

Level 1 Social and Environmental Policy: Annexure 1 - Group Social and Environmental Management System (SEMS)



Why we need the policy

This policy sets out the Group's ('we', 'us' or 'our') requirements for compliance with our Social and Environmental Management System (SEMS) so that the group and its employees always abide by national and international legislation, regulations and instruments that relate to social and environmental risks and avoid penalties, lawsuits, exclusion from public contracts and reputational risk.

What SEMS is

The Social and Environmental Management System (SEMS) is a risk management strategy created to ensure that we minimise the impact of our business activities on society and the environment. This is done by identifying, monitoring and evaluating Social and Environmental Risks associated with our operations. With SEMS clusters can develop procedures and workflows for lending activities across the bank. The Group Social and Environmental Risk function oversees the management and administration of SEMS.

1 Background

We recognise social and environmental management as an important area of corporate performance and accepts that sustainable development is a crucial part of responsible business management. We have therefore included Social and Environmental Risks in the Enterprisewide Risk Management Framework.

Although the nature of Nedbank's lending activities is not necessarily harmful or threatening to the environment, it is responsibility of each business unit to draft, adopt and adhere to a divisional social and environmental risk framework that is aligned with the requirements of the Nedbank Environmental Policy and that will govern and guide their actions to ensure a proactive and precautionary approach towards managing our social and environmental impact and minimising any direct or indirect social and environmental impacts. Such framework documents must remain current at all times and be reviewed at a minimum annually.

2 Whom this policy applies to

- 2.1 Every business cluster may customise the SEMS and determine the scope of application in consultation with Group Strategy: Sustainability.
- 2.2 With approval from the relevant executive committee, every business cluster may, after considering the credit and reputational risk implications, determine the scope, exclusions and application of the SEMS Process and Framework by adopting a list of high-impact industries and maintain a list of affected products.
- 2.3 The Equator Principles and International Finance Corporation (IFC) Performance Standards must be applied where applicable.

3 Monitoring and reporting requirements

- 3.1 Business clusters will monitor social and environmental exposures in accordance with the process contained in their respective process flows.
- 3.2 All client reviews will be conducted at least every 18 months.
- 3.3 Any negative social or environmental exposure must be reported to the next cluster Enterprisewide Risk Committee (ERCO) and to the Group Social and Environmental Risk Manager.

4 Social and Environmental Management System

We have implemented a methodology as part of the risk management process to identify, monitor and evaluate social and environmental risks associated with our operations. Related Nedbank policies are the Social and Environmental Policy, Corporate Social Investment Policy and Reputational Risk Policy.

The Social and Environmental Policy is linked to sector policies on waste management, hazardous substances, asbestos and contamination of land, surface and ground water, heritage sites and objects, natural capital and biosafety, as well as guidelines on hunting and genetically modified organisms. There is also the Nedbank interpretive Sector Policy, which references the IFC Exclusion List. The Sector Policy list all the national and international instruments and regulatory frameworks that need to be taken into account in assessing the social and environmental risk of a project depending on the

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operational activities covered by the Sector Policy. Furthermore, Compliance Control Plans have been approved for each of the applicable South African acts and regulations, linked to business controls.