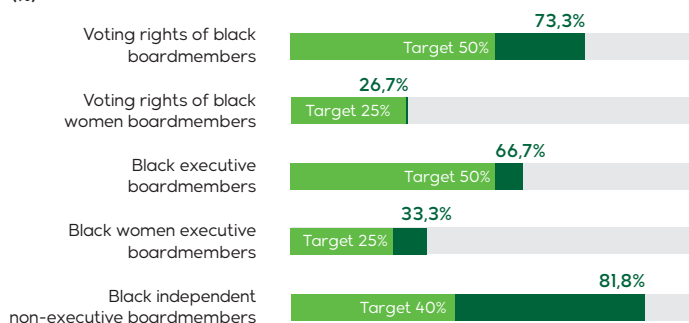
Succession planning for non-executive directors is the subject of active planning and discussion by the Group Directors' Affairs Committee (DAC). Succession planning is based not only on the planned retirement ages of existing boardmembers, but also on any changes to the skills needed on the board in terms of the group's strategic focus areas.

## Director appointments

Board appointments are made taking into account the necessity of achieving a balance between skills and expertise. Board appointments are conducted in a formal and transparent manner by the board as a whole, assisted by the DAC. The board with assistance of recruitment agencies identify suitably qualified candidates. Board appointments are subject to regulatory approval.

The group's policy on the promotion of gender and race diversity at board level has been incorporated into the board's 2019 board continuity programme document. The targets for race and gender diversity are informed by the Amended Financial Sector Code. Our results by far exceeded the targets and are as follows:

### PROMOTION OF DIVERSITY AT BOARD LEVEL (%)



## GOVERNANCE REVIEW

continued

Over the next two years the following directors will reach the end of their nine-year tenure:

- Mpho Makwana: May 2021
- Joel Netshitenzhe reached the end of his term in August 2019 and in terms of Nedbank policy will retire at the conclusion of the AGM in 2020.

During 2019 Professor Tshilidzi Marwala was appointed to the board.

Non-executive directors are given no fixed term of appointment, and all directors are subject to retirement by rotation in terms of the company's memorandum of incorporation. An executive director is required to retire from the board at age 60 and, unless otherwise agreed by the board, a non-executive director is required to retire at the earlier age of 70 or being on the board as a non-executive director for nine years.

Executive directors are subject to six-month notice periods. This excludes the CE, who is subject to a 12-month notice period. Executive directors are discouraged from holding significant directorships outside the group.

All directors have access to the services of the Group Company Secretary Jacqueline Katzin. The Group Company Secretary is not a member of the board. The board is satisfied that an arm's length relationship exists between it and the Group Company Secretary.

### Auditor appointments

Following a fair tender process, the Audit Committee recommended Deloitte and Ernst & Young to be appointed as Nedbank's auditors. The appointments were approved with an 84,41% shareholders' vote at the 2019 AGM. Deloitte and Ernst & Young's appointment were effective from the financial year ending 31 December 2019. Deloitte's rotation will be finalised by December 2024. This is in line with the Independent Regulatory Board for Auditors' mandatory audit firm rotation rules, effective 1 April 2023, requiring that if a firm has served as an appointed auditor for 10 or more consecutive financial years before the financial year starting on or after 1 April 2023, then the audit firm must not accept reappointment.

### Fit and proper assessments and conflicts of interest

A director or prescribed officer is prohibited from using their position, or confidential or price-sensitive information, for the benefit of themselves or any related third party, whether financially or otherwise. Directors and officers are also required to inform the board timeously of conflicts of interest or potential conflicts of interest that they may have in relation to particular items of business or other directorships. Comprehensive registers of individual directors' interests in and outside the company are maintained and updated and signed by the directors, with details noted by the board at each board meeting. Our boardmembers undertake fit and proper assessments, both at the time of their appointment to the Nedbank boards, and annually thereafter.

### Board ethics statement

Our boardmembers, and those of our subsidiaries, are required to acknowledge and sign the Board Ethics Statement every year. This allows them to demonstrate their continued commitment to the Nedbank Group values and to the ethical conduct we embrace.

### Dealing in securities

Any trade in Nedbank or Nedbank Group securities requires the prior written approval from the Chairman [or if he is not available, the CE or Chief Financial Officer (CFO)], and announcement of the trade within the stipulated timeframe specified in the JSE Listings Requirements. These requirements are also applicable to any share portfolio/broking accounts, even if the account is managed in terms of a discretionary mandate. Directors may not deal in any securities relating to the company during closed periods and at any time when they are in possession of price-sensitive information in relation to those securities or otherwise where clearance to deal is not given. The process is managed through the office of the Group Company Secretary.

### Political party contribution policy

Our Code of Ethics and Conduct prohibits political donations and sponsorships. Therefore, our group board is not empowered to and has not made any such contributions or donations during the year under review.

# GOVERNANCE REVIEW

continued

## Director's induction

All new directors must undergo induction. Since Professor Tshilidzi Marwala was appointed as a board member in the year under review he received induction.

The induction included a briefing on essential board and company information, and he is, along with other directors, kept abreast of changes and trends in the business, the banking industry and financial markets, and in the economic, political, social and legal climate.

## Director training and development

Directors regularly attend courses, conferences and seminars to ensure that they keep up to date with changes and trends. From January to May 2019 the directors received updates and training in:

- statutory and regulatory obligations (Financial Intelligence Centre Amendment Act, 1 of 2017);
- model risk management;
- Nedbank's Enterprisewide Risk Management Framework and responsibilities of the various board subcommittees and the Three-lines-of-defence Model;
- the Group Recovery Plan;
- artificial intelligence, regtech and fintech;
- director obligations;
- the macro impact of liquidity;
- the micro influence of liquidity and credit;
- strategy;
- remuneration best practice; and
- operational good practice.

The directors of the subsidiaries in Nedbank Africa Regions attended training from 28 to 29 March 2019. The training was provided by the Gordon Institute of Business Science (GIBS) and the topics covered were:

- legal obligations of all directors;
- legal obligations of bank directors;
- emerging technologies in banking;
- bank credit and liquidity: regulatory perspective;
- information protection and cybersecurity;

- King IV and corporate governance (Case study – Royal Commission – PwC Interim Report; Centro case – directors' duties);
- impact of regulation and bank strategy; and
- ethics in the boardroom.

Shareholder directors comprising Nedbank staff serving as directors on subsidiaries also received training in July 2019 and September 2019. The topics covered were:

- the relevance of the memorandum of incorporation;
- directors' duties and obligations in terms of the Companies Act, 71 of 2008 and King IV;
- the personal liability of directors and directors' and officers' insurance cover;
- directors' remuneration and nature of disclosure;
- the duty to act ethically; and
- loans and distributions or other financial assistance in terms of section 45 and 46 of the Companies Act, 71 of 2008.

## Fair and responsible remuneration

The board is committed to ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration. Group Exco holds management accountable for ensuring that total remuneration is distributed fairly, while the board, through the Group Remuneration Committee (Remco), is committed to ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration. The Remco assists the board in discharging its responsibility in relation to board and executive remuneration. A full report on the activities of the committee, including its composition and key responsibilities, is included on page 11 of this report.

**GOOD PERFORMANCE AND LEGITIMACY**

**Disclosure on application of King IV**

The board remains committed to the application of and adherence to the 17 King IV principles in order to achieve their associated outcomes. The detailed application status of the King IV principles in the bank is contained in the table below. The measurement of the application of the King IV principles was conducted by management which entailed comparing the 2018 status with developments during the year.

Governance principle	Status	Diagnostic commentary
<b>Leadership</b>		
<b>Principle 1</b> The governing body should lead ethically.	<b>Aligned</b>	<p>The board of directors provides leadership and strategic guidance, continually aimed at safeguarding shareholder value creation. This leadership and guidance are provided within a framework of ethical and prudent controls, which supports the establishment of an ethical culture.</p> <p>Boardmembers are individually and collectively accountable for their ethical and effective leadership of Nedbank Group and are required to conduct themselves in accordance with the Nedbank Group Board Ethics Statement and their legal duties as company directors under the Companies Act of 2008.</p> <p>The performance of individual boardmembers is assessed through the board evaluation process. This includes a measurement of achievement of the board objectives.</p> <p>Boardmembers complete a detailed conflicts-of-interest questionnaire annually. The completed questionnaires are tabled at board meetings for full disclosure and transparency. The directors subscribe to the Board Ethics Statement annually, thereby committing to high ethical standards and to conducting themselves honestly, scrupulously and with integrity. The board reviews the group’s values annually to ensure it adheres to high standards of ethics and corporate behaviour, and that a code of conduct that addresses conflicts of interests is in place for this purpose. The board makes an annual attestation to the Board Ethics Statement, which reads: ‘Ethical leadership and effective leadership should complement and reinforce each other’. In line with this requirement our boardmembers, subsidiaries and group executives are required to acknowledge and sign the statement every year.</p> <p>The Group Transformation, Social and Ethics Committee receives reports from the Group Ethics Office and monitors all ethical requirements in terms of the Companies Act, Banks Act and regulations and all other such issues in terms of the Nedbank Code of Ethics and Conduct (including compliance by directors and staff with the group’s Code of Ethics and Conduct) and related policies.</p>
<b>Organisational ethics</b>		
<b>Principle 2</b> The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	<b>Aligned</b>	<p>The Nedbank Group has institutionalised ethics and created a culture of ethics and awareness by incorporating principles of ethics into relevant policies and practices and through ongoing training.</p> <p>The board of directors also provides leadership and strategic guidance continually aimed at safeguarding shareholder value creation. This leadership and guidance are provided within a framework of ethical and prudent controls that supports the establishment of an ethical culture.</p> <p>Refer page 32 of this report.</p>

# GOVERNANCE REVIEW

continued

Governance principle	Status	Diagnostic commentary
<b>Responsible corporate citizen</b>		
<p><b>Principle 3</b> The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<b>Aligned</b>	<p>There are further arrangements in place for familiarising stakeholders (including suppliers) with the organisation’s ethical standards. Social and environmental risk is one of the risks that Nedbank actively monitors. Whether strategic or operational in nature, it is viewed as seriously as all other risks to which our business is exposed.</p> <p>In consultation with sustainability risk experts and various stakeholder groups, such as government departments, non-governmental organisations (NGOs) and other relevant institutions, we have developed a suite of sustainability risk mitigation tools and policies that not only protect shareholder interests, but also ensure the protection of communities and the environment. Policies focus on agriculture, mining, oil, gas, natural capital, waste and recycling of hazardous substances, asbestos and contaminated land. Our approach in this regard is further explained in the bank’s Sustainability Development Framework.</p> <p>The group strategy is values-based and takes into account stakeholder needs and expectations. The functions – Group Compliance, Human Resources (HR), Group Risk, Group Finance and Group Marketing and Corporate Affairs (GMCA) – develop strategies supporting the board’s strategic outcomes that further support the organisation’s corporate citizenship status.</p> <p>The teams driving the strategy and processes through the organisation are Ethics, Human Rights, Sustainability, HR (Learning and Development, Remuneration and Transformation), Occupational Health and Safety, Group Forensics, Group Tax and the Nedbank Foundation. With regard to the tax strategy and policy, the board is ultimately accountable for determining the group’s tax philosophy and approach and, together with the Group Audit Committee, providing oversight of the group’s tax practices and affairs.</p> <p>Nedbank Group’s tax strategy supports our vision of being Africa’s most admired bank. We are committed to being a responsible taxpayer through professionally executed tax compliance and legitimate tax planning in order to fulfil our compliance and disclosure obligations in accordance with all relevant laws.</p>

# GOVERNANCE REVIEW

continued

Governance principle	Status	Diagnostic commentary
<b>Strategy and performance</b>		
<p><b>Principle 4</b> The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<b>Aligned</b>	<p>Strategy and performance have always been regarded as primary responsibilities of the board. Risks, opportunities, performance, business model and sustainable development matters, as identified in the strategy development process, are considered in terms of the group's vision, targets, long-term goals and values for annual board approval.</p> <p>The board delegates the formulation of strategy to management. The board-approved Strategy Risk Principles Policy addresses the principles to be taken into account in the development of strategy.</p> <p>The board ensures that a robust strategy process is defined and executed. The strategy-planning timetable entails business planning at Group Exco level and a strategy review by the board, culminating in final approval of the strategy framework by the board in July and final approval of the business plan in November (by both Group Exco and the board). Nedbank has a rolling three-year strategy focused on value creation and underpinned by strategic goals that consider the economy, society and the environment. Management initiates the strategy review and business planning process in January with Group Exco.</p> <p>The major macro trends in our operating environment are identified by analysing political, macroeconomic, social, competitive, technological, regulatory and environmental drivers. The effect of these trends on Nedbank's strategic objectives is assessed. Continued engagement with material internal and external stakeholders takes place and their needs and expectations are considered. Stakeholders include staff members, clients, shareholders, regulators and communities. This process highlights any material matters – ie issues that have the most impact on Nedbank's ability to create value.</p> <p>The material matters identified are then ranked according to the greatest relevance and highest potential to have a significant impact on the viability of our business and relationships with stakeholders. These material matters are continuously assessed to ensure the strategy remains relevant. Risks and opportunities arising from the material matters are identified and their impact on both the short- and medium-term strategy is assessed. The material matters are also tested against Nedbank's vision, Deep Green aspirations, targets, long-term goals and values. The outcome of this analysis informs the strategic focus areas for the year, which are adjusted in line with changes in material matters.</p> <p>The board annually approves the strategy of Nedbank Group. The board-approved level 1 Strategy Risk Principles Policy addresses the principles to be taken into account in the development of strategy, in line with our purpose, vision, values, targets and brand.</p> <p>The board-approved Strategy Risk Principles Policy addresses the principles to be taken into account in the development of strategy. The Nedbank Group Board develops the policy. The policy is reviewed by the GRCMC and the Nedbank Group Board.</p>
<b>Reporting</b>		
<p><b>Principle 5</b> The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.</p>	<b>Aligned</b>	<p>Nedbank Group continues to incorporate the philosophy of integrated thinking in its operations and reporting. The current mandate of the Group Audit Committee remains effective in its review of the suitability of information made available to stakeholders for them to extract the relevant value from such information. In addition, a validation exercise was conducted by an independent consultancy, and it was found that the disclosure element in this regard meets the King IV objectives and the Company's Act disclosure requirement.</p> <p>Information related to the required disclosures appears in the Integrated Report. This includes matters relating to our strategy and detailed sections about our long-term goals, medium-to-long-term targets in relation to the group's position for value creation. Furthermore, details of strategic key performance areas, as well as progress to date, are provided in the supplementary reports, including the King IV principles report. These are available at <a href="http://nedbankgroup.co.za">nedbankgroup.co.za</a>.</p> <p>The company performance is disclosed annually in the integrated report and supplementary reports. The reports are externally validated by the auditors.</p>

# GOVERNANCE REVIEW

continued

Governance principle	Status	Diagnostic commentary
<b>Primary role and responsibilities of the governing body</b>		
<b>Principle 6</b> The governing body should serve as the focal point and custodian of corporate governance in the organisation.	<b>Aligned</b>	<p>The board has embraced governance practices and principles and has ultimate accountability and responsibility for the performance and affairs of the company, including good governance practices and principles.</p> <p>The board displays adequate alignment with the King IV objective in terms of its oversight functions and monitoring, as well as the roles and responsibilities set out in the respective charters.</p> <p>Board and board committee charters have been reviewed and are aligned with King IV and board committee areas of responsibility. Current audit committee oversight functions have been reviewed against King IV recommended practices for audit committees, including audit committee disclosures.</p> <p>The board has taken steps in terms of its custodianship of governance, which include board continuity and effectiveness reviews, to determine the way forward in terms of strategic direction and to improve the overall wellbeing of the organisation.</p>
<b>Composition of the governing body</b>		
<b>Principle 7</b> The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	<b>Aligned</b>	<p>The board, through the DAC, reviews its composition on an ongoing basis. The reviews are done based on the criteria set out in the board-approved board continuity programme. The board continuity programme sets the requirements for skills, experience, diversity, conflicts of interest and independence.</p> <p>Where directors are reaching tenure and retirement age, board continuity is ensured through active succession planning. Qualifications of directors and their experience in specific industries are further scrutinised for applicability. Annual reviews are conducted independently and internally to ensure that the board composition remains in alignment with best practice and governance codes.</p> <p>The board composition is aligned with the requirements of King IV regarding the number of executive versus non-executive and independent directors. Skills, experience and tenure of boardmembers are monitored continuously. Refer to the composition of the board on page 4 and 5.</p>
<b>Committees of the governing body</b>		
<b>Principle 8</b> The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	<b>Aligned</b>	<p>By conducting annual effectiveness assessments we aim to ensure that board structures are effective.</p> <p>The delegation by the board ranges from the review of committee charters to the recording thereof. Board structures undergo review for effectiveness through independent and internal board evaluations.</p> <p>The current board committees are: the Group Audit Committee; Group Directors' Affairs Committee; Group Remuneration Committee; Group Credit Committee; Large-exposure Approvals Committee; Group Transformation, Social and Ethics Committee; Group Related-party Transactions Committee; Group Information Technology Committee; and Group Risk and Capital Management Committee.</p> <p>Accountability is delegated through committee charters for the respective committees and effectiveness thereof is measured regularly.</p> <p>Delegation of responsibilities and mandates to individuals and/or ad hoc committees are managed through a formal delegation-of-authority process and accompanying board resolutions.</p>

# GOVERNANCE REVIEW

continued

Governance principle	Status	Diagnostic commentary
<b>Evaluations of the performance of the governing body</b>		
<b>Principle 9</b> The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	<b>Aligned</b>	Board and committee performance evaluations are conducted every two years and are done either as internal self-assessments or externally by service providers appointed for that purpose. The questionnaires are developed to support continued improvement.
<b>Appointment and delegation to management</b>		
<b>Principle 10</b> The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities. The governing body should appoint the CE.	<b>Aligned</b>	Nedbank Group adheres to sound practices in respect of board continuity programmes, succession planning, board delegation processes and annual Chief Executive performance evaluation. This includes a professional corporate governance service available to the governing body. Board structures undergo annual review for effectiveness through independent and internal board evaluations. Additionally, Exco charters and subexecutive committee charters undergo annual evaluations to determine the level of effectiveness and to identify areas for improvement.
<b>Risk governance</b>		
<b>Principle 11</b> The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	<b>Aligned</b>	<p>The governance of risk in terms of the organisation's strategic objectives is a fundamental existing practice in the group.</p> <p>This is evidenced in group policies and processes. A well-defined, enterprisewide risk management function in the bank fully supports the practices required by King IV and minor policy enhancements, where necessary.</p> <p>The board has delegated its governance responsibility to the GRMC, which has the responsibility to provide independent oversight of the adequacy and effectiveness of the group's Enterprisewide Risk Management Framework, which covers key risks, key performance indicators, and strategic, business and operational risks. The GRMC meets quarterly and receives reports from management.</p>
<b>Technology and information governance</b>		
<b>Principle 12</b> The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	<b>Aligned</b>	<p>There are various governance forums at board and Group Exco levels for the governance and management of technology and information.</p> <p>The Group IT Committee (GITCO) and the Executive IT Committee (EITCO) are responsible for discharging the governance of technology and information in the organisation.</p> <p>The board has delegated its governance responsibility to the GITCO, which has the responsibility to ensure the effectiveness and efficiency of information systems from a risk and strategic alignment perspective; and monitor the adequacy, efficiency and effectiveness of all the group's systems relevant to information technology, both operational (as reviewed and monitored by the EITCO and strategic (as reviewed and monitored by this committee), in as much as these may impact the business strategy, financial performance, risk profile and information technology strategy of the group. The committee receive reports from management and meets quarterly.</p>

# GOVERNANCE REVIEW

continued

Governance principle	Status	Diagnostic commentary
<b>Compliance governance</b>		
<p><b>Principle 13</b> The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>	<b>Aligned</b>	<p>The accountability and responsibility for compliance risk management in the group rests with the board. The board recognises compliance risk as a material risk for the group and is responsible for reviewing the adequacy of the group's systems of governance and risk, including controls implemented to ensure compliance with legal and regulatory obligations and any applicable codes of good practice.</p> <p>The board has delegated its governance responsibility in respect of compliance to the DAC. The DAC assists the board in ensuring that the group is at all times in compliance with all applicable laws, regulations and codes of conduct and practices. The DAC also ensures that the bank maintains an independent and effective compliance function as part of its risk management framework in this regard. The DAC meets at least quarterly and receives reports from management.</p> <p>The DAC further assists the board in ensuring that the group is at all times in compliance with all applicable laws, regulations and applicable codes of conduct and practices. It ensures that the bank maintains an independent and effective compliance function as part of its risk management framework and receives reports from the Chief Compliance Officer (CCO) on the level of compliance with laws and regulations or supervisory requirements by the bank. A second board committee, the Group Audit Committee (GAC), reviews reports of non-compliance submitted by the Chief Compliance Officer and monitors management actions to resolve the matters.</p> <p>Nedbank continues to approach compliance risk through the implementation of proactive and robust mitigation control measures. Being ultimately accountable, the board continually provides guidance to the group on the management of compliance risk.</p>
<b>Remuneration governance</b>		
<p><b>Principle 14</b> The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<b>Aligned</b>	<p>The board has delegated its governance responsibility in respect of remuneration to the Remco. The Remco is responsible for remuneration governance, and its groupwide responsibilities are fully set out in the board-approved charter, which is available at nedbankgroup.co.za. The committee applies the guiding principles provided for in terms of the Remuneration Policy as far as it is feasible but retains the right to apply discretion to deviate from this policy in exceptional circumstances.</p> <p>The committee ensures that it remains knowledgeable about the changing remuneration regulatory environment, both locally and globally, and is supported by regular updates from the Group Reward and Performance team and external advisors. This has enabled the committee to ensure full compliance with the regulatory requirements outlined in our Remuneration Policy. The committee also had full access to independent executive remuneration consultants Vasdex Associates Proprietary Limited and Ernst &amp; Young during 2019.</p>

# GOVERNANCE REVIEW

continued

Governance principle	Status	Diagnostic commentary
<b>Assurance</b>		
<p><b>Principle 15</b> The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	<b>Aligned</b>	<p>The board has delegated its governance responsibility in respect of assurances to the GAC on an ongoing basis. The GAC evaluates the effectiveness of the coordinated assurance model. The GAC considers whether the extent of reliance placed on internal audit by the external auditors is appropriate and whether no significant gaps in audit assurance exist between internal and external audit. The GAC meets at least quarterly and receives regular reporting from each of the following functions: management, internal audit and external audit.</p> <p>The board governs Group Exco by giving it direction on how it should ensure that assurance services and functions enable an effective control environment and support the integrity of information for internal decisionmaking and of Nedbank's external reporting purposes. Key elements are:</p> <ul style="list-style-type: none"> <li>• Nedbank Group's Code of Ethics and Conduct is communicated and adhered to by all employees and internal stakeholders. Awareness and implementation are supported by ongoing ethics awareness campaigns, including mandatory ethics education and training, and monitoring systems, which are customised to the needs of the different Nedbank businesses and employee category profiles.</li> <li>• Nedbank Group's Internal Audit Charter is reviewed annually and stipulates the mandate, authority, roles and responsibilities of the function. It also clearly indicates the functional and operational reporting line of the Chief Internal Auditor to ensure independence and objectivity of the function.</li> <li>• Nedbank's Group Audit Committee Charter is reviewed annually and stipulates the oversight responsibilities of the committee, such as internal audit, external audit and combined assurance. The Group Internal Audit Annual Coverage Plan is risk-based and approved by the GAC annually. The plan is assessed half-yearly and resubmitted to the GAC for approval.</li> <li>• Nedbank Group Internal Audit also undertakes periodic independent assessments every five years to assess conformance with the Institute of Internal Auditors standards and to ensure a best-in-class service is provided to the group.</li> <li>• Nedbank's whistleblower policy is the final element that enables our internal and external stakeholders to inform us of matters of concern about duty, integrity and disclosure that may require internal investigation. Additionally, the Group IT Committee reviews and monitors the transfer of information. Nedbank continually adopts practical approaches to combined assurance with the development of a plan to demonstrate adequately assurance activity undertaken in all lines of defence.</li> </ul>
<b>Stakeholders</b>		
<p><b>Principle 16</b> In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the organisation over time.</p>	<b>Aligned</b>	<p>The Group Transformation, Social and Ethics Committee (GITCO) is responsible for the group's activities in the field of, inter alia, stakeholder engagement and sustainability. The committee reviews and monitors progress in terms of the implementation of a framework of Integrated Sustainability Best Practice. It also monitors and reviews progress in terms of the framework for continued stakeholder engagement. The committee meets at least quarterly and receives reports from management.</p>

## GOVERNANCE REVIEW

continued

Governance principle	Status	Diagnostic commentary
<b>Responsibilities of institutional investors</b>		
<b>Principle 17</b> The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote the good governance and creation of value by the companies in which it invests.	<b>Aligned</b>	<p>Nedgroup Investments, the main investment business unit, follows responsible investment guidelines, which are published on its website. The guidelines are based on key elements of the United Nations Principles for Responsible Investments (UN PRI) and the Code for Responsible Investing in South Africa (CRISA). Nedgroup Investments has also published proxy voting guidelines that inform the proxy voting in its Best of Breed business.</p> <p>Operationally, Nedbank management formed the Nedbank Responsible Investment Committee, which ensures responsible investment. The inhouse investment team in Nedgroup Investments (the Nedbank Private Wealth Fund Management team) actively incorporates environmental, social and governance (ESG) factors into its investment process. The team makes use of an external ESG data provider to cover ESG issues.</p> <p>In line with responsible stewardship there are regular engagements with the management of investee companies and all proxy votes are exercised.</p> <p>External fund managers employed by Nedbank are annually engaged on their incorporation of ESG factors and responsible stewardship through a survey and meetings.</p> <p>All the proxy voting results for these funds are consolidated and published on the Nedgroup Investments website. Nedbank's responsible investment guidelines are available on the website, along with the proxy voting results.</p> <p>The Responsible Investment Standard, approved by the board, applies to all business units involved in investment practices across the group and, as such, is embraced by Nedbank Group and its subsidiaries.</p>

## OUR COMPLIANCE WITH OTHER GOVERNANCE CODES

### 2019 UK Code of Corporate Governance

While Nedbank Group is listed on the JSE and Namibian Stock Exchange, we also comply with other governance codes and practices to the extent that they apply to our subsidiaries. NedNamibia and Nedbank Namibia, as well as entities in the Nedbank Wealth Cluster and Corporate Investment Banking (London branch), subscribe to the 2019 UK Code of Corporate Governance. We have not identified any instances of non-compliance with this code.

### Code of Banking Practice

We subscribe to the Code of Banking Practice of the Banking Association South Africa, which governs all relationships with authorities, clients, competitors, employees, shareholders, local communities and other primary stakeholders. Appropriate procedures and mechanisms are in place to ensure full adherence to the code and we work with the Banking Ombudsman's Office to ensure that client complaints are resolved appropriately and timeously.

### Basel Committee on Banking Supervision (Corporate Governance Principles for Banks)

The Basel Committee on Banking Supervision published a guideline in July 2015, titled Corporate Governance Principles for Banks. The governance and compliance custodians monitor and ensure continuous compliance with the guideline.

### Our approach to compliance

Our board-approved Nedbank Risk Appetite Policy commits us to act as a model citizen and to adhere to all laws and regulations applicable to our businesses. We monitor and report on such compliance through the Group DAC, which is the board committee established in terms of the Banks Act, 94 of 1990. In addition, we comply with various codes and regulatory requirements. As a member of the Banking Association South Africa, we subscribe to the Code of Banking Practice, which is a voluntary code that governs all relationships with authorities, clients, competitors, employees, shareholders, local communities and other primary stakeholders. Appropriate procedures and mechanisms are in place to ensure full adherence to the code and we work with the Banking Ombudsman's Office to ensure that client complaints are resolved appropriately and timeously.

Engaging with stakeholders on governance

Key issues we engaged on

We proactively communicate our strategy and activities to shareholders through an active investor relations programme. Our management meets regularly with the investment community while our board, through our Chairman and Lead Independent Director, engages on ESG-related matters. The following were the key topics discussed during our more than 300 engagements in 2019:

MAIN TOPIC	OUR RESPONSE AND ACTIONS
<p><b>A difficult macroeconomic environment</b> – The SA environment continues to remain challenging for our clients and Nedbank.</p>	<p>Banks are integrated into the economy and ecosystems they operate in and SA banks have noted a slowdown in earnings growth during 2019, particularly as impairments increased off a low base and revenue growth slowed. At Nedbank, expenses continue to be well managed (up 1,7%) as we respond to a slower revenue growth environment through and diligent cost management, lower variable costs and optimisation initiatives.</p>
<p><b>Increased competition</b> – the impact of new challenger banks in 2019.</p>	<p>We welcome competition as it drives continued focus on innovation, client satisfaction and competitive pricing. Nedbank is well positioned to compete and gain share of clients' wallet given our technology investments over the past few years and the launch of various digital innovations. Our simplified digital client onboarding solution, as well as our new loyalty and rewards programme position us well to against new competitive threats. In addition, in 2019, we launched three zero-monthly-fee accounts which enabled Nedbank to improve its affordability rating among SA banks to second best (Consulta).</p>
<p><b>Impairments increasing off a low base</b> – Investors were concerned about increases in impairments and risks relating to the group's exposure to commercial property.</p>	<p>Although impairments increased strongly off a low prior year base and we saw stresses in both our retail and wholesale portfolios, the group's CLR at 82 bps remains within the our TTC target range of 60 bps to 100 bps. RBB is operating within the lower end of its TTC target range of 130 bps to 180 bps, while the CIB CLR is within its 15 bps to 45 bps TTC target range. In response to investor concerns around industry challenges in commercial-property, we hosted an investor day in August 2019 to demonstrate the benefits of our market-leading commercial property finance business, prudent valuation processes and methodologies, low loan-to-values across the portfolio and that impairments are adequate. While we acknowledge that the CLR will increase in this business, we have confidence that our quality portfolio will stand us in good stead.</p>
<p><b>Nedbank Africa Regions</b> – Ongoing Ecobank Transnational Incorporated (ETI) recovery seen as positive, but a declining ETI share price prompted investors to raise questions about potential future impairments.</p>	<p>ETI has delivered 11 consecutive quarters of profits to 30 September 2019 but continue to be exposed to the economic and regulatory challenges in Nigeria. Outside of Nigeria, ETI continues to deliver a robust performance in many of its businesses.</p>
<p><b>Financial targets</b> – Higher ROEs and a lower cost-to-income ratio are key to Nedbank being an attractive investment.</p>	<p>In 2017, based on our macroeconomic forecasts at that time, we set ourselves specific 2020 targets of an ROE (excluding goodwill) of greater than or equal to 18% and a cost-to-income ratio of lower than or equal to 53% as a pathway to ongoing and sustainable improvements in the key metrics that support shareholder value creation. The actual macroeconomic conditions have been materially worse than our 2018 forecast and the targets we set for 2020 will not be met. As a result we have revisited our guidance on these two measures and introduced targets for the medium (two to three years) and long term (five years and more). We have also revised our ROE target to include goodwill. Given the Covid-19 pandemic we have withdrawn our financial guidance on 14 April 2020 and our medium- and long-term targets are under review.</p>
<p><b>Moody's sovereign-credit-rating downgrade</b> – Concerns around the potential impact of a downgrade to subinvestment grade on Nedbank's capital and therefore dividend policy.</p>	<p>Our CET1 ratio at 11,5% remains well above regulatory requirements of 7,5%, and is within our board-approved target range of 10,5% to 12,5%. We estimate that the Moody's downgrade will result in an immaterial increase in RWA and have an immaterial impact on CET1. The PA has recommended that no distribution of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers occur in 2020, in light of the negative economic impact of the Covid-19 pandemic and the temporary regulatory capital relief provided by the PA. The guidance does not apply to the Nedbank Group 2019 final dividend declared on 3 March 2020. However, the board is supportive of the guidance and the need to conserve capital in a challenging economic environment.</p>
<p><b>Mandatory audit firm rotation (MAFR)</b> – Some shareholders early-adopt MAFR principles in their proxy voting.</p>	<p>Following a tender process, Ernst &amp; Young was appointed as Nedbank and Nedbank Group's new joint external auditor alongside Deloitte, effective 7 and 10 May 2019 respectively. Shareholders approved Deloitte and Ernst &amp; Young as auditors for 2019 at Nedbank Group's 52nd AGM with 84,4% and 99,9% votes of approval, respectively. We continue to reiterate our commitment to fully implement MAFR for our 2024 financial year. However, we believe there are risks in concurrent change in external auditors given the size and complexity of a banking institution. S90(2) of the Companies Act is also an impediment to MAFR.</p>
<p><b>Remuneration</b> – There are ongoing enhancements to the Nedbank remuneration scheme.</p>	<p>Following engagements with shareholders and enhancements to our remuneration practices, we were pleased that resolutions relating to our Remuneration Policy and implementation report received more than 98% of votes of support at our 52nd AGM. We had further discussions with shareholders on enhancements to our CPTs for 2020 and concluded that there was broad shareholder support for the cost-to-income ratio to replace the existing strategic KPIs (transactional-banking market share and Target Operating Model), with a 20% weighting to align with our strategic intent and industry developments of improving cost-to-income ratios in the context of the digitisation of financial services.</p>
<p><b>Climate-related disclosures</b> – Nedbank's positioning relating to fossil-fuel financing and climate risk.</p>	<p>Nedbank contributes 3,83% (2018: 4,86%) of our total group advances to renewable-energy generation projects. Our climate journey is evolving and our metrics will evolve and developed in line with our new Thermal Coal Policy. The Thermal Coal Policy translates into our total committed thermal coal facilities being 0,7% of total group advances. Our Thermal Coal Policy excludes lending to Eskom. Your vote is required – please refer to page 79 of the 2019 Nedbank Integrated Report for further details.</p>

## Update on 2018 AGM voting results

All resolutions were passed by the requisite majority of Nedbank Group shareholders present in person or represented by proxy at the AGM on 10 May 2019.

## Shareholders' rights

Shareholdings in banks and controlling companies of banks are fiercely regulated. As with all other banks in SA, no person is permitted to acquire shares in a bank of which the total nominal value, together with the total nominal value of such shares already held by that person, amount to more than 15% of the total nominal value or the total voting rights in respect of all the issued shares of the bank, without first having obtained permission from the Registrar of Banks.

All holders of the same class of shares issued by Nedbank Group are treated equitably and all issued shares are ranked equally.

In 2014, with shareholder approval, we created new preference shares to provide flexibility in the nature of financing instruments and sources of funding for the purposes of funding the group's business activities in general. The new preference shares provide Nedbank Group with the ability to source funds from either the institutional or retail investor market in a long-term, dividend-yielding instrument that is attractive to investors and a source of stable additional funding for the group. To date no preference shares have been issued and the board has no intention of issuing preference shares in the year ahead.

### GOVERNANCE DEVELOPMENTS IN 2019

During the year Peter Moyo, one of our non-executive directors who is an Old Mutual Limited nominee director, was and remains involved in a litigation process with Old Mutual Limited, one of our shareholders of which he is the Group Chief Executive Officer. The litigation process impacted Mr Moyo's board attendance. He tendered his apologies to Nedbank board meetings as a result.

### GOVERNANCE OBJECTIVES FOR 2019

The corporate governance objectives for 2019 were achieved. The board committees mandated to oversee the delivery on the objectives ensured that they were achieved.

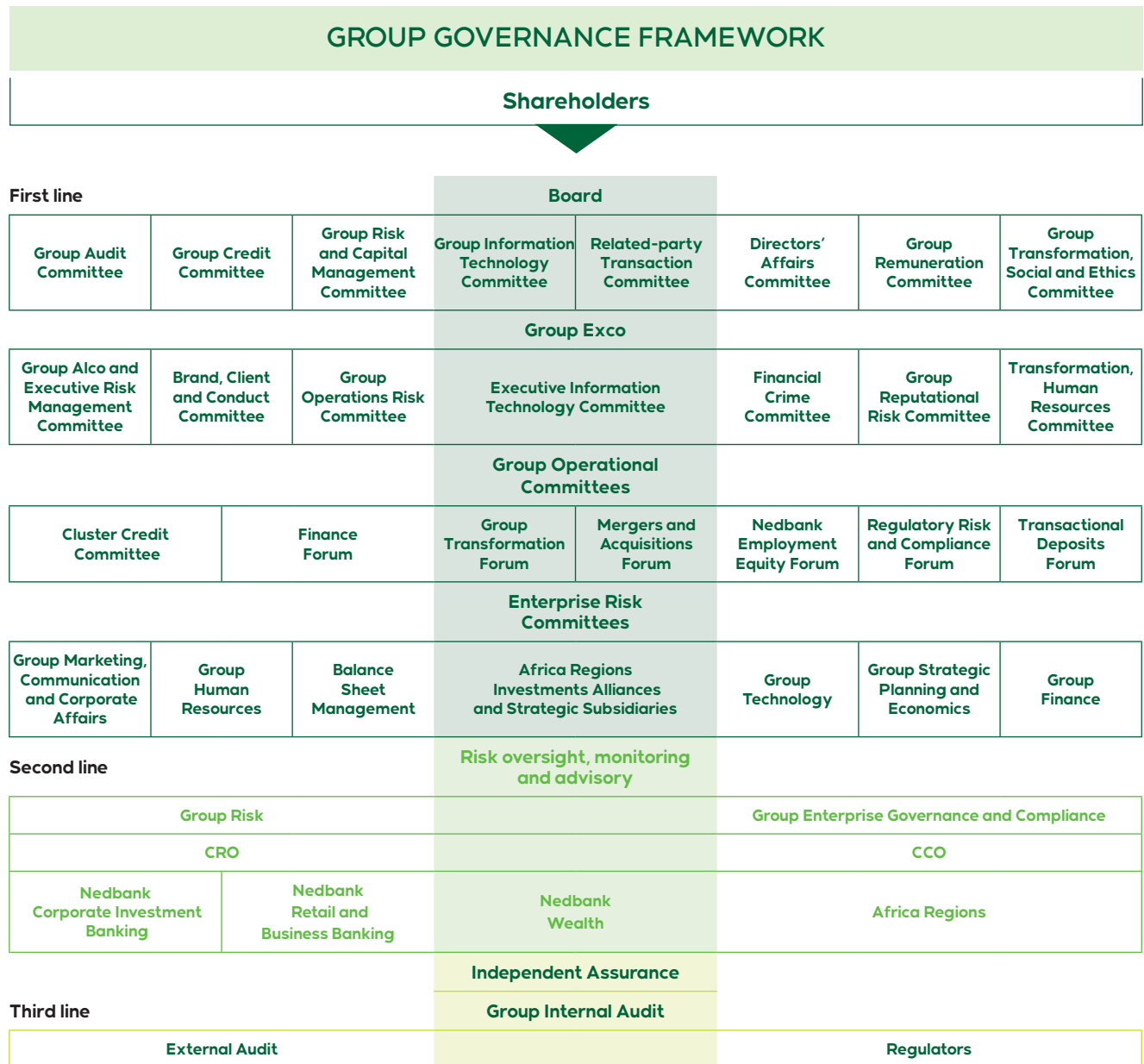
### GOVERNANCE OBJECTIVES FOR 2020

The DAC recommended that the group continue to deliver on the corporate governance objectives that were set in 2019. These objectives were enhanced with additional objectives highlighted in italics below:

- The board should set the tone and lead the group ethically and effectively. This means that in their decisionmaking, individual boardmembers should act with independence, inclusivity, competence, diligence, courage and with the necessary insight and information.
- The board should provide leadership and vision to the group that will ensure sustainable growth and appropriate corporate citizenship for the benefit of all stakeholders of the group.
- The board should ensure that there is a framework of prudent and effective controls that enables risk and opportunity to be assessed and managed effectively.
- The board is ultimately responsible and accountable for the performance of the group and should support the group in setting its purpose and achieving its strategic objectives. These responsibilities include:
  - » having oversight on risks arising from the execution of Nedbank business strategies, decisionmaking practices and/or processes, client interaction, product life cycle relating to product design, targeting, distribution and after-sales services that causes detriment to Nedbank clients, stakeholders, suppliers and market;
  - » delegating management of the group to a competent executive management;
  - » governing technology;
  - » governing information and data;
  - » governing cybersecurity;
  - » ensuring compliance with appropriate legislation (including regulations), supervisory codes and appropriate best practice;
  - » governing disclosures so that stakeholders can effectively assess the performance of the group;
  - » safeguarding the interests of the group's stakeholders;
  - » ensuring fair, responsible and transparent people practices;
  - » monitoring the geopolitical risk exposures of the group;
  - » considering advances in digitisation, robotics, and other innovations and disruptive technologies from an industrywide perspective; and
  - » driving talent, diversity and inclusiveness.
- The board is responsible for the sound corporate governance in the group and the governance around the board and its performance. This includes:
  - » evaluating the effectiveness and composition of the board and its committees to improve their performance;
  - » disclosing all outside interests or possible conflicts;
  - » creating governance structures to ensure effective discharging of responsibilities;
  - » overseeing ethics management and implementing human rights in business;
  - » *focusing on increasing gender and race diversity;*
  - » *ensuring its strategic approach to measuring assessing and disclosing climate-related risks in alignment to global best practices including, inter alia, the Taskforce on Climate-related Financial Disclosure (TCFD) and it is part of the board agenda;*
  - » *monitoring the scenarios, judgements and estimates relating to climate risk have been incorporated into the preparation of the financial statements; and*
  - » *focusing intensely on the role of the corporation in society.*

# GOVERNANCE REVIEW

continued



The composition, responsibilities and activities of the board, board committees and Exco are described in the Governance Review Report.

# GOVERNANCE REVIEW

continued

## 2019 ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS BY DIRECTORS AND PROFESSIONAL CONSULTANTS

	8	7	4	5	8*	6	2	4	5	4	5	4	5	3	2	Total	% total
	Nedbank Group Limited Board	Nedbank Group Limited Board	Nedbank Group Directors' Affairs Committee	Nedbank Group Remuneration Committee	Nedbank Group Audit Committee	Nedbank Group Audit Committee prescheduled	Nedbank Group Audit Committee adhoc/short notice	Nedbank Group IT Committee	Nedbank Group Credit Committee	Nedbank Large-exposure Approval Committee	Nedbank Group Risk and Capital Management Committee	Nedbank Group Transformation, Social and Ethics Committee	Nedbank Group Related-party Transactions Committee				
<b>Directors</b>																	
Hubert Brody	8/8	7/7	4/4	5/5	7/8	6/6	1/2									31/32	97%
Mike Brown	8/8	7/7						4/4	5/5	3/4***	5/5					28/29	97%
Brian Dames	7/8	6/7							5/5	4/4	5/5					31/33	94%
Neo Dongwana	8/8	7/7		5/5	8/8	6/6	2/2		5/5	3/4	5/5					36/37	97%
Errol Kruger	8/8	7/7	4/4		7/8	5/6	2/2		5/5	4/4	5/5					40/41	98%
Rob Leith	8/8	7/7						3/3	5/5	4/4	5/5					32/32	100%
Mpho Makwana	8/8	7/7	4/4	5/5				4/4	5/5		5/5	2/2				38/38	100%
Linda Makalima	7/8	6/7							5/5	4/4	5/5					30/32	94%
Tshlidzi Marwala	5/5	4/4						2/2	5/5	4/4	5/5					13/13	100%
Mantsika Matookane	8/8	7/7	4/4					4/4	5/5		5/5	2/2				23/23	100%
Raisibe Morathi	8/8	7/7							5/5	3/4***	2/5					23/24	96%
Peter Moyo****	3/8	3/7	2/4	2/5												12/29	41%
Vassi Naidoo****	7/8	6/7	4/4													18/20	90%
Joel Ntshenzhe	8/8	7/7						4/4	5/5		4/5	2/2				25/26	96%
Mfundo Nikuhlu	8/8	7/7	4/4		8/8	6/6	2/2		5/5	3/4						20/20	100%
Stanley Subramoney	8/8	7/7	4/4						5/5			3/3				40/41	98%
Malcolm Wyman	2/2	2/2	2/2	3/3												10/10	100%
Brendan Olivier**				5/5													
<b>Total</b>	<b>119/127</b>	<b>104/111</b>	<b>28/30</b>	<b>20/23</b>	<b>30/32</b>	<b>36/40</b>	<b>21/21</b>	<b>21/21</b>	<b>45/45</b>	<b>28/32</b>	<b>36/40</b>	<b>11/11</b>	<b>8/8</b>	<b>450/480</b>	<b>100%</b>	<b>94%</b>	
<b>Number %</b>	<b>94%</b>	<b>94%</b>	<b>93%</b>	<b>87%</b>	<b>94%</b>	<b>94%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>88%</b>	<b>90%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>94%</b>	

\* Includes annual meeting with SARB.

\*\* Professional consultant to Group Remuneration Committee from Vasdex Associates.

\*\*\* Large-exposure Approval Committee meetings are convened at short notice - the CE and CFO were unable to attend one meeting each in 2019, but in both cases they provided their input on the matter under discussion separately.

\*\*\*\* Vassi Naidoo was unable to attend the Nedbank Limited and Nedbank Group Limited board meetings held on 10 May 2019 due to a family matter that arose the previous evening. The Lead Independent Director chaired the board meetings in his absence.

\*\*\*\*\* Peter Moyo was nominated to the Nedbank Limited and Nedbank Group Limited boards by Old Mutual Limited (OML) in terms of the Nedbank Group/OML Relationship Agreement. Following his suspension as Chief Executive of OML by OML in 2019, he tendered his apologies for not attending any Nedbank board meetings.

Excluding Mr Moyo, attendance at the relevant board and committee meetings would have been as follows:

	Nedbank Group and Nedbank Limited Board	Nedbank Group Directors' Affairs Committee	Nedbank Group Remuneration Committee	Nedbank Group Capital Management Committee
	97%	100%	100%	97%

Dates of appointments to, and resignations from, the Nedbank and Nedbank Group Boards and Board Committees during 2019 are provided on page 25 of the Remuneration Report.

# ETHICS REVIEW

## OUR ETHICS PHILOSOPHY

‘ As a purpose-led and values-driven organisation, Nedbank’s ethics philosophy is to do business responsibly, ethically and with fair treatment of clients in mind. ’

Our ethics philosophy envisages a relationship of trust with our internal and external stakeholders, including regulators, in which we demonstrably act in their best interests. The law is but a minimum standard for good conduct and we believe that the required trust and conduct that underpins our ethics philosophy is established by having a collaborative approach to ethical leadership, a commonly accepted and lived set of values, effective governance, effective risk and compliance management and most importantly, by setting the right tone at the top.

Nedbank’s ethics philosophy envisages conduct that conforms with our values of ‘Integrity’, ‘Respect’, ‘Accountability’, ‘People-centredness’, and ‘Client-driven’ over and above compliance with laws and regulations. We live by this philosophy.

Our values underpin and inform our business strategy as well our internal policies and processes.

## OUR CULTURE OF ETHICS

Nedbank’s purpose, namely, ‘to use our financial expertise to do good for individuals, families, business and society’ evidences our culture of ethics. It is a culture that goes beyond compliance with legal and regulatory requirements and codes of best practice, and ‘doing good’ for Nedbank and its employees. It envisages ‘doing good’ for individuals, business and society in the larger context.

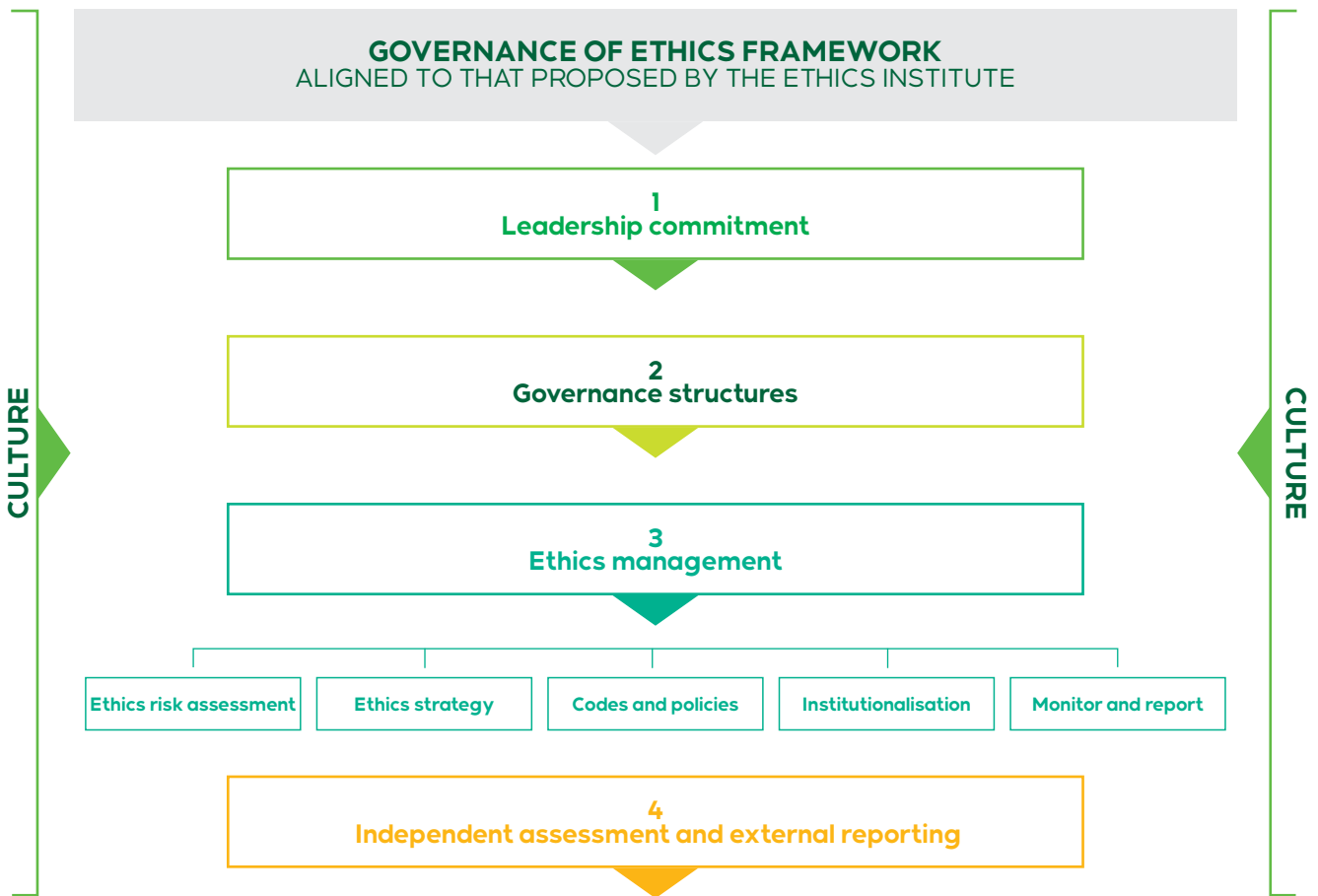
A continued enhancement of Nedbank’s culture of ethics remains top of mind for the board, the Group Transformation, Social and Ethics Committee (GTSEC), the Directors’ Affairs Committee (DAC), the Group Risk and Capital Management Committee (GRCMC), and executive management, especially against the backdrop of ‘state capture’, the various commissions of inquiry and recent corporate failures.

The management of ethics at Nedbank is informed by, among other things, the relevant provisions of the Companies Act, the Bank’s Act, King IV, the Basel Committee for Banking Supervision’s ‘Corporate Governance Principles for Banks’, the United Nations Global Compact (UNGC) principles, best-practice guidelines and stakeholder expectations.

Nedbank’s reputation is a priority of the Chief Executive, the Group Reputational Risk Committee (GRRC) and the Nedbank Board through the DAC. As we recognise the importance of internal and external stakeholder trust for the reputation of Nedbank: internal and external stakeholder expectations play a significant role as a benchmark for our management of ethics, ethics philosophy and culture of ethics.

# ETHICS REVIEW

continued



## GOVERNANCE OF ETHICS

Nedbank’s Governance of Ethics Framework is premised on and is closely aligned with that proposed by The Ethics Institute, of which Nedbank is a member, and involves **four dimensions: leadership commitment, governance structures, ethics management, and independent assessment and external reporting**. These four dimensions are discussed in more detail below:

### Leadership commitment

The Nedbank Board sets the tone at the top and leads the group ethically, effectively and responsibly within acceptable risk parameters. This is aligned with the **King IV** principle that ‘the governing body should lead ethically and effectively’ and formally constitutes one of the ‘board corporate governance objectives’ against which the board is measured annually.

Boardmembers are required to acknowledge a **Board Ethics Statement** annually. This statement sets out what is expected of the board in respect of its engagements with Nedbank and its employees, clients, suppliers, shareholders and competitors, as well as governments, regulators and communities. The board is measured annually on its responsibility to ensure sound corporate governance. This responsibility covers a myriad of aspects, which includes, but is not limited to, oversight of ethics management, social purpose, governance and implementation of human rights in business.

As an enabler, the board is periodically upskilled on matters of ethics, risk and governance (among other matters) through **training**. Examples of topics include: (i) directors’ corporate governance responsibilities generally and specifically with regard to clients, shareholders and the industry (January 2019); (ii) an Enterprisewide Risk Management Framework refresh (May 2019); and (iii) the duty to act ethically (24 July 2019).

# ETHICS REVIEW

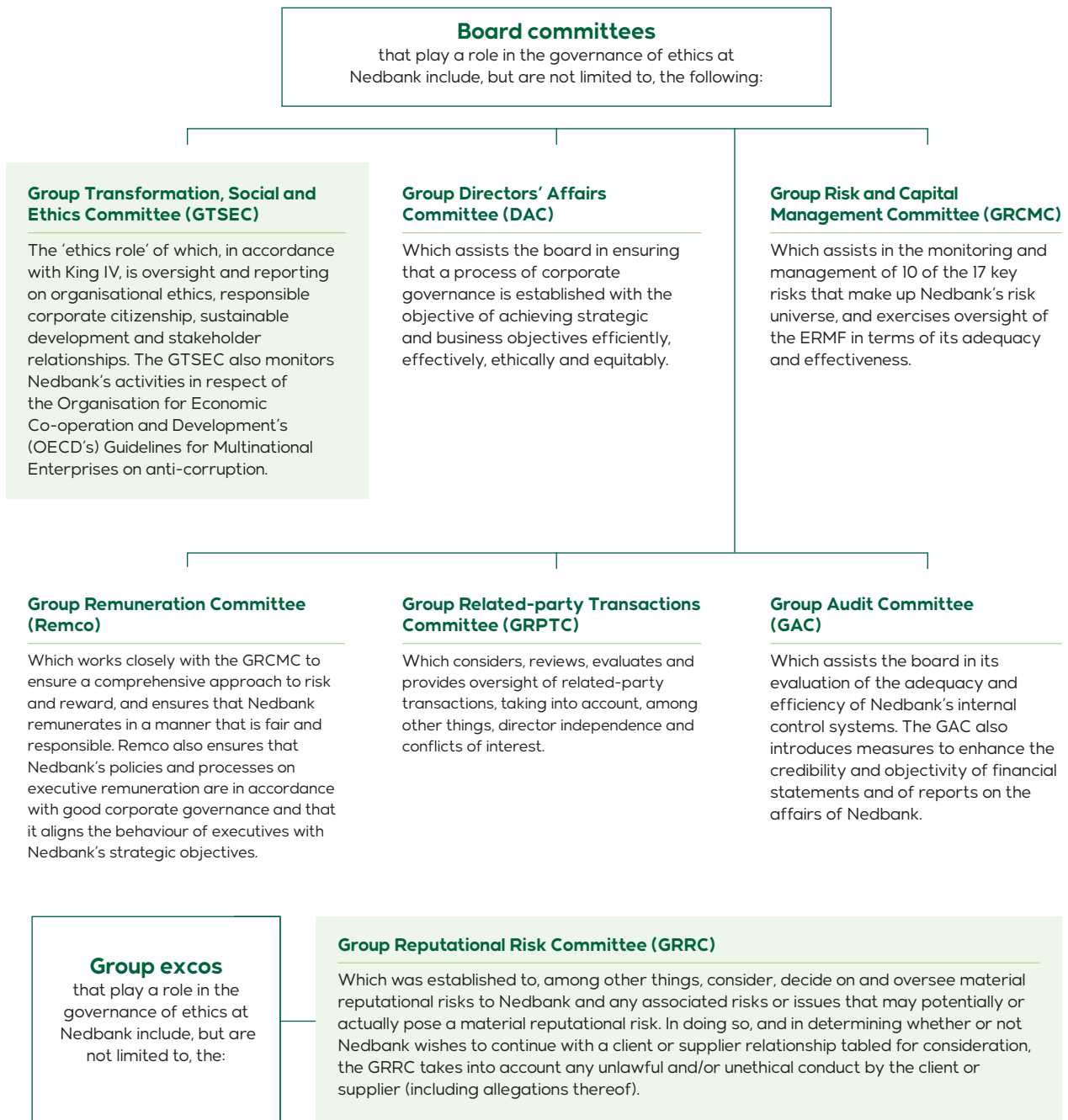
continued

Topics around state capture, corruption and the political state of affairs are discussed at board level. There is information flow from the 'top down' and from the 'bottom up' between the relevant board committees and group executive committees (excocos).

Boardmembers are required to complete directors' interests and 'fit and proper' questionnaires annually. In addition, ad hoc declarations (to confirm that they have not been involved in any action that could damage Nedbank's reputation) are requested from boardmembers, where appropriate.

## GOVERNANCE STRUCTURES

Nedbank's Enterprisewide Risk Management Framework (ERMF) was developed in accordance with Basel II and III, Basel Committee on Banking Supervision (BCBS) principles and the Three-lines-of-defence Model. The ERMF recognises that the board is ultimately responsible for all risks across Nedbank and for setting the risk appetite. The ERMF allocates the 17 key risks that make up Nedbank's risk universe across various board committees and group excocos.



**ETHICS MANAGEMENT**

**Ethics risk assessment**

The GTSEC commissions independent ethics risk assessments (ERAs) every three to four years to identify and measure Nedbank’s ethics risks and ethics opportunities and to enable the GTSEC to monitor adherence to Nedbank’s ethical standards as contemplated in King IV. An ERA was conducted by The Ethics Institute on behalf of Nedbank, covering Nedbank SA in 2015 and covering Africa Regions in 2018. The Ethics Institute is currently conducting an ERA in Nedbank SA, which started in the fourth quarter of 2019 and is expected to be finalised mid-2020.

The outcome, findings and recommendations of the ERAs are reported to the GTSEC, which tracks and monitors implementation of recommendations by executive management.

**Ethics strategy**

Our ethics strategy is aimed at ensuring that our business strategy, policies and procedures are informed and underpinned by our values of ‘Integrity’, ‘Respect’, ‘Accountability’, ‘People-centredness’, and ‘Client-driven’.

**Codes and policies**

Codes and policies that play a role in the governance of ethics at Nedbank include, but are not limited to, the following:

**Code of Ethics and Conduct (for employees)**

Conduct that is in accordance with Nedbank’s values is at the heart of our approach to business and our interactions with internal and external stakeholders. This is encapsulated in the Code of Ethics and Conduct (Employee Code) to which

all employees are required to adhere (including fixed-term employees). The Employee Code is reviewed annually and revised continuously to ensure a progressive ethical culture. The Employee Code was extensively reviewed in 2019 and is being further enhanced and refined in terms of codifying Nedbank’s specific behavioural expectations of its employees.

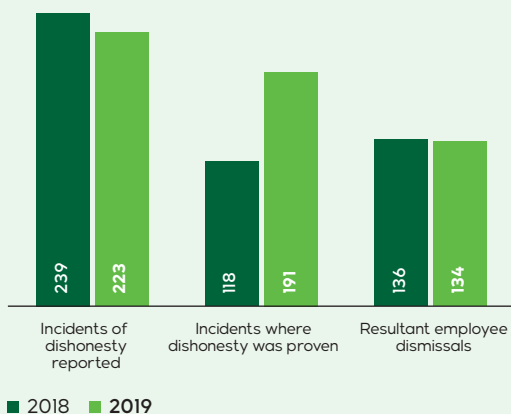
The Employee Code is published in English in accordance with Nedbank’s Language Policy and as English is written and spoken by all our employees, suppliers and most of our clients. The Employee Code is available on Nedbank’s website. To the extent that any of Nedbank’s clients require an explanation of the Employee Code to be provided in one of the other 10 official SA languages, Nedbank will gladly endeavour to accommodate the request.

All our employees are required to acknowledge the Employee Code annually. Employees are held accountable for their actions, which is evidenced in our statistics. Below are statistics in respect of 2018 and 2019 following investigations conducted by Group Financial Crime Forensic and Security (GFCFS) and the Ethics Office.

Employees found guilty of any dishonesty-related offences are listed on the Register of Employees Dishonesty System (REDS) database. This includes employees who resign prior to the finalisation of disciplinary proceedings, in which instance a posttermination inquiry is held. A **dismissals broadcast** is published on Nedbank’s internal website at least quarterly to serve as a deterrent, and includes the names and details of employees dismissed for dishonesty-related offences.

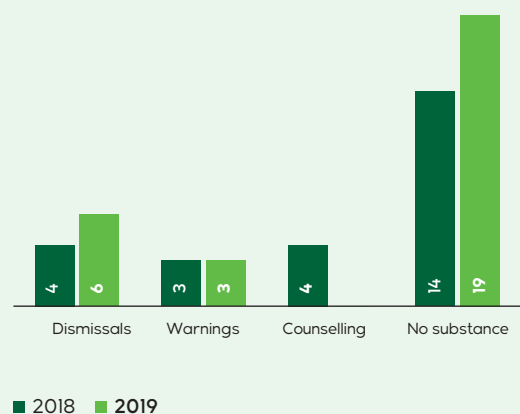
**Outcome of GFCFS investigations**

Below are statistics in respect of 2018 and 2019, reflecting: (i) the number of dishonesty-related incidents reported and investigated; (ii) the number of incidents where dishonesty was proven; and (iii) the resultant employee dismissals (taking into account that more than one employee may have been implicated and dismissed pursuant to an incident, and that employees may have resigned/received sanctions other than dismissal).



**Outcome of Ethics Office investigations**

Below are the outcomes that followed Ethics Office investigations into 25 matters in 2018 and 28 matters in 2019 (involving harassment, discrimination, racism and other breach of values-related transgressions of the Employee Code): Nedbank does not tolerate any unlawful act or any form of dishonesty, fraud, theft or corruption or dishonest behaviour in its activities and operations.



## ETHICS REVIEW

continued

Employees are obliged to adhere to Nedbank's applicable internal policies and all applicable laws and regulations. In addition to awareness and training initiatives, the Ethics Office conducts **face-to-face employee training** on ethics on request of management or Human Resources (HR) or in response to trends identified by the Ethics Office through investigations. In 2019, 1 991 employees received face-to-face ethics awareness training (which is in addition to our electronic training and awareness campaigns).

The Employee Code also reflects Nedbank's **organisational commitments** including, but not limited to: (i) a prohibition against sponsorships and donations to political parties; (ii) commitments pertaining to Nedbank's relationship with external stakeholders; and (iii) Nedbank's commitment to fair competition. Nedbank's commitment to fair competition means that Nedbank will never seek a competitive advantage through unethical or illegal practices, that Nedbank will never attempt to acquire or use confidential information pertaining to a competitor, and that Nedbank will not engage in restrictive trade practices or abuse any position of market dominance. During 2019 a policy acknowledgement was launched and completed by 96% of employees including permanent and fixed-term employees (excluding YES candidates).

Our employees are required to comply with **strict rules** around the giving and receiving of **gifts**, declaring of **outside interests** and avoidance of conflicts of interest.

### • Gifts and entertainment

The Employee Code sets out strict rules to which employees must adhere in respect of the giving or receiving of gifts to and from clients, suppliers, and other third parties. Our gift and gratuity philosophy entails that employees understand that receiving gifts is not a benefit or perk of employment and is subject to conditions and restrictions. There has been an increased focus on the monitoring and reporting of gifts received from and given to suppliers of the bank. All gifts are required to be declared and are subject to approval requirements as set out in the Employee

Code. Cash and gift vouchers are prohibited, and payments for travel and accommodation are subject to Managing Executive approval. Our rules around the giving or receiving of gifts takes into consideration the provisions of the UK Bribery Act, 2010.

### • Outside interests and conflicts of interest

Employees are required to declare all outside interests, which are subject to approval requirements as set out in the Employee Code. Employees have an obligation to disclose and avoid all conflicts of interest. Where business requirements necessitate more stringent rules, such as with roles impacted by the Financial Advisory and Intermediary Services (FAIS) Act and our Corporate and Investment Banking business units, specific conflicts-of-interest policies apply to the respective employees.

### PERCENTAGE OF EMPLOYEES DECLARING EITHER OUTSIDE INTERESTS OR A NIL RETURN:



### • Other policies and training

Appreciating that Nedbank's culture of ethics envisages compliance with the bank's values over and above compliance with laws and regulations, at least 35 of Nedbank's other policies make reference to the Employee Code.

Nedbank has a suite of focused policies to which employees are required to adhere to and which cover a range of topics that include, but are not limited to: (i) compliance, (ii) anti-money-laundering, (iii) anti-corruption, (iv) risk management, and (v) market conduct.

Employees are required to acknowledge electronically that they have received, read and understood applicable policies. Below are some examples of acknowledgment statistics for the year 2019 (excluding YES candidates):

Banks Act	99%
Policy on Sanctions Risk Management	93%
Occupational Health and Safety Policy	96%
Privacy Policy	98%
Code of Ethics and Conduct	96%
Business Transformation Policy	81%
Enterprise Marketing and Brand Policy	97%
Procurement Policy	91%
Anti-money-laundering and Combating the Financing of Terrorism Policy	95%
Whistleblowing Policy	97%
Market Conduct Policy	89%

All our employees are required to undergo mandatory training every two years in respect of specific topics, which takes the form of an online course and assessments, and which include, but are not limited to:

- » anti-corruption legislation and corruption risk awareness;
- » anti-money-laundering and financing of terrorist and related activities legislation; and
- » sanctions regimes and sanctions listings.

## › Institutionalisation of ethics

Nedbank has implemented a myriad of practical mechanisms and processes to drive ethical behaviour as part of maintaining a culture of ethics:

- **Recruitment:** In terms of our Recruitment Policy, all prospective employees are assessed against 'personal integrity management' checks.
- **Performance reviews:** A leadership, culture and values criterion was added in 2018 to the performance scorecards of our Group Exco members, and is in the process of being rolled out to the level below Group Exco.
- **Remuneration:** Our Remuneration Policy is aimed at ensuring that reward processes support and reinforce Nedbank's required culture and encourage ethical behaviour. In addition, there is cross-membership between the Remco and the GTSEC to ensure healthy interaction in promoting a culture of ethics.
- **Consequence management:** Our Disciplinary Code promotes certainty and consistency in matters of misconduct by employees, and ensures that our employees are held accountable for their conduct.
- **Policy acknowledgements and e-learning:** Our employees are required to acknowledge electronically policies. Some policies require employees to complete an assessment to demonstrate their understanding.
- **Awareness communications:** Communications to employees are disseminated on an ongoing basis to create risk awareness on specific topics, or in response to negative trends identified through investigations, and as a means of reiterating expected employee behaviour and Nedbank's commitment to ethical behaviour.
- **Message from the Leadership Desk:** This is a communications initiative in terms of which important messages authored by the Chief Executive or the relevant Group Exco member are sent to employees for awareness and transparency.
- **Lessons learnt initiatives:** An extensive exercise was conducted to identify common themes in seven well-publicised corporate failures, benchmarking Nedbank's internal processes and procedures against these and identifying potential enhancements, which are being implemented.
- **Dedicated Ethics Office:** The Ethics Office falls under Group Compliance and is overseen by the Chief Group Compliance Officer. It provides independent and objective advice and support to employees on ethics-related matters, and continuously engages with The Ethics Institute to ensure that Nedbank's practices on the management of ethics are on par, if not exceeding best practice.
- **Involvement of Nedbank's Ethics Office in certain supplier tenders:** The Ethics Office oversees tenders of more than R10m and tenders considered high-risk (with reference to the supplier or service). These suppliers are also measured against the Ethics Responsibility Index in respect of corporate governance, ethics and human rights in business principles.
- **Behavioural/Culture surveys:** The Compass Survey and Barrett Survey are conducted alternatively each year. These surveys measure behavioural dimensions and employee values respectively. Results are discussed with Group Exco and one level below to ensure that any required enhancements or changes are driven at a leadership level. The 2019 Compass Survey showed that 82% of Nedbank employees felt strongly that acting ethically takes priority over achieving business results in their respective teams.

- **Specific attestations in letters of representation:** Nedbank's letters of representation (LOR) process, which is conducted to assist the board in complying with its Banks Act requirement to assess corporate governance and internal controls/processes, requires various attestations by relevant group, cluster and subsidiary executives twice a year. Included in the list of attestations required are the following:
  - » That the individual has neither been involved in any action nor has knowledge of anything relating to corrupt activities that could cause harm to Nedbank or damage its reputation (other than those reported through Nedbank's ERMF).
  - » That remuneration is structured in ways that promote conduct that is aligned to Nedbank's values, Employee Code and risk appetite.
  - » That remuneration is sensitive to reputational, conduct and behavioural matters.
  - » That the individual has no reason to believe that those reporting to them have been involved in any improper conduct or unlawful or unethical behaviour that may harm Nedbank's stakeholders or its own reputation.
  - » That the business unit has considered conduct risk and at all times adhered to the highest standards of ethical conduct and best market practice.
- **Reviews of client and supplier relationships:** Corporate governance and ethics-related factors are included in reviewing client and supplier relationships in assessing reputational risk by association.
- **Market Conduct and Culture Programme:**
  - » Our Market Conduct and Culture Programme (MCCP), which started in 2016/2017, continues to gain traction with a strong focus on 'market conduct culture' facilitated through a communication strategy, and education and training initiatives, among others.
  - » Our market conduct and conduct risk definitions are designed to reinforce: (i) the tone set by the board and Group Exco on zero tolerance of unethical conduct or improper business practice; (ii) regulatory requirements (Financial Sector Regulation Act, Conduct of Financial Institutions Bill, Draft Conduct Standards, international best practice); and (iii) our Employee Code.
  - » Nedbank's response to mitigating poor selling practices includes: (i) a sales strategy reinforced by Nedbank's strategy (being the adoption of an ethical approach to delivering fair outcomes for clients) that forms part of the MCCP; and (ii) the training of sales people, which Nedbank has started with, that is focused on value-based selling.
  - » To create increased awareness of misconduct related to market conduct and mis-selling, an exercise is underway to: (i) revise our Disciplinary Policy to incorporate market conduct offences and suggested sanctions in response to market conduct offences; and (ii) create awareness among employees so they can acknowledge that they understand the consequences of poor market conduct.
  - » We have developed processes, controls and monitoring activities in the financial markets space to ensure that we do not intentionally or inadvertently distort financial markets away from fair trade rates. These processes, controls and activities from part of Nedbank's ERMF and make provision for reporting to senior management of any concerns related to Nedbank's conduct in financial markets.
  - » Progress on the MCCP is tracked by the Brand Client and Conduct Committee (a subcommittee of Group Exco) and by the GRCCMC.

## Monitoring and reporting

The respective roles played by the GTSEC, DAC, GRMC, GRPTC, Remco and GAC in the governance of ethics are in accordance with the objectives and functions of these committees as set out in their respective charters.

As the GTSEC constitutes Nedbank's social and ethics committee as contemplated in the Companies Act, we deal in more detail below with the matters that are reported on and overseen by the GTSEC (for onward reporting to the full Nedbank Board):

- **Social and ethics:** Involves the monitoring of Nedbank's activities in respect of the 10 UNGC principles, the OECD recommendations on combating corruption, UK bribery legislation, employment legislation, transformation legislation, Nedbank's good corporate citizenship, the impact of Nedbank's goods and services, consumer relationships, compliance by employees with the Employee Code, investigations on ethics-related matters, human rights, and employees' adherence to ethical standards.
- **Transformation:** Involves Nedbank's transformation strategy and transformation targets.
- **Sustainability:** Involves Nedbank carrying out its purpose through the United Nations Sustainable Development Goals, and matters involving social/ environmental and other non-financial types of risk.
- **HR:** Involves Nedbank HR strategy design, implementation and business plan.

## Independent assessment and external reporting

Independent ERAs are conducted every three to four years and these constitute Nedbank's independent assessment of ethics risk and ethics opportunities. This is in addition to any ethics risks that may fall within the ambit of planned internal audits.

Our external reporting and disclosures are made in accordance with the Companies Act, King IV, the UNGC principles, the Dow Jones Sustainability Index and other environmental, social and governance (ESG) indices.

The board assumes responsibility for and ensures integrity of the Integrated Report. The board is committed to **timely, accurate and meaningful disclosure of matters.**

## OUR COMMITMENT TO UPHOLDING HUMAN RIGHTS IN BUSINESS

Nedbank is committed to aligning its operations and strategies with the 10 principles that underpin the UNGC, of which Nedbank has been a signatory since 2005. We submit an annual Communication of Progress to the UNGC in support of our commitment to the 10 UNGC principles, which are as follows:

- **Human rights**
  - » **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
  - » **Principle 2:** Make sure that they are not complicit in human rights abuses.
- **Labour**
  - » **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
  - » **Principle 4:** The elimination of all forms of forced and compulsory labour;
  - » **Principle 5:** The effective abolition of child labour; and
  - » **Principle 6:** The elimination of discrimination in respect of employment and occupation.
- **Environment**
  - » **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
  - » **Principle 8:** Undertake initiatives to promote greater environmental responsibility; and
  - » **Principle 9:** Encourage the development and diffusion of environmentally friendly technologies.
- **Anti-corruption**
  - » **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

In line with Nedbank's commitment to upholding human rights in business, we have implemented the following policies and statements:

- **Human Rights in Business Policy**, which confirms our commitment to upholding human rights in business, the protection of human rights as enshrined in the SA Constitution and Bill of Rights and Universal Declaration of Human Rights, as well as upholding the protection of children against forced labour, modern slavery and child labour.
- **Nedbank Group Human Rights in Business Statement**, which provides guidance to employees on their responsibilities regarding human rights and serves as confirmation to stakeholders that Nedbank manages its human rights impact, risks and opportunities effectively. The Nedbank Group Human Rights in Business Statement also confirms our commitment to protecting the human rights of our employees which commitment is strongly evidenced in our employment policies as well as the Employee Code.
- **Conflict Minerals Statement**, which confirms our commitment to responsible business and encourages our stakeholders to eradicate the impact of human rights abuses arising from the mining of conflict minerals. Nedbank recognises its role in taking responsibility by increasing its influence through its operations, business investments, and the value chain.
- **Children's Rights Pledge**, which confirms our commitment to supporting efforts to stop child trafficking, child prostitution, child-sex tourism, child pornography, and the deprivation of children's rights, within Nedbank's sphere of influence.
- **Modern Slavery Act Statement**, which provides an overview of the steps taken to ensure that slavery and human trafficking is not taking place in our supply chain and our business. It is published on our website as required in terms of the UK Modern Slavery Act of 2015.

## CHANNELS FOR THE REPORTING OF EMPLOYMENT GRIEVANCES AND DISHONEST BEHAVIOUR, INCLUDING FRAUD AND CORRUPTION, AND OTHER UNETHICAL BEHAVIOUR

- The **Nedbank Group Risk Reporting Line (NGRRL)** is for the reporting by employees of any actual or suspected fraud, forgery, corruption (including bribery), theft, market abuse or insider trading and dishonesty-related conduct. Details of the NGRRL are included in the Employee Code and on Nedbank's website.
- The **Grievance Procedure** is available for employees who wish to report any complaints pertaining to breaches of HR policies and processes, performance outcomes, bonus/remuneration, work requirements, management practices, and complaints around the employment relationship and the work environment. Details around the grievance procedure are included in the Grievance Policy to which all employees have access.
- The **Ethics Office** is for the reporting by internal and external stakeholders of any harassment (including sexual harassment), discrimination, assault, human rights abuses, nepotism and cronyism and other ethics-related or breach of values transgressions of the Employee Code. Staff can send an email to [talktotheethicso@nedbank.co.za](mailto:talktotheethicso@nedbank.co.za) or call +27 (0)10 234 7401.
- **Tip-offs Anonymous** is managed externally and independently by Deloitte and is available to internal and external stakeholders who wish to report any unethical or corrupt activities. Complainants have the option to remain completely anonymous. They can send an email to [nedbankgroup@tip-offs.com](mailto:nedbankgroup@tip-offs.com); send a letter to Tip-offs Anonymous, Freepost DN 298, Umhlanga Rocks, 4320; visit [www.tip-offs.com](http://www.tip-offs.com); or call 0800 000 909.

Complaints received through the abovementioned channels are dealt with as follows:

- Nedbank's **Group Financial Crime Forensic and Security** function investigates matters involving employee-related dishonesty, such as theft, fraud or corruption and other dishonesty-related conduct or crime.
- The **Ethics Office** investigates matters involving harassment, discrimination, human rights abuses, nepotism and cronyism and other ethics-related transgressions of the Employee Code by employees.
- **Line managers and HR** deal with employment related grievances and complaints.

## OUR COMMITMENT TO DRIVING ETHICAL CONDUCT AMONG OUR EMPLOYEES AND UPHOLDING HUMAN RIGHTS IN OUR EMPLOYMENT PRACTICES

### Looking after our employees

In terms of our Employee Code, our employees commit to treating one another with dignity and respect, and not associating themselves with child labour, forced labour, slavery and human trafficking. Our employees commit to abiding by applicable laws and regulations and to protecting Nedbank's reputation. Our employees also commit to refraining from any criminal or corrupt activities and avoiding conflicts of interest.

We are committed to providing our employees, clients, suppliers and other stakeholders with a safe environment for their Nedbank-related interactions. Harassment and discrimination by employees against fellow employees or any other person are prohibited, as set out in our Employee Code.

- **Discrimination** on the following grounds is prohibited: race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language, birth, and on any other ground that causes systemic disadvantage, undermines human dignity and adversely impacts the equal enjoyment of a person's rights.
- **Harassment** is prohibited and includes, but is not limited to, bullying, insulting, victimising, misusing power, threatening, excluding someone, setting someone up to fail, treating someone unfairly, and blocking promotion or training opportunities.

We are committed to fair employment practices that are in accordance with employment laws and regulations and codes of practice. Employees' basic conditions of employment including, but not limited to, leave (statutory and various additional discretionary leave categories), working hours, working conditions, remuneration, occupational health and safety, and the right to participate in industrial action and collective bargaining, and to associate with a trade union are communicated to our employees and are in accordance with employment laws. Any retrenchments are also conducted in accordance with employment law and in an ethical and fair manner.

Nedbank has partnered with ICAS Southern Africa (Pty) Ltd, which provides free and independent counselling to Nedbank employees as a means of ensuring their mental wellbeing. The GTSEC receives reports on employee wellbeing annually.

Our Group People with Disability Forum addresses workplace requirements for disabled employees, clients, and all other stakeholders.

We take the safety of our employees and our visitors seriously. Employees qualified in providing first aid are available at various locations across our campuses and we have partnered with ER24 for cases of emergencies.

Crèche facilities are available at selected campuses to provide employees with convenience and flexibility in respect of their child day-care needs. Employees who use the crèche facilities pay for same, but as a pretax payment.

## OUR COMMITMENT TO DRIVING ETHICAL CONDUCT AND THE UPHOLDING OF HUMAN RIGHTS BY OUR CLIENTS

Client risk-profiling at client onboarding takes into account a number of factors including, in the case of juristic clients, the nature of the client's business (sector and business operations) and the profile of the territory(ies) in which the client operates.

The level of due diligence carried out on the client onboarding stage and in the course of the relationship is informed by the client's risk profile.

Transactional monitoring and adverse media monitoring are existing controls that assist in identifying whether the client is involved in any unethical or illicit activities (which would include, but not be limited to, financial crime, modern slavery and human trafficking). In addition, reputational risk considerations have been incorporated into our credit and market-trading processes.

Adverse findings and adverse allegations against clients results in a review of the business relationship by Nedbank and a determination as to whether a continued association with the client is within Nedbank's appetite, taking into account all relevant factors.

We conduct specific environmental impact assessments (as part of our Social and Environmental Management System) prior to advancing finance to clients in high-risk industries. The industries include the following: mining, construction, chemical and oil, manufacturing, property development, agriculture, waste management and fuel service stations. Our Social and Environmental Management System assessments also cover human-rights-related questions around child labour, forced labour and compliance with labour legislation.

## OUR COMMITMENT TO DRIVING ETHICAL CONDUCT BY OUR SUPPLIERS, UPHOLDING HUMAN RIGHTS IN OUR SUPPLY CHAIN AND PARTNERING WITH ETHICAL SUPPLIERS

Our Code of Ethics and Conduct for Suppliers (Supplier Code) sets out detailed guidance in respect of what is expected of our suppliers. Our suppliers are required to acknowledge the Supplier Code and must comply with its requirements. **Failure to comply with the Supplier Code may lead to Nedbank terminating its relationship with a supplier.** The Supplier Code assists in ensuring that no employee uses Nedbank's business relationship with a supplier for personal advantage or gain or the advantage or gain of a third party.

The Supplier Code requires our suppliers to, among other things:

- Conduct their business activities and employment practices in compliance with applicable laws, rules and regulations, including, but not limited to, employment laws in respect of their employees, anti-corruption legislation, tax laws, competition laws and broad-based black economic empowerment (BBBEE) legislation and codes.
- Avoid conducting themselves in a manner that is abusive, harassing or offensive to Nedbank employees.
- Comply with Nedbank requirements to maintain confidential information, including passwords and security and privacy procedures as a condition of access to the internal Nedbank network, systems and buildings.
- Comply with applicable environmental laws and regulations regarding the storage and release of hazardous materials, including the manufacture, transportation, storage, disposal and release to the environment of such materials.
- Comply with sanctions regimes adhered to by Nedbank.
- Conduct engagements with regulators and government officials with honesty.
- Conduct business in compliance with consumer protection, market conduct and fair competition laws.
- Adhere to Nedbank's requirements for privacy and the protection of data and personal information.
- Treat their employees with dignity and respect, recognise and respect cultural differences, cooperate with Nedbank in its commitment to a workforce free of all types of harassment, and avoid unlawful discrimination in employment practices.
- Provide a safe and healthy working environment for their employees and comply with applicable health and safety laws, regulations and practices.
- Abstain from the use of child labour, forced labour, compulsory labour and labour considered to be modern slavery.

In 2019, 121 suppliers were trained on the Supplier Code.

Suppliers are prohibited from offering Nedbank employees (or their friends or family members) any gifts, privileges or entertainment that may directly or indirectly influence their independence or judgement or create a potential conflict of interest.

The Supplier Code requires suppliers to report any actual or suspected violations of laws, regulations or the Supplier Code. Suppliers are also **required to report** any actual or suspected dishonest, corrupt, or unethical behaviour or any breach of Nedbank policies by Nedbank employees or other suppliers. Nedbank commits not to permit any retribution or retaliation against any individual who, in good faith, reports an actual or suspected violation or incident.

We conduct **due-diligence assessments** of all potential suppliers before entering into business relationships with them. These due-diligence assessments cover, among other things: tax certificates, BBBEE certificates, links to employees of Nedbank, sanction screening, adverse media screening, credit and criminal records, and financial fitness.

Relevant potential suppliers participating in tender processes are given a briefing on ethics in the tender process and are required to complete an Ethics Responsibility Index assessment, the results of which are taken into account in the tender process. In 2019, 103 suppliers were given briefings on ethics in the tender process.

To manage and mitigate against potential conflicts of interest, our employees and our suppliers are required to adhere to strict declaration requirements.

High-risk and high-contract-value suppliers undergo frequent due diligence and media monitoring.

- Suppliers making up only the top 85% of Nedbank suppliers by spend are monitored monthly for adverse media reporting.
- Checks in respect of UN Sanctions Regimes and politically exposed persons are done daily.
- Suppliers with whom we spend in excess of R20m undergo annual financial fitness checks.

Nedbank takes allegations of corruption, dishonesty, unethical behaviour and human rights violations seriously. Adverse allegations against these suppliers result in a review of the business relationship by Nedbank and a determination as to whether a continued association with the supplier is within Nedbank's appetite, taking into account all relevant factors.

## THE YEAR IN REVIEW

- We **terminated several relationships** with clients and suppliers to mitigate reputational risk to Nedbank that may have arisen from a continued association due to, among other things, corrupt or unethical conduct on their part.
- We **reviewed our Employee Code**, with an increased focus on: (i) including practical rules-based guidance on what we expect of our employees in terms of behaviour; (ii) refining our rules around the giving and receiving of gifts; and (iii) refining our rules around outside interests held by employees. The new version of our Employee Code will be published in 2020.
- We **made enhancements to our Supplier Code**, through the incorporation of more risk mitigating measures.
- Our board **reacknowledged and committed to the Board Ethics Statement**.
- Through supplier training initiatives we **engaged with more than 220 suppliers** on the topics of ethics, human rights, governance and tender practices.
- An **additional declaration was developed** to identify and avoid potential employee conflict-of-interest risks arising from relationships with suppliers.
- We conducted a **deep-dive into the governance of ethics** and the institutionalisation of ethics at Nedbank. The outcomes which positive, were presented to the South African Reserve Bank (SARB) in terms of the SARB flavour-of-the-year topic, 'The creation and institutionalisation of a culture of ethics and awareness'. The presentation was well received.
- The GTSEC oversaw and received reports on organisational ethics and ensured that **ethics at Nedbank are governed** in a way that establishes an ethical culture.
- The GTSEC oversaw and tracked the progress of the implementation of recommendations from **The Ethics Institute** following an ERA conducted by The Ethics Institute in Nedbank's Africa Region subsidiaries in 2018. The ERA was commissioned to identify ethics risks and ethics opportunities and to enable GTSEC to monitor adherence to Nedbank's ethical standards as contemplated in King IV.
- We commissioned The Ethics Institute to conduct an ERA in Nedbank SA. The **ERA started in the fourth quarter** of 2019 and will be conducted again in three to four years' time.
- In March 2019 the Coalition for Ethical Operations, of which Nedbank has been a member since 2017, won the Gauteng Premier's Service Excellence Awards for Clean Governance – for activities aimed at **promoting ethical business and reducing bribery and corruption**. The Ethics Offices' contribution included sharing practices on ethics in tenders, contributing to training material for suppliers and participating, along with other members of the coalition, in a project aimed at promoting training on ethical business and anti-corruption for any small-to-medium enterprises in supply chain management, which was piloted during September 2019. Implementation of this project will start in 2020.
- An **annual attestation** was developed for managing executives to confirm that they are not aware of any unfair pay differentials or performance outcomes based on race, gender or any other bias.

## FOCUS FOR 2020 ONWARDS

### Digital ethics

Nedbank recognises digital ethics as a means to bridge the gap in the lag between developments in laws and regulations and developments in technology.

As we enhance our product offerings and risk and compliance processes through the incorporation of new technologies and artificial intelligence, we recognise the need to reinforce and advocate the responsible use of data and digital platforms. Several initiatives, among other things, are already underway in the realm of digital ethics as part of our conduct risk, cyberrisk and protection-of-personal-information programmes. Our Employee Code is being enhanced to reiterate our commitment to the ethical use of data and digital platforms, and our statements on digital ethics are being developed.

### Proactive training

Our face-to-face ethics training programme is being enhanced to provide our employees with frequent training on ethics-related topics as a means of proactively managing ethics risks.

### Enhancements to our human rights policies, statements and processes

Our human-rights-related policies, statements and processes are being enhanced in accordance with international benchmark requirements and developments in the macro environment.

### Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are 17 global goals that the UN set in 2015 in an attempt to shift the world onto a sustainable path over the next 15 years in areas of importance for humanity and the planet.

As a bank with a purpose to use our financial expertise to do good for our clients and society, Nedbank has adopted nine of these 17 SDGs and have allocated them to our Group Exco members to champion and to be accountable for. This is yet another measure that we use to ensure and drive responsible and ethical business.

### Gender-based violence and equality

Nedbank condemns unequal treatment and gender-based violence and continues not only to support initiatives in the global fight against unequal treatment and gender-based violence, but also to promote gender equality.

# OUR PURPOSE LIVED THROUGH ETHICS, VALUES AND HUMAN RIGHTS

## OUR PURPOSE

To use our financial expertise to do good for individuals, families, businesses and society.

### OUR VISION

To be the most admired financial services provider in Africa by our staff, clients, shareholders, regulators and society.

### OUR BRAND PROMISE

**see money differently**

## NEDBANK SUSTAINABLE DEVELOPMENT FRAMEWORK

'Our purpose guides our strategy, behaviours and actions towards delivery of long-term value. We are aware that operating a successful and sustainable business requires a thriving economy, a well-functioning society and a healthy environment. We also know that we have a responsibility and an opportunity to contribute to these.

As such, our response cannot be a secondary aspect of our business – it must be central to it, with a commitment to sustainable development as the only reasonable response. We believe that this approach is not only desirable; it is achievable. For us at Nedbank this is the future we want. And we are committed to doing our share to realise it.'

**Mike Brown**, Chief Executive



## OUR EMPLOYEE VALUE PROPOSITION: BEING THE DIFFERENCE THAT IMPACTS OUR WORLD

Purpose-led	Service excellence	High performance	Growth and development	Diversity and inclusion
<b>MAKING A PURPOSE-DRIVEN IMPACT. THAT'S OUR DIFFERENCE.</b>	<b>GOING THE DISTANCE MAKES THE DIFFERENCE.</b>	<b>WE DELIVER WITH IMPACT.</b>	<b>YOUR POTENTIAL IS OUR IMPACT.</b>	<b>IN OUR WORLD DIFFERENT IS GOOD.</b>

### OUR VALUES

**Integrity    Respect    Accountability    People-centred    Client-driven**

