Transformation Report 2016

FOR THE YEAR ENDED 31 DECEMBER

Supplementary report to the
Nedbank Group Integrated Report

see money differently

NEDBANK
Nedbank Group Transformation Report

Transformation of the financial services sector plays a significant yet complex role in SA’s nation-building journey. While Nedbank stands at the forefront of contributing to the country’s economic growth, it is also concerned with the manner in which such contributions promote access to economic opportunities and financial inclusion to improve the overall standard of living in SA and reduce economic inequality in the country.

As Nedbank strives to build an equitable society, it recognises and acknowledges some of the environmental factors that construct the current transformation landscape in which the bank operates. These factors include a volatile and uncertain socioeconomic environment characterised by slower growth and rising inequality, increased governance and risk management regulation, scarce and evolving skills requirements, and greater pressure for faster reform in the sector.

Transformation challenges are compounded by the need for faster development of small and medium enterprises (SMEs) and the need for creation of black industrialists, as well as rising unemployment, particularly among the youth, continuous imbalances in the leadership structures of many organisations, greater access to tertiary education, and the threat of a potential downgrade from credit rating agencies.

Despite this volatility and uncertainty amid unprecedented levels of change, Nedbank remains committed to lead transformational change and live its purpose to do good for individuals, families, businesses and society.

At the World Economic Forum in Davos, Deputy President Cyril Ramaphosa called for inclusive growth that ‘people are able to see, feel and touch’. What is also required is a concerted and collaborative effort from all stakeholders in the country.

Nedbank Chief Executive (CE) Mike Brown is one of the leaders supporting the call of the Deputy President and acknowledges that ‘an enormous number of people across business, government and labour sectors are doing exceptional work to power the South African economy forward and build momentum to nation building and sustainable transformation ... as our journey continues’.

THE EVOLVING BROAD-BASED BLACK ECONOMIC EMPOWERMENT LANDSCAPE

The legislative framework that government has put in place to guide broad-based black economic empowerment (BBBEE) has evolved significantly to drive transformation in SA as depicted by the timeline below.

The release of the BEE Commission report on transformation in SA led to the gazetting of the BBBEE Act, 53 of 2003, the introduction of the Codes of Good Practice in 2007 and the subsequent gazetting of the sector codes, specifically the Financial Sector Code (FSC) gazetted in 2012 in terms of section 9(1) of the Act.

While the implementation of the Codes of Good Practice and the sector codes led to positive transition in the transformation agenda, not enough was achieved in terms of the primary objectives of the BBBEE Act. This led to the promulgation of the BBBEE Amendment Act of 2013, intended to ensure further progress with government’s drive to integrate BBBEE into the economy in a more comprehensive manner and provide legislative clarity. This legislation included prescribing the procedures and details required for the gazetting of industry transformation charters and culminated in the gazetting of the Revised Codes of Good Practice (‘the Codes’) in October 2013.

From the start of the initial 12-month sector alignment period stipulated by the Department of Trade and Industry (dti), which was further extended by the Minister of Trade and Industry, the financial services sector has engaged extensively with the relevant authorities to expedite the realignment process. The sector has also received the alignment process as an opportunity to place more emphasis on addressing issues such as participation in meaningful equity empowerment, contribution to the creation of black industrialists and support for growing SMEs.

| 2000 | BBBEE Commission report released |
| 2002 | Financial Sector Summit hosted |
| 2003 | BBBEE Act enacted |
| 2004 | First draft of the dti Codes issued |
| 2004 | FSC Council is formed and first draft FS Code comes into effect |
| 2009 | BBBEE Advisory Council appointed to advise government on BEE |
| 2010 | BBBEE Amendment Bill |
| 2011 | FS Code released for public comment |
| 2012 | Revised dti Codes released for public comment |
| 2013 | Revised dti Codes gazetted in October |
| 2016 | FS Code gazetted in November in terms of section 9(1) |
| 2016 | Revised dti Codes gazetted in October |
Nedbank has been a prominent participant in the FSC realignment process through its submissions and contributions at the Banking Association South Africa (BASA). The Draft Amended FSC has been endorsed by the Minister of Finance and submitted to the dti for promulgation, which is imminent.

The release of the Codes, which comprise stricter weightings and targets, symbolises a new beginning in the reorientation of the transformation policy to address the issue of fronting and focus more on productive BBBEE. The Codes are a significant departure from the previous version, with key changes highlighted below and adopted by the financial services sector:

- Introduction of priority elements, including ownership, skills development, enterprise and supplier development (ESD) and empowerment financing.
- Discounting of one level on the total scorecard for not meeting the 40% subminimum on each of the priority elements.
- Higher thresholds for BBBEE recognition levels.
- Increased targets for empowering suppliers that are > 51% black-owned (BO) from 12% to 40%, and from 8% to 12% for black-women-owned (BWO) suppliers.
- Increased target for skills development from 3% to 6% of leviable amount.
- Increased targets for black employees in top management from 40% to 60% and junior management from 80% to 88%.
- A new requirement of supplier development and an increased target for enterprise development.

NEDBANK’S TRANSFORMATION FRAMEWORK

Depicts all elements of transformation based on the FSC

NEDBANK GROUP’S APPROACH TO TRANSFORMATION

Nedbank’s transformation framework supports both national strategic priorities as well as its own purpose of using financial expertise to do good for all stakeholders in SA. The goal is to build a bank that contributes meaningfully to a better life for all South Africans.

At Nedbank, transformation transcends compliance and goes beyond the numbers. Most importantly, Nedbank adheres to the spirit of transformation. A robust governance approach is applied to its transformation efforts. There are several structures that debate, critique and approve each of the transformation initiatives. These receive full support of the board and the Nedbank Group Executive Committee (Nedbank Exco) primarily through the two main board committees listed below:

- The Nedbank Transformation and Human Resources Committee (TRAHRCO), a board committee of Nedbank Exco, which is responsible for the implementation of the transformation programme for the bank and ensuring that there is full integration of all transformation and human resources processes and initiatives in the group.
- The Group Transformation, Social and Ethics Committee (GTSEC), a board committee of Nedbank Ltd Board, which provides oversight of the group’s activities in the field of transformation, human capital development and sustainability, and monitors progress in terms of the transformation agenda for the group.

‘We appreciate that the duty of care has become more complex and appreciate the increasing need to be aware of and respond to the changing world in which Nedbank operates. We strive to ensure that Nedbank’s business activities and outputs have positive societal impacts while protecting the environment on which societal success depends.’ Chair of Nedbank’s GTSEC, Nomavuso Mnxasana
Transformation remains a key strategic enabler of Nedbank’s ability to achieve its vision to be the most admired financial services provider in Africa. This creates a solid basis to drive sustainability for all of its stakeholders.

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

**Vision**
To be the most admired financial services provider in Africa by our staff, clients, shareholders, regulators and communities

**Deep Green aspirations and our brand**
- Great place to work
- Great place to bank
- Great place to invest
- Worldclass at managing risk
- Green and caring bank

**Transformation a key strategic enabler**
- 2004 beyond transformation
- 2008 accelerated transformation
- 2009 - present leading transformation

**Who we are**
A universal bank with an integrated wealth franchise delivered through a regional footprint with strategic access to a pan-African banking network

**Living our values**
Integrity  Respect  Accountability  Client-driven  People-centred
TRANSFORMATION IN 2016
A challenging year characterised by uncertainty

Nedbank has maintained its externally verified level 2 BBBEE rating for the eighth consecutive year. This result is a culmination of our ongoing commitment to sustainable transformation.

HIGHLIGHTS FOR 2016

■ Nedbank continued to be an active participant in various industry initiatives to enable the country to progress:
  ■ Mike Brown jointly led a collaborative initiative between business leaders, which continues to yield positive results. President Jacob Zuma was presented with an eight-point plan to help prevent a sovereign-credit-rating downgrade. The plan included a commitment by business to support the government in the tough actions needed to tackle its fiscal challenges and unite behind a cohesive national narrative and plan.
  ■ Nedbank contributed to the R1,5bn SA SME Fund to support entrepreneurs and job creation.
  ■ Nedbank’s Chairman and Chief Executive Officer signed the CEO Initiative, which pledges support for good governance, constitutional democracy, inclusive economic growth and social justice in SA.
  ■ Nedbank worked with government and various stakeholders, including the relevant ministerial task team, to explore sustainable funding solutions, one of which is the Ikusasa Student Financial Aid Programme (ISFAP) pilot project.
■ On 11 March Old Mutual plc, a 54% shareholder in Nedbank Group, announced that it intends to reduce its controlling stake to a strategic minority shareholding over an extended period.
■ On 1 April Ciko Thomas was appointed as Managing Executive: Retail and Business Banking.
■ On 7 October Business Report recognised Nedbank as the most empowered company in the financial services sector.
■ Corporate social investment (CSI) spend across the group totalled R141m.
■ Achieved 84% coverage in SA in terms of electronic banking devices within 15 km of clients’ homes.
■ Achieved 79% coverage in SA in terms of offering staffed outlets within 30 km of clients’ homes.
■ Converted 44% of points of presence to the new branch of the future format.
■ Total training spend towards black staff of R320m and R198m towards black female staff.
■ 923 persons with disabilities, of whom 1,72% are black and 1,12%, are black female.
■ 29 860 people, of whom 77,12% are black and 49,38% are black female.
■ Total procurement spend of R10,9bn, of which 75% is local procurement (R8,2bn). 367 BO suppliers with a total spend of R2,5bn. 205 BWO suppliers with a total spend of R1,4bn. 1 052 exempted microenterprises (EMEs) and qualifying small enterprises (QSEs) with a total spend of R1,8bn.
■ Financially empowered 180 000 adults and learners through Nedbank’s face-to-face consumer financial education (CFE) programme.
■ Invested more than R2,2bn in the provision of student accommodation development.
■ Disbursed R120m towards the building of green affordable-housing units.
■ Achieved 92% retention of employees nominated for executive education programmes.
■ Provided sponsorship of R11,9m for the Chair of Accounting at University of Limpopo, which resulted in South African Institute of Chartered Accountants (SAICA) accreditation.
■ Provided R3,3m in funding towards the Branson Centre of Entrepreneurship since 2013 and has supported the creation of 474 jobs.
■ Created 127 new jobs through the ESD pilot programme, which resulted in turnover increases of as much as 88%, as well as six company rebrandings and three awards won for participants on the programme.
■ Awarded 62 bursaries to undergraduate students towards a first degree across 16 SA public universities and universities of technology, at a cost of R9m.
■ Developed and implemented a ‘first’ in the banking sector: a Bankseta-accredited sales internship. The inaugural programme successfully hosted 122 interns.
■ Played a key role in implementing MTN’s followon BBBEE retail scheme, MTN Zakhele Futhi, and the simultaneous structured unwinding of the matured scheme, MTN Zakhele.
TRANSFORMATION SCORES
The table below provides a breakdown of Nedbank Group’s 2015 and 2016 scores against the main indicators set out by the FSC. Nedbank has maintained its position as a leader in transformation by retaining a level 2 BBBEE rating while also improving its overall score.

<table>
<thead>
<tr>
<th>Element</th>
<th>Possible points</th>
<th>Dec 2016 audited</th>
<th>Dec 2015 audited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>14 + 3 bonus</td>
<td>17,00</td>
<td>17,00</td>
</tr>
<tr>
<td>Management control</td>
<td>8 + 1 bonus</td>
<td>8,27</td>
<td>8,05</td>
</tr>
<tr>
<td>Employment equity</td>
<td>15 + 3 bonus</td>
<td>12,74</td>
<td>11,52</td>
</tr>
<tr>
<td>Skills development</td>
<td>10,00</td>
<td>8,19</td>
<td>8,68</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>16,00</td>
<td>16,00</td>
<td>15,74</td>
</tr>
<tr>
<td>Empowerment financing</td>
<td>15,00</td>
<td>15,00</td>
<td>15,00</td>
</tr>
<tr>
<td>Enterprise development</td>
<td>5,00</td>
<td>5,00</td>
<td>5,00</td>
</tr>
<tr>
<td>Socioeconomic development</td>
<td>3,00</td>
<td>3,00</td>
<td>3,00</td>
</tr>
<tr>
<td>Access to financial services</td>
<td>14,00</td>
<td>13,36</td>
<td>13,35</td>
</tr>
<tr>
<td>Total</td>
<td>100 + 7 bonus</td>
<td>98,56</td>
<td>97,34</td>
</tr>
<tr>
<td>BBBEE level</td>
<td></td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

AWARDS AND RECOGNITION
- Honoured as a Legend of Empowerment and Transformation at the 15th Annual Oliver Empowerment Awards.
- Received Best Supplier and Enterprise Development Project award from the Chartered Institute of Procurement and Supply (CIPS).
- Won six awards and a Craft Certificate at the 2016 Loeries Awards.
- Honoured as having the best reputation among SA banks in the banking category at the Mail and Guardian Awards.
- Received the Best Integrated Campaign (cause-related) Gold award at the The Advertising and Media Association of SA’s AMASA Awards.
- Awarded for demonstrating outstanding commitment to transformation in the property sector at the South African Institute of Black Property Practitioners (SAIBPP).
- Ranked first in the Trialogue (CSI) Perception Survey.
OWNERSHIP

One of the main objectives of the FSC is to drive the continued growth of real black ownership of SA’s financial assets. It does this primarily by promoting a steady increase in the number of black people in the country who have direct access to equity in economic assets and, equally importantly, empowering these individuals or groups to exercise control over the way in which these assets are leveraged for the benefit of everyone in the country. In 2005 Nedbank took a significant step towards the realisation of this equitable ownership vision with the introduction of the Nedbank Group BBBEE Eyethu transaction. The transaction enabled direct, broad-based ownership of the group by black stakeholders comprising employees, clients, strategic partners, community interest groups, non-executive directors and others. In 2015 this share scheme matured, unlocking R8,2bn in realised value for more than 500,000 SA shareholders.

MANAGEMENT CONTROL

Significant progress has been made in transforming top and executive management. Nedbank’s robust succession planning and talent management processes are reaping rewards as it continues to transform the executive structures through retaining and developing key talent. This is evidenced by the appointment of Ciko Thomas to succeed Philip Wessels as Managing Executive: Retail and Business Banking from 1 April 2016.

The tables below show the composition of the Nedbank Group Ltd Board and the Nedbank Group Executive Committee at the end of 2016.

Nedbank Group Ltd Board

<table>
<thead>
<tr>
<th>Executive</th>
<th>Mike Brown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>Mfundo Nkuhlu</td>
</tr>
<tr>
<td>Executive</td>
<td>Raisibe Morathi</td>
</tr>
<tr>
<td>Non-executive</td>
<td>Ian Gladman</td>
</tr>
<tr>
<td>Non-executive</td>
<td>Rob Leith</td>
</tr>
<tr>
<td>Non-executive</td>
<td>Bruce Hemphill</td>
</tr>
<tr>
<td>Non-executive Chairman</td>
<td>Vassi Naidoo</td>
</tr>
<tr>
<td>Independent non-executive</td>
<td>David Adomakoh</td>
</tr>
<tr>
<td>Independent non-executive</td>
<td>Brian Dames</td>
</tr>
<tr>
<td>Independent non-executive</td>
<td>Tom Boardman</td>
</tr>
<tr>
<td>Independent non-executive</td>
<td>Errol Kruger</td>
</tr>
<tr>
<td>Independent non-executive</td>
<td>Mantsika Matooane</td>
</tr>
<tr>
<td>Independent non-executive</td>
<td>Mpho Makwana</td>
</tr>
<tr>
<td>Independent non-executive</td>
<td>Nomavuso Mnxasana</td>
</tr>
<tr>
<td>Independent non-executive</td>
<td>Joel Netshitenzhe</td>
</tr>
<tr>
<td>Lead independent non-executive</td>
<td>Stanley Subramoney</td>
</tr>
<tr>
<td>Lead independent non-executive</td>
<td>Malcolm Wyman</td>
</tr>
</tbody>
</table>

Black representation on the Nedbank Group Board at the end of 2016

<table>
<thead>
<tr>
<th>White male</th>
<th>ACI male</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

Black representation on the Nedbank Group Executive Committee at the end of 2016

<table>
<thead>
<tr>
<th>White male</th>
<th>ACI male</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>1</td>
</tr>
</tbody>
</table>

The WIPHOLD-sponsored Centane Agricultural Development Project

The successful launch of the R100m WIPHOLD endowment initiative is testament to the intention of the funds, with R66m (R22m from Nedbank Group) already being deployed to a project that seeks to address rural unemployment, food security and sustainability through the application of large-scale commercialisation practices to small-scale agricultural projects.

Based in the Eastern Cape, Centane Development Company (Centane Devco) is a farming cooperative that produces white maize for maize meal production. Crops such as soybeans and yellow maize are being produced in the 2016/2017 season.

Despite low yields, the farming initiative recorded a profit of R1,4m, after distributions to the landowner, in the period under review. Aided by high maize prices, cost savings and a subsidy from government, this profit margin is an improvement on the 2014/2015 season when the farm operation reported a loss of R3,2m.

The project is currently supporting 1,431 direct beneficiaries who have received training on farming and financial management, with 43 jobs created.

Creating an enduring legacy

Following the success of Nedbank Group’s BBBEE Eyethu transaction that came to maturity at the end of 2015, Nedbank Group and Old Mutual Group committed to continuing their transformational legacy by partnering with their black business partners (WIPHOLD, Brimstone and Izingwe) to establish three sustainable legacy funds worth R100m each with a view to funding suitable transformational business projects over three years. Nedbank’s contribution to these funds amounts to R100m (R33m per year).

CASE IN POINT

ACI: African, Coloured and Indian.

Creating an enduring legacy

Following the success of Nedbank Group’s BBBEE Eyethu transaction that came to maturity at the end of 2015, Nedbank Group and Old Mutual Group committed to continuing their transformational legacy by partnering with their black business partners (WIPHOLD, Brimstone and Izingwe) to establish three sustainable legacy funds worth R100m each with a view to funding suitable transformational business projects over three years. Nedbank’s contribution to these funds amounts to R100m (R33m per year).

The WIPHOLD-sponsored Centane Agricultural Development Project

The successful launch of the R100m WIPHOLD endowment initiative is testament to the intention of the funds, with R66m (R22m from Nedbank Group) already being deployed to a project that seeks to address rural unemployment, food security and sustainability through the application of large-scale commercialisation practices to small-scale agricultural projects.

Based in the Eastern Cape, Centane Development Company (Centane Devco) is a farming cooperative that produces white maize for maize meal production. Crops such as soybeans and yellow maize are being produced in the 2016/2017 season.

Despite low yields, the farming initiative recorded a profit of R1,4m, after distributions to the landowner, in the period under review. Aided by high maize prices, cost savings and a subsidy from government, this profit margin is an improvement on the 2014/2015 season when the farm operation reported a loss of R3,2m.

The project is currently supporting 1,431 direct beneficiaries who have received training on farming and financial management, with 43 jobs created.

Creating an enduring legacy

Following the success of Nedbank Group’s BBBEE Eyethu transaction that came to maturity at the end of 2015, Nedbank Group and Old Mutual Group committed to continuing their transformational legacy by partnering with their black business partners (WIPHOLD, Brimstone and Izingwe) to establish three sustainable legacy funds worth R100m each with a view to funding suitable transformational business projects over three years. Nedbank’s contribution to these funds amounts to R100m (R33m per year).

The WIPHOLD-sponsored Centane Agricultural Development Project

The successful launch of the R100m WIPHOLD endowment initiative is testament to the intention of the funds, with R66m (R22m from Nedbank Group) already being deployed to a project that seeks to address rural unemployment, food security and sustainability through the application of large-scale commercialisation practices to small-scale agricultural projects.

Based in the Eastern Cape, Centane Development Company (Centane Devco) is a farming cooperative that produces white maize for maize meal production. Crops such as soybeans and yellow maize are being produced in the 2016/2017 season.

Despite low yields, the farming initiative recorded a profit of R1,4m, after distributions to the landowner, in the period under review. Aided by high maize prices, cost savings and a subsidy from government, this profit margin is an improvement on the 2014/2015 season when the farm operation reported a loss of R3,2m.

The project is currently supporting 1,431 direct beneficiaries who have received training on farming and financial management, with 43 jobs created.
Nedbank Group Executive Committee

Chief Executive: Mike Brown
Chief Operating Officer: Mfundo Nkuhlu
Chief Financial Officer: Raisibe Morathi
Chief Risk Officer: Trevor Adams
Chief Information Officer: Fred Swanepoel
Group Executive: Enterprise Governance and Compliance; Group Company Secretary: Thabani Jali
Group Executive: Balance Sheet Management: Mike Davis
Group Executive: Group Human Resources: Abe Thebyane
Group Executive: Strategy and Economics: Priya Naidoo
Managing Executive: Nedbank Retail and Business Banking: Ciko Thomas
Managing Executive: Nedbank Wealth: Iolanda Ruggiero
Managing Executive: Nedbank Corporate and Investment Banking: Brian Kennedy

TRANSFORMING THE BUSINESS

RUNNING THE BUSINESS

How it impacts the business (business problems)

1. Enablement of operating model and service delivery
2. Delivery of reporting and data: Timeous access to credible information
3. Agility of recruitment and onboarding
4. Trustworthiness of remuneration management, pay and benefits
5. Organisation management and resonance of job profiling
6. Fit-for-purpose learning delivery
7. Equipping roleplayers to manage employee relations

Root causes to unlock solutions (macro themes)

- Integrated business governance and decisionmaking
- New ways of working: Standardised roles and access to data
- End-to-end processes and handovers are not clearly defined
- Part implementation of the HR design
- Support for the transforming organisation
- Job architecture as the backbone of HR practices
- Impact of the system landscape on the enduser experience
- Some SAP Vanilla practices have resulted in inefficiencies and workarounds

Problem-solving approach

- How we make decisions about changes to policy, systems, processes and practices going forward
- How we change the way we work together and empower and equip roleplayers to perform
- How we support the transitioning organisation
- How we organise and create relationships between jobs
- How the system landscape enables us

Drivers

- Continuation of culture initiatives
- Leadership approach refresh
- Review of talent management

Levers

- Refresh of performance management
- Enhance organisation diagnostics
- Alignment of people brand
- Review of organisation architecture
- Organisation design capability

HR future fit

Other macro themes

- Enabling Africa
- Negative perceptions toward payroll
- Inconsistent application of employee-type categories, practices and service vendors
- Discrepancies in Nedbank’s FAIS register

People transformation

Taking a leap forward on the transformation of the people in the organisation, Nedbank identified its people as a critical strategic component for moving the business forward. Through this integrated approach, the People 2020 strategy recognises culture, leadership and talent management as the drivers for people transformation and is therefore necessary to secure the future of the organisation.

Nedbank aims to become more agile, innovative and competitive in serving clients, while remaining people-centred and being a distinctive place to work at. This can be achieved through the attraction, development and retention of leaders who drive the strategic intent and replenishment of the talent pool, with individuals who exhibit the attributes as contained in the Leadership Persona and with an appropriate diversity mix implemented through employment equity (EE) and skills development policies.
EMPLOYMENT EQUITY

Nedbank remains committed to realising a sustainable transformation model and is an organisation steeped in practices of equal opportunity and fair treatment for all its employees.

The purpose of transformation is to bring about an empowered, enabled and engaged workforce.

Nedbank continues to make strides in fulfilling its aspiration to be a ‘great place to work’. People 2020 is a groupwide programme aimed at transforming Nedbank’s leadership, culture and talent in alignment with its strategic objectives. The intent is to shift the organisation to the required culture to ensure that Nedbank has the desired leadership that can attract and develop the appropriate skills needed to deliver on its strategy and to become more competitive. This programme will be rolled out in a phased approach over the next three years.

At 31 December 2016 the Nedbank Group employee profile was as follows:

<table>
<thead>
<tr>
<th>Headcount</th>
<th>Male</th>
<th>Female</th>
<th>Foreign nationals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupational levels</td>
<td>African</td>
<td>Coloured</td>
<td>Indian</td>
</tr>
<tr>
<td>Top management</td>
<td>5</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Senior management</td>
<td>57</td>
<td>29</td>
<td>92</td>
</tr>
<tr>
<td>Middle management</td>
<td>1,148</td>
<td>506</td>
<td>799</td>
</tr>
<tr>
<td>Junior management</td>
<td>2,916</td>
<td>900</td>
<td>710</td>
</tr>
<tr>
<td>Semiskilled</td>
<td>478</td>
<td>100</td>
<td>58</td>
</tr>
<tr>
<td>Unskilled</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total permanent</td>
<td>4,604</td>
<td>1,535</td>
<td>1,659</td>
</tr>
<tr>
<td>Temporary employees</td>
<td>315</td>
<td>81</td>
<td>88</td>
</tr>
<tr>
<td>Grand total</td>
<td>4,919</td>
<td>1,616</td>
<td>1,747</td>
</tr>
</tbody>
</table>

Note: The workforce profile excludes all non-payroll contractors, temporary non-payroll employees, international secondees and employees from external entities.

Advancement of previously disadvantaged groups

The workforce profile excludes all non-payroll contractors, temporary non-payroll employees, international secondees and employees from external entities. The advancement of women remains a focus for Nedbank, with 67% of its workforce being women. The Nedbank Women’s Forum addresses the advancement of women into leadership positions in the bank. This forum continues to provide a space for both women and men to share their insights into their gender-related experiences with a view to creating opportunities for women. Specific initiatives include distributing internal career advancement and recruitment opportunities among the designated groups (women in particular) and linking Nedbank’s recruitment and skills development initiatives to the EE Plan. It also organised the Women’s Conference, Cell C Take a Girl Child To Work, and coaching and mentoring.

Another key focus area is the advancement of persons with disabilities (PWD). Nedbank is progressive in the recruitment and retention of PWD. The Disability Forum is a platform through which the bank raises awareness about disability and reasonable accommodation, and also serves as a vehicle for consulting on pertinent issues. Targeted initiatives include the cascading of higher targets for PWD throughout the group, conducting a reasonable accommodation audit and raising awareness among top and senior management to encourage the creation of an inclusive work environment.

At 31 December 2016 the Nedbank Group employee profile for PWD was as follows:

<table>
<thead>
<tr>
<th>Headcount</th>
<th>Male</th>
<th>Female</th>
<th>Foreign nationals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupational levels</td>
<td>African</td>
<td>Coloured</td>
<td>Indian</td>
</tr>
<tr>
<td>Senior management</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Middle management</td>
<td>17</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>Junior management</td>
<td>56</td>
<td>16</td>
<td>27</td>
</tr>
<tr>
<td>Semiskilled</td>
<td>19</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Total permanent</td>
<td>95</td>
<td>34</td>
<td>50</td>
</tr>
<tr>
<td>Temporary employees</td>
<td>1</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Grand total</td>
<td>96</td>
<td>34</td>
<td>50</td>
</tr>
</tbody>
</table>
SKILLS DEVELOPMENT

Nedbank is committed to addressing skills development not only by investing in its own employees but also by supporting multiple initiatives in the broader society. The investment in people will enable the bank to deliver enhanced performance and contribute to the growth and sustainability of the group.

**Committed to investing in people development**

Continuous personal development is encouraged and supported at Nedbank. The People 2020 Framework envisages an environment where talent management and its associated learning programmes integrate seamlessly with the aspiration of its people and enables the group to recoup its investment in the form of enhanced human capital.

<table>
<thead>
<tr>
<th>Training expenditure</th>
<th>At 31 Dec 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total basic payroll (Rbn)</td>
<td>12,43</td>
</tr>
<tr>
<td>Total training spend (Rbn)</td>
<td>0,41</td>
</tr>
<tr>
<td>Training spend as a % of basic payroll</td>
<td>3,3%</td>
</tr>
<tr>
<td>Training spend for black staff as a % of basic payroll</td>
<td>2,6%</td>
</tr>
<tr>
<td>Training spend for black female staff as a % of basic payroll</td>
<td>1,6%</td>
</tr>
<tr>
<td>Training spend for black staff with disabilities as a % of basic payroll</td>
<td>0,05%</td>
</tr>
<tr>
<td>Training spend for black female staff with disabilities as a % of basic payroll</td>
<td>0,03%</td>
</tr>
</tbody>
</table>

**Learnerships and internships**

Nedbank developed and implemented a ‘first’ in the banking sector: a Bankseta-accredited sales internship. The inaugural programme successfully hosted 122 interns. Altogether 17 learnership programmes were implemented, attended by 339 learners (81% black), including unemployed graduates, matriculants and Nedbank employees.

Learnerships generate opportunities for Nedbank to meet its regulatory requirements for the client-facing roles, while creating a pipeline of talented graduates for Financial Advisory Intermediary Services (FAIS) and sales-affected roles.

Candidates graduate from the programme with workplace experience, allowing them to obtain nationally accredited qualifications, making them work-ready.

**Nedbank’s contribution to the challenge of funding tertiary education**

The challenge of student funding fuelled by the Fees Must Fall campaign threatened the university academic year in 2016. The banking sector’s response was to develop innovative funding solutions. A cross-functional team in Nedbank has formulated a tertiary funding strategy that combines external and internal funding along with innovative products and processes such as crowdfunding, securitisation and blended lending. Nedbank has jointly developed a household means test that aggregates all banking data of a household to determine a fair and comprehensive test to prevent fraud and assist genuinely needy students.

Nedbank has also a significant participant and supporter of industrywide efforts to resolve the tertiary funding crisis through its association with Business Leadership South Africa and the Nelson Mandela Foundation. It has contributed to the establishment of a countrywide initiative to assist in funding the ‘missing middle student’ that lies at the heart of the university crisis.

Nedbank continues to support the Thuthuka Fund, an initiative of SAICA, which aims to transform the demographics of the accounting profession. Nedbank has funded 45 aspiring CAs annually at nine SAICA-accredited universities and since 2011 eight trainees that have graduated from the Thuthuka programme have been permanently employed.

**As a leader in transformation**

Nedbank’s involvement in the education sector includes the following:

- Directing the major portion of its social investment funding to education (basic and tertiary).
- Providing a meaningful amount of student bursaries and supporting universities through funding faculty chairs.
- Providing student loans that cover tuition fees, student accommodation, textbooks and other study-related equipment. Nedbank student loans offer competitive interest rates and flexible repayment terms. Students needing to complete community service, internships or articles in relation to their chosen field of study are granted a repayment grace period.
- Investing more than R2,2bn in the provision of student accommodation development in 2015 and 2016, which is a critical need in the country to improve educational outcomes.

Dividends earned on investments to the defined beneficiaries based on a ratio of 33,3% and 66,7% to black student bursaries and enterprise development respectively. This type of support will enhance Nedbank’s empowerment credentials and it is envisioned that the trust will invest in further transactions for the benefit of black beneficiaries in future.
Great progress has been made in skills development, although this remains an industry challenge. The Draft Amended FSC proposes the incorporation of training spend on all black people, including the unemployed, which presents an opportunity to enhance Nedbank’s strategic initiatives in this regard and better integrate across the industry to have a more sustainable impact.

**PREFERENTIAL PROCUREMENT AND ENTERPRISE AND SUPPLIER DEVELOPMENT**

**Preferential procurement**

Preferential procurement practices remain a key strategy for enabling transformation, job creation and community upliftment, and Nedbank’s policies are designed to maximise its contribution to broad-based business and societal empowerment.

In terms of this policy purchases of goods and services can be made only from registered suppliers and within clear ethical guidelines, which include the key considerations of total cost of ownership; fit-for-purpose; top-quality products or services; ease of access and availability; environmental pragmatism; and effective risk management. Preference is also given to suitable local suppliers over foreign-based suppliers and a higher weighting is placed on SMEs and BO and BWO businesses.

Diligent execution against Nedbank’s transformation strategy has led to increases in spend on BO companies to 22,85%, BWO organisations to 12,50% and SMEs to 16,65%.

**Enterprise development**

As a leading SA industry player, Nedbank has the responsibility of ensuring that companies owned by black people are given a platform to develop and grow their businesses within the Nedbank supply chain.

Nedbank implements this philosophy, both by investing directly into the growth and development of businesses and by partnering with other initiatives that ensure that SMEs are able to prosper and become a key contributor to economic growth and job creation.

---

**Strategic partnerships**

A promising development being witnessed in the Nedbank community is the formation of strategic partnerships in its supply chain between large and small suppliers. These entities, which share common ideas, are collaborating to innovate newer business ventures that are mutually beneficial.

One of those partnerships is collaboration between national giant Bidvest, through its cash equipment and note counter company, Bidvest Global Payment Technologies, and the Nedbank ESD beneficiary, IT Advantage, a small BWO supplier of printer toners. In 2016 the partnership tendered for and won the bid for Nedbank’s cash equipment and note supply.

In another instance, Bidvest Prestige Cleaning has partnered with Monabo Hygiene Services, also on Nedbank’s ESD programme, to participate jointly in Nedbank’s cleaning tenders going into 2017.

Although these partnerships are in their infancy, indications are that these BWO businesses are set to benefit substantially from their Bidvest collaborations.

---

**OUR ENTERPRISE AND SUPPLIER DEVELOPMENT PROPOSITION**

---

<table>
<thead>
<tr>
<th>Enterprise development</th>
<th>Supplier development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of non-recoverable funding for specific activities – extends into supplier development</td>
<td>Nedbank ESD programme</td>
</tr>
<tr>
<td>SME incubator programmes</td>
<td>Mentorship</td>
</tr>
<tr>
<td>Incubator models and programmes with established track record</td>
<td>Business partner mentorship programme</td>
</tr>
<tr>
<td>Inhouse programmes</td>
<td>Sourcing internal and industry-specific mentors</td>
</tr>
</tbody>
</table>
Nedbank has developed a multipronged approach, not just in terms of non-recoverable funding, but also in terms of integrating enterprises through the Nedbank supply chain, which will assist in better aligning its value chain to respond to the requirements of the Draft Amended FSC.

Branson Centre of Entrepreneurship
The Branson Centre of Entrepreneurship in SA focuses on providing appropriate skills, infrastructure and training to SMEs. Training includes workshops on the key facets of business management, augmented with mentorship, thereby ensuring each entrepreneur has expert support on hand. Entrepreneurs selected to participate in the programme extend across all phases of the business life cycle. Nedbank has provided R3.3m in funding since 2013 and has supported the creation of 474 jobs.

Nedbank SME Municipality Programme
By continuing with the Nedbank Municipality Programme, Nedbank supports partnerships between the public and private sector as a means to transform SA’s economy. SME business management training weeks were implemented in Emalahleni, Mkhondo, Ka Garib and Acornhoek municipalities. This intervention led to 250 entrepreneurs benefiting from one week of interactive engagement with Nedbank subject experts. The five-day programme focused on business development, with an emphasis on growth and expansion strategies. Training provided included key facets of business planning, marketing, unpacking opportunities stemming from various transformational initiatives, and the execution thereof.

Supplier development programme: A vehicle for job creation
Nedbank has developed a three-year programme to support a selected number of BO and BWO SMEs to benefit from the knowledge and business support that mentors bring to the programme. Candidates obtain several skills, including a scoping exercise done by independent mentors, business acumen, personal leadership development, mentorship and networking, and showcasing and market access events to offer suppliers increased opportunities. The ESD programme, launched in 2015, has yielded significant results that has seen participating businesses flourish and yield the following achievements:

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>New jobs created</td>
<td>127</td>
</tr>
<tr>
<td>Total number of people employed</td>
<td>461</td>
</tr>
<tr>
<td>Hours mentored</td>
<td>453 hours</td>
</tr>
<tr>
<td>Highest new contract value</td>
<td>R17m</td>
</tr>
<tr>
<td>Largest turnover % increase</td>
<td>88%</td>
</tr>
<tr>
<td>Warehouses leased</td>
<td>1</td>
</tr>
<tr>
<td>Training days</td>
<td>8</td>
</tr>
<tr>
<td>Business analysis conducted</td>
<td>9</td>
</tr>
<tr>
<td>Brands redone/enhanced</td>
<td>6</td>
</tr>
<tr>
<td>Awards won</td>
<td>3</td>
</tr>
</tbody>
</table>

CASE IN POINT

Riversands Incubation Hub
The Riversands Incubation Hub, a registered not-for-profit company (NPC), is a large-scale black business incubator located at the centre of the proposed Riversands Commercial Park in Diepsloot, Gauteng. Established in 2014 through a partnership between Century Property Developments and The Jobs Fund, the hub incubates businesses for growth and expansion so that they can become sustainable, job-creating entities.

Local businesses with the potential to fill a gap in the community with related market access links within Diepsloot and surrounding areas are enrolled on a three-year programme, which provides a range of business training, mentorship, and practical and technical skills.

In 2016 Nedbank provided a R3m sponsorship to support the incubation of 100 businesses in the programme. The bank has also set up a point of presence at the hub location to support the SMEs with banking services, provide financial management training to SMEs incumbents and cosponsor a networking event, aptly named ‘Business Club’, which hosts talks by motivational speakers and subject matter experts who provide insight into their personal business journeys.
Considering the success of the inaugural ESD programme, Nedbank will be expanding the programme to include more participants and positively impact the extended circle of dependants that are direct beneficiaries of the success of these businesses.

Nedbank wins the Chartered Institute of Purchasing and Supply Best Supplier and Enterprise Development award for the pan-African region

Monabo Hygiene Services, a small BWO cleaning company, grew from its humble beginnings into a significant and distinguished ‘green’ cleaning and hygiene player in an already saturated industry.

Owner Bongiwe Monakedi’s enthusiasm and appetite for learning identified her as a prime candidate to be included in the 2015 ESD programme. A mentor was assigned to work closely with her, coaching and training her on financial management, systems and controls. Bongiwe sees the relationship with Nedbank as the reason for her company’s annual turnover growing from a mere R300 000 a year prior to signing her first contract with Nedbank in 2012 to over R15m a year for the financial year ending February 2016.

This award promotes and recognises excellence in procurement and supply across the African continent. The judges acknowledged this case study as a ‘great achievement in terms of scale, SME business development, SME growth, job creation and contribution to the general economy’.

How a little business became a giant!

As the first SA business to sign up for the Prompt Payment Code of the National Small Business Chamber (NSBC), Nedbank’s commitment to partnering with its suppliers to ensure their fair treatment is evident. Nedbank will continue to pay suppliers that qualify as microenterprises within seven business days and all other small businesses within 30 days.

OUR EMPOWERMENT FINANCING APPROACH

Transformational infrastructure
Projects that support economic development in underdeveloped areas and contribute towards equitable access to economic resources

Affordable housing
Make quality, affordable housing more readily available and accessible to many people

Black agriculture
Key driver of SA’s sustainable and food-secure future

Black small and medium enterprises (BSME)
Partner with our clients for growth for a greater SA

BBBEE transaction financing
Provide financing to BO businesses through our innovative and flexible solutions

Black industrialists funding
Requirement for new FSC supported by Nedbank (new FSC not yet effective)
CASE IN POINT

Nedbank played a key role in implementing MTN’s followon BBBEE retail scheme, MTN Zakhele Futhi, and the simultaneous structured unwinding of the matured scheme, MTN Zakhele.

The transaction structure was designed not only to meet MTN’s transformation requirements, but also to minimise MTN’s cost to existing shareholders, while enhancing value for MTN’s shareholders and MTN’s BBBEE shareholders.

The majority BO new Zakhele Futhi broad-based scheme, with 4% MTN equity stake worth R9,9bn, was launched concurrently with the unwinding of MTN Zakhele, thereby allowing for equity to be raised from eligible black participants who were not already invested in MTN Zakhele as well as existing MTN Zakhele shareholders.

Nedbank Corporate Finance advised MTN on the transaction, the scheme’s funding was led by the Leveraged Finance team and administered by its Share Scheme Administration team. Nedbank also acted as distribution agent to process applications. Applicants were able to apply for MTN Zakhele Futhi shares and submit Financial Intelligence Centre Act (FICA) documentation at any Nedbank branch in SA, which ensured that the scheme was accessible to all South Africans across the country.

EMPOWERMENT FINANCING

Nedbank prioritises its role in creating real economic opportunities for black businesses in SA, partnering with them to ensure their success as viable, productive participants in the country’s socioeconomic development.

By continuing with a holistic approach Nedbank’s empowerment financing model has led to the bank providing funding for a range of initiatives, including transformational infrastructure projects, affordable housing, black agriculture, black SMEs and BBBEE transaction financing.

Transformational infrastructure

Nedbank’s transformational infrastructure projects are engineered to both complement the electricity grid and contribute to the country’s growth. Through our dedicated Infrastructure, Energy and Telecommunications (IET) Unit, infrastructure development initiatives undertaken include ports and water, rail and road projects. These are in addition to ongoing government public-private partnerships (PPPs).

The IET Unit is able to meet its empowerment targets successfully by laying down the condition that each infrastructure project is expected to contribute a percentage of its revenue to the local community’s economic development. Construction companies are therefore required to meet a percentage of local ownership in projects, and the content used in construction supplies must also be produced in SA and have a percentage of SA ownership.

Affordable housing

The Affordable Housing (AH) Unit sustained its trajectory of leveraging good client relationships with leading affordable-housing developers to expand its business and grow its lending book to aid the creation of much-needed affordable-housing stock in SA. In particular, the unit embarked on a campaign with its top clients to link the Property Finance Partner team to equity and mezzanine funding opportunities that exist in the fast-growing affordable-rental market.

The AH Unit disbursed a record R1,6bn towards new AH developments and received more than R1,3bn in repayments from sales. New development funding for 2016 totalled R1,7bn and this included funding for rental stock to an amount of R900m, which shows the trend toward rental developments in the affordable sector.

PIONEERING IN GREEN SOCIAL HOUSING

Nedbank has focused on implementing the Excellence in Design for Greater Efficiencies (EDGE) rating to develop green social housing. The EDGE standard is awarded for buildings that achieve a 20% reduction of energy use, water use, and embodied energy in materials over a business-as-usual baseline. Nedbank is assisting developer Madulammoho secure an EDGE certification for its Belhar Gardens project in Cape Town through a 50% sponsorship. At this site more than 600 families earning under R7 500 per month will have access to energy- and water-efficient homes that translate into real financial savings. This is the first such project to receive funding from the Development Bank of Southern Africa (DBSA).

THE DBSA GREEN FUND

In terms of the agreement between Nedbank and the DBSA’s Fund, Nedbank has offered funding to the Valumax Group for two of their affordable-rental developments at Riverside Views, Johannesburg, jointly totalling R54m in senior Nedbank loan funding. Once the Valumax agreements are finalised, 90% of the R120m facility will have been disbursed. These projects are located just off William Nicol Drive, close to Steyn City Estate in Gauteng. The development will have access to roads, health facilities, education and recreational facilities and will, in total, yield over 4 000 mixed-housing units, including reconstruction and development programme (RDP) houses, social housing, rental stock and for-sale houses. Valumax, which started up in 1987, has a good track record, having previously been involved in larger developments across Gauteng.

AFD PARTNERS

Nedbank has a long partnership with AFD, the French Development Bank, and is engaging with it regarding the possibility of a larger facility to support green rental developments through concessionary term loans. AFD has been a supporter of climate finance in SA, with Nedbank previously concluding a loan facility with the bank from 2012 to 2015, mainly to fund energy-efficiency projects.
Other rental developments that are EDGE-compliant include SOHCO (600 units in Ottery), Valumax (1,400 rental units in Riverside and Clayville), and Real Growth (820 units in Gauteng).

Since inception, the development finance provided by the AH Unit has directly created more than 50,000 new affordable houses (rental and sales).

To support the government’s strategy to accelerate the provision of accommodation for people who do not qualify for home loans (as opposed to subsidised housing) the AH Unit has actively supported affordable-rental developments. Nedbank has provided funding of more than R1bn to affordable-rental specialists, such as International Housing Solutions and the Cosmopolitan Group, resulting in 2,000 new affordable-rental units becoming available.

Affordable housing remains a key strategic imperative and Nedbank will continue to build on its market leadership position to support this segment in SA.

**Agriculture finance and support**

SA’s agricultural sector has performed well over the past decade and gross value added by the sector has expanded by more than 15% in real terms since 2005. This expansion peaked at over 30% in 2014, before declining rapidly in the past two seasons as a result of extreme drought. The severity of the recent drought and its impact on food price inflation and overall inflation reemphasised the importance of a vibrant and sustainable agricultural sector.

Apart from ensuring national food security, the agricultural sector also plays a significant role in poverty reduction. A 1% increase in gross domestic product (GDP) due to agriculture increases income to the poorest by more than 6%. This sector employs around 670,000 semiskilled and unskilled workers and plays an important role in creating economic opportunities in rural and peri-urban areas.

Nedbank recognises the importance of this sector in the economy and values the unique contribution it is making and will continue to make towards transformation.

Nedbank plays an active role in addressing transformation in agriculture through BASA, together with other commercial lenders and in collaboration with organised agriculture and government. These initiatives include the formulation of a funding model that will make land reform work and will provide input into the newly proposed AgriBEE codes.

Nedbank will continue to channel its specialist industry expertise to assist all roleplayers in agriculture in creating a conducive environment for farming in the country that will reflect the diversity of natural resources and farmers and will eradicate the historical legacy of dualism in the sector.

**Black SME financing**

SMEs are a key catalyst for economic growth and sustainable job creation in SA. Nedbank is highly involved in enabling the growth and sustainability of SMEs through a holistic support approach. This sees locally based, professional teams of finance experts and business advisers partnering with SMEs across the country to afford business owners access to a dedicated skilled banker, a team of business specialists, and relevant and affordable finance solutions customised to their unique needs. Procurement from EMFs and QSEs has remained a challenge due to the nature of the goods and services required by the bank. However, Nedbank intends to continue using the ESD initiatives to support the development of the black SME sector through accelerated efforts in meeting this challenge and fulfilling its national responsibility.

**BBBEE transaction financing**

The evolving landscape of BBBEE in SA means that the number of empowerment transactions available to finance continues to decline significantly. Nedbank continues to look for ways to provide financing to BO businesses seeking innovative funding solutions. The significant decline in the share prices of local mining companies has put pressure on the funding of BBBEE transactions in the sector. Regulatory uncertainty has also led to a decline in BBBEE deals.

In response to government’s quest with regard to the development of SMEs and the creation of black industrialists, the Draft Amended FSC has proposed the replacement of BBBEE transaction financing with the introduction of black business growth financing, which will focus on accelerated financing of black businesses, including the creation and support of black industrialists. Nedbank fully supports this new initiative as a means of developing primary industries along with its potential for higher job creation.

**SOCIOECONOMIC DEVELOPMENT**

Nedbank’s CSI efforts are directed at strengthening the social fabric of SA and are underpinned by its culture of active citizenship and social upliftment.

Nedbank’s funding focus areas include the following:

- Education through improved teacher and learner leadership programmes, the provision of learner resources and bursaries, and Maths and Science development programmes.
- Community development through child and youth care centres, programmes that addresses substance abuse and access to clean water for informal communities.
- Health through improved access to healthcare services and the training of healthcare professionals.
- Economic development through the promotion of entrepreneurship and job creation and the creation of increased employment opportunities through skills development programmes targeted at youth and community-based informal entrepreneurs.

Appraisals and disbursements for the year to date:

<table>
<thead>
<tr>
<th>Focus area</th>
<th>Amount (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>R72,0</td>
</tr>
<tr>
<td>Community development</td>
<td>R8,8</td>
</tr>
<tr>
<td>Health</td>
<td>R4,6</td>
</tr>
<tr>
<td>Skills development</td>
<td>R10,5</td>
</tr>
<tr>
<td>Affinities</td>
<td>R39,3</td>
</tr>
<tr>
<td>Volunteerism</td>
<td>R5,6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>R140,8</strong></td>
</tr>
</tbody>
</table>

**A focus on education**

Nedbank supports several educational initiatives across several disciplines:

- Spell it Programme: Nedbank has supported this programme since 2010 in partnership with the Department of Education and Monash University. It has reached over 70 schools and 150,000 learners in Gauteng, resulting in improved spelling abilities.
- Sparrow Schools Automotive Repair and Maintenance Programme: Nedbank supported six apprentices from North West Province. This programme is 12 months in duration and includes six months’ workplace-based experiential learning.
University of Limpopo Faculty of Accounting: Nedbank has sponsored R11.9m to fund the Chair of Accounting to encourage the development of trainee chartered accountants.

Breakdown of education investment

<table>
<thead>
<tr>
<th></th>
<th>(R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic education</td>
<td>40.5m</td>
</tr>
<tr>
<td>Tertiary education</td>
<td></td>
</tr>
<tr>
<td>Undergraduate bursaries</td>
<td>14.3m</td>
</tr>
<tr>
<td>Postgraduate bursaries</td>
<td>2.9m</td>
</tr>
<tr>
<td>Student assistance</td>
<td>8.2m</td>
</tr>
<tr>
<td>Research</td>
<td>2.0m</td>
</tr>
<tr>
<td>Other</td>
<td>4.1m</td>
</tr>
<tr>
<td>Total tertiary</td>
<td>31.5</td>
</tr>
<tr>
<td>Total basic and tertiary education</td>
<td>72m</td>
</tr>
</tbody>
</table>

Nedbank External Bursary Fund

The Nedbank Bursary Programme aims to award funding to students on the basis of academic merit and financial need. It is an equal-opportunity programme aimed at encouraging and rewarding bright young people with learning potential from lower-income families to study towards a first degree at an SA public university or university of technology.

Nedbank awards bursaries based on addressing scarce skills in the banking sector as well as bursaries for the greater good of SA. The bursaries provided for full-time tuition, prescribed textbooks, accommodation, meals, a monthly stipend to cover the cost of out-of-pocket expenses, and laptops for first-year students.

Nedbank awarded 62 bursaries to undergraduate students towards a first degree across 16 SA public universities and universities of technology, at a cost of R9m. In addition to the bursaries, 42 once-off donations were granted to final-year students who could not afford to pay their 2015 and 2016 fees. This donation offer was presented to 10 universities that nominated their students based on academic excellence.

2016 Back-to-School campaign

DONATION OF UNIFORMS, SHOES, STATIONERY, MULTIPURPOSE FACILITY AND LABORATORY

The Back-to-School campaign started off well in 2016 with the launch of the opening of a multipurpose sports facility and a laboratory at Ivory Park Primary School, as well as the handover of uniforms and stationery to the school.

The campaign reached 32 schools throughout SA and over 1,500 learners benefited. Nedbank has invested R13.9m in the Back-to-School campaign, with the result that over 12,000 learners have received uniforms, shoes and stationery.

Split of bursaries by gender (%)

- Women: 58%
- Men: 42%

12 new bursaries awarded

50 bursaries were repeated
Nedbank Cup volunteerism pilot

In 2016 Nedbank used volunteers for the first time to help create an experience for people attending the Nedbank Cup Final. The volunteers were sourced from staff (20) in the region and students (40) from the Tshwane University of Technology. Volunteers assisted with various functions, including hospitality, spectator services, protocol, the media zone and the fan zone. The staff members were trained by the contracted service provider on 27 May. The sponsorship team contributed funds to match the time of the staff members. Beneficiary organisations were nominated by the staff who were volunteering on the day. Also, for the first time, the player escorts were from a foundation beneficiary school, Thabanaswana Secondary School, in Moji Village, Masemola.

A DECADE OF DIFFERENCE
Nedbank Cup celebrates 10 years of making an impact

The success of the Nedbank Cup over the past 10 years is a perfect example of the power of partnerships. The tournament is made possible through Nedbank’s close working relationships with the Premier Soccer League (PSL), The Sports Trust, football fans, and even our clients and communities.

It’s also a perfect example of how we deliver on our purpose by using our financial expertise to do good as it has been highly instrumental in developing talented young sportsmen, creating pro-fessional opportunities for a number of players, and even helping to promote relatively unknown teams, like Baroka FC to the PSL.

The tournament also creates massive global opportunities for teams, with the winners being guaranteed entry to the continental CAF Confederation Cup.

The Nedbank Cup offers total prize money of R7m, with every team that makes it into the last 32 assured of earning at least R100 000 for its efforts.

Ultimately, though, the Nedbank Cup is all about development and giving aspiring players from amateur clubs the opportunity to strut their stuff and, even, change their futures. The Ke Yona Team Search initiative was established to give effect to this outcome and, to date, has unearthed more than 15 soccer stars in the making, who have been given the opportunity to become professional footballers.

"I can comfortably say we have gone far and wide across our country to make a positive and lasting impact in the lives of all those that have come into contact with the beautiful game."

Thulani Sibeko
Nedbank Group Executive: Marketing, Communications and Corporate Affairs

Over the past 10 years, in partnership with the Nedbank Sports Affinity and The Sports Trust, we have also provided three schools with state-of-the-art, multi-purpose sports courts and handed over soccer kits and training equipment to more than 500 schools across SA - at a financial investment of more than R5m!
ACCESs TO FINANCIAL SERVICES

Financial inclusion is imperative for SA’s social transformation. Nedbank remains committed to improving access to inclusive financial services, particularly to the low-income market, by continuously innovating to offer low-cost products and services to these markets. Nedbank’s Access to Financial Services Model continues to be multifaceted to respond to the needs of its clients.

Nedbank continued to grow its national banking footprint through the rollout of traditional branches and ATMs, as well as various innovative banking opportunities aimed specifically at underserved communities. Investment in physical distribution focused primarily on the reformatting of branches and outlets to ensure a consistent client experience and to enable and educate clients to use self-service devices. Investment in new distribution continues in high-growth micro markets, with an additional 48 branches and inretail outlets opened since 2014. Smaller, cost-effective formats continue in remote towns through distribution agreements with Hinterland and Boxer.

In total 44% of Nedbank’s points of presence are in the new format. Through focused expansion plans, Nedbank has achieved 84% coverage on staffed outlets within 30 km of where a client lives and 79% coverage on devices within 15 km of where a client lives, which is on par with its competitors.

A total of 60 volunteers were at the stadium, 20 of which were Nedbank staff members.

**Products**

- **Electronic access**
  - Enabling access to finance through any client-owned or third-party infrastructure, e.g., internet banking, cellphone banking, telephone banking or any new electronic product and/or technology.
  - Focus on clients who have transacted in the past 180 days.

- **Affordable housing**
  - Loan financing for low-income earners. Mortgage and development loans to qualifying households in terms of the state housing subsidy (individuals with a gross monthly income of R17 600 and/or housing developers producing houses for individuals earning a gross monthly income of R15 000).

- **Access qualifying products**
  - An AQP is defined as any product that enables clients with a derived income of ≤ R5 000 per month to transact and who meet the minimum access standards.

**Access**

- **Geographic access**
  - Physical point of presence where a client can transact and also fulfil various administrative functions, e.g., point-of-sale (POS) devices, ATMs and branches.

- **Banking densification**
  - Measures the number of access points with the aim of easing access to cash from clients’ accounts within easy reach of their homes. No less than 1 500 individuals within agreed suburbs.

**Education**

- **Consumer financial education**
  - Programmes that are aimed at empowering consumers with the knowledge to enable them to make informed decisions about their finance and lifestyles.

Focus on the LSM 1–5 target market
**Consumer financial education**

More than 180 000 adults and learners were financially empowered through Nedbank’s face-to-face CFE programme. The CFE Unit participated in seven Nedbank branch launches nationally and conducted training workshops in various surrounding communities. In addition, expert financial education and training was provided to the public sector.

**TEACH CHILDREN TO SAVE**

A total of 17 Nedbank staffmembers underwent training to volunteer as facilitators in the Teach Children to Save initiative. These volunteers then went on to reach more than 40 000 learners in schools across the country with the important message of developing a savings habit. Nedbank has also launched a digital game enabling children to learn good financial behaviour. Lessons taught include the importance of savings and prudent spending.

**SUSTAINABILITY EDUCATION THROUGH THE LEARN TO EARN PROGRAMME**

Through the LearnToEarn programme almost 20 000 learners and community members received sustainability training as part of the Nedbank Caring for Communities initiative. Most of this training took place as part of branch launches and was accompanied by the donation of vegetable garden tunnels to schools and communities. In addition, Nedbank targeted youth in mainly rural areas to encourage sustainable job creation.

**LOOKING FORWARD**

Leading transformation remains a strategic priority for Nedbank, as this will enable it to achieve its vision to be the most admired financial services provider in Africa by its staff, clients, shareholders, regulators and communities.

The drive to continue to be relevant in an environment of accelerated change amid the uncertainty and volatility means that Nedbank must seek innovative models to position itself optimally to service society while also contributing to economic growth.

Nedbank will continue to support the national agenda and remains committed to being a leader of transformational change and achieving its purpose of using financial expertise to do good and for individuals, families, businesses and society.

Mike Brown jointly led a collaborative initiative between business leaders and government, which continues to yield positive results:

- Business leaders presented an eight-point plan to President Jacob Zuma to prevent a sovereign downgrade and included commitments from business to support government in addressing its fiscal challenges.
- Nedbank contributed to the R1,5bn SA SME Fund to support entrepreneurs and job creation.
- Nedbank’s Chairman and CEO are signatories to the CEO Initiative that pledges support for good governance, constitutional democracy, inclusive economic growth and social justice in SA.
- Nedbank is working with government and various stakeholders, including the relevant ministerial task team, to explore sustainable funding solutions, one of which is the ISFAP pilot project.

Although Nedbank has achieved industry leadership according to the FSC, it is also aware that stricter legislation will lead to an industry rebasing, with lower BBBEE levels projected going forward. The gazetting of the Draft Amended FSC is imminent and Nedbank is committed to focusing on the strategic objectives that it has set and to driving towards the targets that will facilitate sustainable transformation.

Nedbank will address new challenges in relation to the priority elements and discounting principle, specifically for supplier development, while continuing to build on all other aspects of its transformation journey.

‘What we require is the most imaginative, boldest, progressive, enlightened and transformative among us to map out a different kind of future – and what we can start doing three months from now,’ Minister of Finance, Pravin Gordhan.

Nedbank recognises that socioeconomic disparities still prevail in the country and shares the country’s commitment to overcoming these challenges. As one of the leading banking groups Nedbank has an opportunity to impact and influence transformation at several levels – not only internally, but also in the markets in which we serve by continuing to be a partner for inclusive growth as we use our financial expertise to do good for individuals, families, businesses and society.
DEFINITIONS

BBBEE recognition level
The BBBEE status for companies based on FSC scorecard percentages achieved as outlined below:

<table>
<thead>
<tr>
<th>Contributor level</th>
<th>BBBEE score (%)</th>
<th>BBBEE recognition level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>&gt; 100</td>
<td>135%</td>
</tr>
<tr>
<td>2</td>
<td>85 – &lt; 100</td>
<td>125%</td>
</tr>
<tr>
<td>3</td>
<td>75 – &lt; 85</td>
<td>110%</td>
</tr>
<tr>
<td>4</td>
<td>65 – &lt; 75</td>
<td>100%</td>
</tr>
<tr>
<td>5</td>
<td>55 – &lt; 65</td>
<td>80%</td>
</tr>
<tr>
<td>6</td>
<td>45 – &lt; 55</td>
<td>60%</td>
</tr>
<tr>
<td>7</td>
<td>40 – &lt; 45</td>
<td>50%</td>
</tr>
<tr>
<td>8</td>
<td>30 – &lt; 40</td>
<td>10%</td>
</tr>
<tr>
<td>Not compliant</td>
<td>&lt; 30</td>
<td>0%</td>
</tr>
</tbody>
</table>

Black designated groups
- Unemployed black people not attending, and not required by law to attend, an educational institution and not awaiting admission to an educational institution.
- Black youth as defined in the National Youth Commission Act, 19 of 1996.
- Black persons with disabilities as defined in the Code of Good Practice on employment of persons with disabilities issued under the Employment Equity Act.
- Black people living in rural and underdeveloped areas.
- Black military veterans who qualify as such in terms of the Military Veterans Act, 18 of 2011.

Direct ownership
Ownership of an equity interest, together with control over all of the voting rights attaching to that equity interest, which may include equity equivalents.

Economically active population (EAP)
Economically active population as determined by StatsSA and annually published in the Commission for Employment Equity Report in terms of employment equity regulations from time to time.

Employment Equity Act

Exempted microenterprise (EME)
An enterprise with an annual turnover of less than R5m.

Financial institutions
Banks, long-term insurers, short-term insurers, reinsurers, managers of formal collective investment schemes in securities, investment managers and other entities that manage funds on behalf of the public, including members of any exchange licensed to trade equities or financial instruments in this country and entities listed as part of the financial index of a licensed exchange.

Qualifying small enterprise (QSE)
An enterprise with an annual turnover of less than R35m.

Skills development expenditure
Legitimate training expenses on skills development, excluding the skills development levy payable under the Skills Development Levies Act, 9 of 1999.

Contact details
The Nedbank Group Transformation team:

Kershini Govender  
Tel: 011 295 7370  
Email: KershiniG@Nedbank.co.za

Hloniphani Mpofu  
Tel: 011 294 3042  
Email: HloniMp@Nedbank.co.za

Themba Palagangwe  
Tel: 011 294 3354  
Email: ThembaPal@Nedbank.co.za
Nedbank was honoured as a Legend of Empowerment and Transformation at the 15th annual Oliver Empowerment Awards held on 14 April 2016.

The award recognises Nedbank’s outstanding achievement as a top empowered company in the financial services sector; for fostering the spirit of empowerment and becoming a leader of transformational change in South Africa.