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NEDBANK  
GROUP

SUPPLEMENTARY REPORT  
TO THE NEDBANK GROUP INTEGRATED REPORT

# 2015 TRANSFORMATION REPORT

for the year ended 31 December 2015

A Member of the  OLDMUTUAL Group

# NEDBANK GROUP TRANSFORMATION REPORT

'Our country requires an economy that can meet the needs of all our economic citizens – our people and their enterprises – in a sustainable manner. This will only be possible if our economy builds on the full potential of all persons and communities across the length and breadth of this country. Since 1994 the government has taken many steps to transform the economy and has set the foundation for a focused strategy of broad-based black economic empowerment'.

*BBBEE Strategy Document, Department of Trade and Industry*

## THE EVOLVING BROAD-BASED BLACK ECONOMIC EMPOWERMENT LANDSCAPE

The broad-based black economic empowerment (BBBEE) strategy document sets out government's intention and approach with regard to the implementation of BBBEE in a way that would be both sustainable in the long term and founded on the sound economic principles; that formed the basis for the BBBEE Act of 2003 ('the Act'). In conjunction with the subsequently developed Department of Trade and Industry (dti) Codes of Good Practice gazetted in 2007, the Act presents a full legal framework and outlines the key mechanisms through which government is working to transform SA into an economy that meets the needs of all its citizens. Subsequently, the Financial Sector Code (FSC) was gazetted in 2012 in terms of section 9(1) of the Act.

'The FSC commits all participants to actively promote a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa, and which contributes to the establishment of an equitable society by providing accessible financial services and by directing investment into targeted sectors of the economy.' *Financial Sector Code, 2012.*

The BBBEE Amendment Act, 2013, built on the Act by providing a more robust legislative framework for the promotion of BBBEE and empowering the Minister of Trade and Industry to issue Codes of Good Practice and publish transformation charters. This led to gazettement of the Revised Codes of Good Practice (the Codes) in October 2013.

This implied that all sector codes had to be realigned to the Codes within 12 months. However, the minister granted an extension of the transitional period for the realignment process to October 2015.

Nedbank actively participated in the realignment process through the Banking Association of SA. The Draft Realigned FSC was approved by the Minister of Finance in December 2015. The next step is for the Minister of Trade and Industry to publish the Draft Realigned FSC for public comment. In the interim, Nedbank has reported on the current FSC for 2015. The release of the Codes, comprising 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 and the growth of black entrepreneurs. The Codes represent a significant departure from the previous version, with key changes highlighted below and adopted by the financial sector:

- Introduction of priority elements, including ownership, skills

development, and enterprise and supplier development (ESD).

- 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. For example, to obtain a level 2 will require a minimum of 95 points as opposed to the current minimum of 85 points.
- 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 the leviable amount.
- Increased targets for black employees in top management from 40% to 60% and for junior management from 80% to 88%.
- A new requirement of supplier development and an increased target for enterprise development.



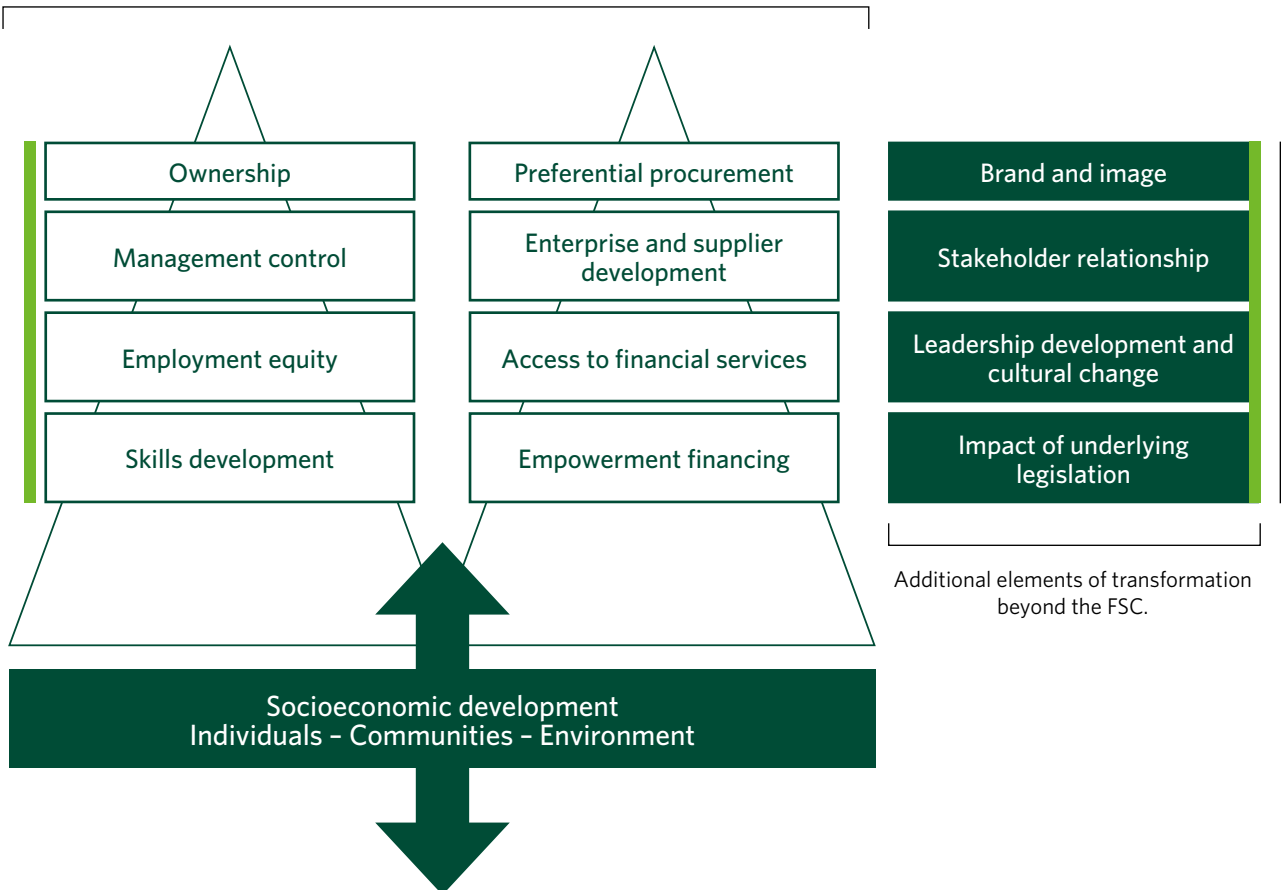


## NEDBANK GROUP'S APPROACH TO TRANSFORMATION

Although the transformation landscape has shifted, Nedbank remains committed to being at the forefront of transformation. Our transformation framework supports the national imperative while transcending mere compliance. Our goal is to build a nationally relevant bank and to contribute to a better life for all in SA.

### OUR TRANSFORMATION FRAMEWORK

Depicts all elements of transformation based on the FSC.



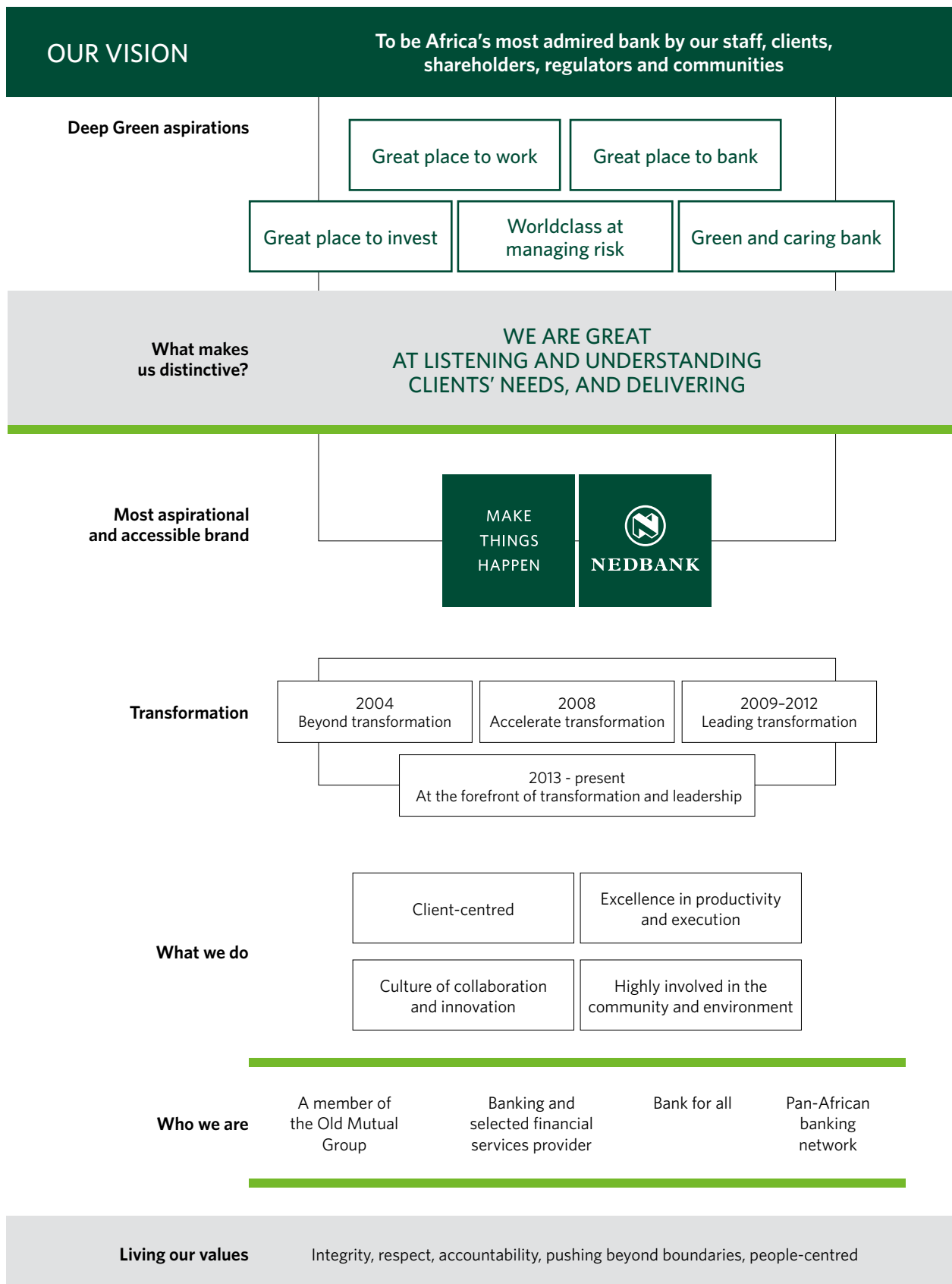
Additional elements of transformation beyond the FSC.

'Nedbank's commitment to remaining relevant in a transforming society is a business imperative and goes beyond regulatory compliance. By focusing on the economic empowerment of our staff, clients, business partners and suppliers from designated groups we have retained our level 2 broad-based black economic empowerment rating for the seventh consecutive year.'

*Mike Brown, Nedbank Group Chief Executive*



Transformation is a key enabler of our group's ability to realise its vision and strategy to be Africa's most admired bank, underpinning our success, and driving our achievement of truly integrated sustainability for the benefit of our organisation and all our stakeholders.



## TRANSFORMATION IN 2015

### Another year of consistent progress

In 2015, for the seventh consecutive year, Nedbank Group maintained its externally verified level 2 BBBEE rating. From 2009 to 2012 this rating was achieved in terms of our performance against the dti codes and between 2013 and 2015 our performance has been measured against the FSC. The consistent achievement of this level 2 BBBEE rating validates the ongoing commitment and efforts, across our group, to fully entrench transformation as a cornerstone of our business.

### HIGHLIGHTS FOR 2015

Quarter one	Quarter two	Quarter three	Quarter four
<ul style="list-style-type: none"> <li>■ Nedbank Eyethu Share Scheme created value of R8,2bn for all of Nedbank Group's SA BEE stakeholders over the past 10 years.</li> <li>■ WIPHOLD, Brimstone, Izingwe, Nedbank and Old Mutual jointly commit to R300m legacy programme.</li> <li>■ Launched the Contact Centre Learnership programme with 99 unemployed youth.</li> <li>■ Appointment of new Chairman, Vassi Naidoo, well received.</li> <li>■ Mfundo Nkuhlu appointed as Chief Operating Officer (COO) and Executive Director to the Nedbank board. Priya Naidoo appointed to Group Executive Committee as Group Strategy and Economics Executive. Testament to our succession planning and talent management.</li> <li>■ Black executive director representation on the Nedbank board increased to 66,7%.</li> </ul>	<ul style="list-style-type: none"> <li>■ 2014 Top Empowered Business of the Year award at the 14th Annual Oliver Empowerment Awards.</li> <li>■ Launched the Sales Internship Programme with 41 unemployed graduates.</li> <li>■ Provided R1m to the Branson Centre of Entrepreneurship to empower and develop 50 new entrepreneurs.</li> </ul>	<ul style="list-style-type: none"> <li>■ Secured the contract to be the primary banker of eThekweni Municipality for the next five years.</li> <li>■ Key role in a transformational mining finance project that saw a BEE special-purpose vehicle (SPV) acquire a 20% stake in Tendele Coal Mining (Pty) Ltd, a producer of metallurgical anthracite.</li> <li>■ Ranked in the top five for the Department of Labour's inaugural Employment Equity Awards and presented with a certificate of recognition.</li> <li>■ Enterprise and supplier development programme launched.</li> <li>■ Culture of Inclusion piloted.</li> <li>■ Established strategic partnerships between BWO IT consumables distributors to help deliver a smooth, consistent and quality service.</li> <li>■ Secured the contract for the Ekurhuleni Municipality transactional banking tender.</li> </ul>	<ul style="list-style-type: none"> <li>■ Celebrated 25-year Green Trust anniversary with R180m donated through the Nedbank Green Affinity to over 200 conservation projects across SA.</li> <li>■ Achieved 82% coverage in SA in terms of electronic banking devices within 15 km.</li> <li>■ Achieved 86% coverage in SA in terms of offering staffed outlets within 30 km of clients' homes.</li> <li>■ Converted 36% of our points of presence to our new 'branch of the future' format.</li> <li>■ Formalised the partnership with DBSA (DBSA Green Fund), a lending collaboration valued at R120m that will create a 'green' facility for 400 units of affordable housing.</li> <li>■ Total training spend towards black staff of R280m and R169m towards black female staff.</li> <li>■ 1 025 disabled employees, of whom 2% are black and 1,28% are black female.</li> <li>■ 29 348 people, of whom 76,56% are black and 48,87% are black female.</li> <li>■ Total corporate social investment (CSI) spend across group of R136m.</li> <li>■ Total procurement spend of R10,7bn, of which 75% is local procurement (R8,0bn). 229 BO suppliers with a total spend of R1,6bn. 110 BWO suppliers with a total spend of R878m. 2 333 EMEs and QSEs with a total spend of R1,5bn.</li> <li>■ Legacy programme disbursements to the WIPHOLD Agricultural Company Centane project of R11m have been finalised by both Nedbank and Old Mutual.</li> <li>■ Affordable Housing unit disbursed a record R1bn towards new developments.</li> <li>■ Granted empowerment financing total of R5,9bn, constituting targeted investments of R3,2bn and BBBEE transaction financing of R2,7bn.</li> <li>■ Grew ATM network by 98% since 2009.</li> <li>■ 'Social Licence to Operate Dialogue' held with the Chairman and CEO of Nedbank, Minister of Finance and leaders in government and business.</li> </ul>



‘The relationship between Brimstone and Nedbank has been mutually beneficial at many levels. There are many other areas where we can, and will, continue to cooperate and work with Nedbank.’

*Cofounder and  
Chief Executive Officer,  
Mustaq Enus-Brey,  
Brimstone Investment Corporation*

The table below provides a detailed breakdown of Nedbank Group’s 2014 and 2015 scores against the main indicators set out by the FSC. The results affirm our position as a transformation leader, not only within the SA financial services sector, but also in business and across industries.

TRANSFORMATION SCORES

	Financial Sector Code		
	Possible points	Dec 2015 Audited	Dec 2014 Audited
Ownership	14 + 3 bonus	<b>17,00</b>	17,00
Management control	8 + 1 bonus	<b>8,05</b>	6,97
Employment equity	15 + 3 bonus	<b>11,52</b>	11,38
Skills development	10,00	<b>8,68</b>	9,23
Preferential procurement	16,00	<b>15,74</b>	14,75
Empowerment financing	15,00	<b>15,00</b>	15,00
Enterprise development	5,00	<b>5,00</b>	5,00
Socioeconomic development	3,00	<b>3,00</b>	3,00
Access to financial services	14,00	<b>13,35</b>	13,32
<b>Total</b>	<b>100 + 7 bonus</b>	<b>97,34</b>	95,65
<b>BBBEE level</b>		<b>2</b>	2

Awards and recognition

- Best Contact Centre in SA at the Contact Centre Management Group (CCMG) Awards.
- N2N, the group’s monthly staff TV broadcast, won two international awards at the 21st annual Communicator Awards announced by the International Academy of Visual Arts.
- Chartered Institute of Procurement and Supply (CIPS) award for Best Cross-functional Team based on media savings for the Old Mutual Group.
- Top Empowered Business of the Year award at the 14th annual Oliver Empowerment awards.
- Nedbank received five Loeries at the annual Loeries awards.
- Nedbank Private Wealth received top honours for its exceptional philanthropy and social impact investing offering in SA in the global Euromoney Private Banking and Wealth Management Survey.
- City of London Wealth Management Awards – Best UK Private Bank.
- Best Retail Bank in SA award and Best Mortgage and Home Loans Product in Africa award at The Asian Banker’s second annual Middle East and Africa Awards ceremony.
- Bank of the Year for Africa and SA by the Financial Times’s *The Banker* magazine.

OWNERSHIP

The FSC is committed to driving the continued growth of equitable ownership of SA’s financial assets. In 2005 we 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 value for more than 500 000 SA shareholders.

A key aspect of the Nedbank BBBEE deal was the opportunity it created for Nedbank to enter into two broad-based black business partnerships. In the 10 years since, these business partnerships have transformed all three of the businesses, enabling them to achieve significant and sustainable growth, adapt to the changing SA environment, raise the profiles of their brands and value propositions, and deliver tangible economic and social upliftment to millions of South Africans.



**CASE IN POINT**

**LEAVING A LEGACY**

'The relationship between Brimstone and Nedbank has been mutually beneficial at many levels. There are many other areas where we can, and will, continue to cooperate and work with Nedbank.' *Cofounder and Chief Executive Officer (CEO), Mustaq Enus-Brey, Brimstone Investment Corporation.*

While the official business contracts between Nedbank, WIPHOLD and Brimstone ended in 2015, the partners have agreed, along with Old Mutual Group and their partner, Izingwe, to continue the relationship in ways that will ensure the original BBBEE objectives continue - and leave a lasting legacy.

To achieve this the partners have agreed to establish three sustainable legacy funds of R100m each over the next three years. Nedbank's contribution to these funds amounts to R100m (R33m per year). The first legacy fund has been established and the process of assessing prospective beneficiaries across the workstreams of the various fund partners is well underway.

The first disbursement of R11m from this fund has already been made to the WIPHOLD-sponsored Centane Agricultural Development project in the Eastern Cape. This ground-breaking initiative focuses on creating sustainable, self-funding commercial farms using primarily communally owned land. The project's core aim is to effect large-scale social change through rural employment, income generation and provision of food security.

'A standout feature of our partnership is that it has been based on tangible business deliveries, out of which genuine relationships have been forged. Because of this our business engagements and relationships will organically continue into the future. The 10-year anniversary merely marks the end of one chapter and the beginning of another.' *Gloria Tomatoe Serobe, Founder and Executive Director: WIPHOLD*

**MANAGEMENT CONTROL**

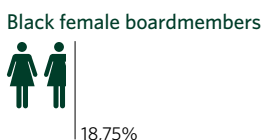
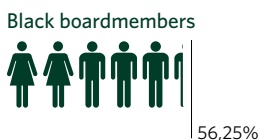
In 2015 we continued to make progressive strides in terms of transforming our top management and executive structures. The input and guidance received from our black business partners has been invaluable in this regard, with key representatives of the partner organisations providing comprehensive input into executive appointments, succession planning and talent management. Mfundo Nkuhlu was appointed as COO and Executive Director to the Nedbank board. Priya Naidoo was appointed to the Nedbank Group Executive Committee (Group Exco) as Group Strategy and Economics Executive.

The table below shows the composition of the Nedbank Group board and the Nedbank Group Exco at 31 December 2015.

**NEDBANK GROUP BOARD**

Executive	Mike Brown
Executive	Mfundo Nkuhlu
Executive	Raisibe Morathi
Non-executive	Ian Gladman
Non-executive	Paul Hanratty
Non-executive	Vassi Naidoo
Non-executive	Bruce Hemphill
Independent	David Adomakoh
Independent	Brian Dames
Independent	Tom Boardman
Independent	Mantsika Matookane
Independent	Mpho Makwana
Independent	Nomavuso Mnxasana
Independent	Joel Netshitenzhe
Independent	Stanley Subramoney
Independent	Malcolm Wyman

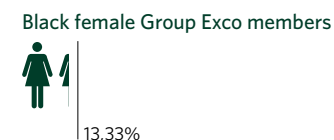
Black representation on the Nedbank Group board at 31 December 2015:



**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: Group Marketing, Communications and Corporate Affairs	Thulani Sibeko
Group Executive: Strategy and Economics	Priya Naidoo
Managing Executive: Nedbank Wealth	Iolanda Ruggiero
Managing Executive: Nedbank Retail and Business Banking	Philip Wessels
Managing Executive: Nedbank Corporate and Investment Banking	Brian Kennedy
Managing Executive: Business Banking	Sandile Shabalala
Managing Executive: Consumer Banking	Ciko Thomas

Black representation on the Nedbank Group Exco at 31 December 2015:



## EMPLOYMENT EQUITY

Driving effective and sustainable organisational transformation remains a key pillar of Nedbank Group's overall people strategy.

In line with our aspiration to become a great place to work, the objectives of our people transformation policy are as follows:

- Promote equity to attain equal opportunity and fair treatment, all

through the elimination of unfair discrimination and the implementation of affirmative action measures.

- Advance women, black people and persons with disabilities (PWD) to ensure their equitable representation in all occupational categories and levels in the workforce.

- Attract, retain and develop the best talent in the SA financial services sector.

A comprehensive range of talent transformation and optimisation initiatives exist across our group, including a comprehensive employment equity (EE) plan, inclusive empowerment debates and dialogue sessions, and comprehensive gender equity and PWD programmes.

At 31 December 2015 the Nedbank Group employee profile was as follows:

HEADCOUNT	Male				Female				Foreign nationals		Grand total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Occupational levels											
Top management	6			10	1		1	2			20
Senior management	63	21	82	342	48	20	46	134	22	6	784
Middle management	1 041	471	723	1 585	1 120	597	795	1 596	83	69	8 080
Junior management	2 984	940	770	569	6 420	2 098	1 468	1 626	32	68	16 795
Semiskilled	373	91	67	47	795	313	171	197	15	17	2 086
Unskilled	10		2	2	7	4		4	4		33
<b>Total permanent</b>	<b>4 477</b>	<b>1 523</b>	<b>1 644</b>	<b>2 555</b>	<b>8 211</b>	<b>3 032</b>	<b>2 481</b>	<b>3 559</b>	<b>156</b>	<b>160</b>	<b>27 798</b>
Temporary employees	340	77	64	238	448	81	90	151	34	27	1 550
<b>Grand total</b>	<b>4 817</b>	<b>1 600</b>	<b>1 708</b>	<b>2 793</b>	<b>8 659</b>	<b>3 113</b>	<b>2 571</b>	<b>3 710</b>	<b>190</b>	<b>187</b>	<b>29 348</b>

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 advancement of women and PWDs remains a key focus for our business. In 2015, for the ninth consecutive year, we maintained a female employee representation of all employees of more than 62% across our business. The Nedbank Women's Forum was established in 2002 with the purpose of promoting the advancement of women into leadership positions. Since then, the main objectives of the forum have shifted, with the current focus on creating more opportunities for all women in Nedbank as well as creating opportunities for women and men to share their gender equality insights and experiences.

To further support the advancement of women across our group our dedicated professional development area within HR provides women with access to programmes designed specifically to develop their professional and leadership skills,

thereby equipping them to take advantage of career opportunities that may arise.

In 2015 we continued to implement our strategy on PWD employed across our group. PWD representation is 3,5% at the end of 2015 and remains well above the 1,6% average for SA government entities and the private sector target of 2%.



#### CASE IN POINT

### NEDBANK RECOGNISED FOR EE LEADERSHIP

In 2015 the Department of Labour hosted the inaugural Employment Equity Awards aimed at recognising companies that have shown significant progress in achieving the objectives of employment equity. Of the 133 companies that entered the awards, Nedbank Group was ranked in the top five and was presented with a Certificate of Recognition for its EE achievements.



**Total number of staff with disabilities**

In line with the Department of Labour’s Occupational Levels based on the EE Act, at 31 December 2015 the breakdown of PWD employed by Nedbank Group was as follows:

**A continued commitment to inclusion**

To address this vital aspect of business sustainability we have operated a comprehensive diversity programme called Botho Pele since 2008. In 2015 the programme was halted in order to shift focus towards piloting our Inclusion Project in June 2015. Based on the findings of indepth research into

creating a more inclusive environment for staff and other stakeholders, the initiative focuses primarily on raising our levels of inclusion as a means of further entrenching diversity, innovation and collaboration across our group. The results and learnings of the pilot project will be used to inform the development of various transformation-led inclusion initiatives that will be rolled out in the coming months and years.

**OCCUPATIONAL LEVELS**

	Male				Female				Grand total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior management	5	3	1	19	2	1	0	11	42
Middle management	15	13	24	92	26	19	36	91	316
Junior management	65	21	31	53	121	70	51	138	550
Semiskilled	23	4	3	6	22	11	10	29	108
<b>Total permanent</b>	<b>108</b>	<b>41</b>	<b>59</b>	<b>170</b>	<b>171</b>	<b>101</b>	<b>97</b>	<b>269</b>	<b>1016</b>
Temporary employees	0	0	0	5	1	1	0	2	9
<b>Grand total</b>	<b>108</b>	<b>41</b>	<b>59</b>	<b>175</b>	<b>172</b>	<b>102</b>	<b>97</b>	<b>271</b>	<b>1025</b>



‘A standout feature of our partnership is that it has been based on tangible business deliveries, out of which genuine relationships have been forged. Because of this our business engagements and relationships will organically continue into the future. The 10-year anniversary merely marks the end of one chapter and the beginning of another.’

*Gloria Tomatloe Serobe, WIPHOLD Founder and Executive Director*

### Embedding People 2020

People 2020 is the name assigned to our human resources (HR) transformation journey. It is a journey that involves the integration and enablement of business, people and technology through carefully designed and executed strategic and innovative people management practices, policies and procedures.

At the heart of Nedbank's Winning in 2020 strategy is a workforce that is empowered, engaged and enabled to make a real contribution to our bank's culture, performance and bottomline. Our HR function recognises that it has the responsibility to make sure that we not only have the right people, in the right positions, across our organisation,

but also that we adopt technologically advanced HR systems to empower Nedbank employees to take greater control of their own needs, personal growth and career advancement.

### How we envisage Winning in 2020 through our people

In a relatively short time People 2020 has become part and parcel of everyday life for Nedbankers, and the intention is now to leverage this to drive other strategic enablers that will have positive impacts on our people and business.

## HOW WE ENVISAGE WINNING IN 2020 THROUGH OUR PEOPLE

### Key elements

A 'fit for purpose' structure

Capable leadership

People, systems and processes that drive the right behaviours

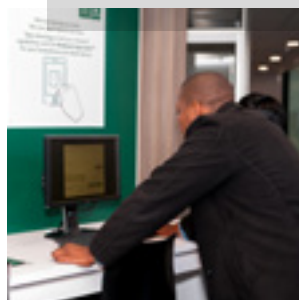
Positive culture and values

### Desired result



Engaged employees

Great client experiences



### Business sustainability

Beyond financial profitability

## SKILLS DEVELOPMENT

We are committed to investing in all our people to ensure that they have the skills required to perform at their peak, thereby delivering tangible benefits for themselves and their futures, while contributing to the growth and success of the business. Our commitment to skills development extends beyond our own organisation, and we invest significantly in advancing the knowledge and skills of participants in the entire banking sector as well as many associated industries.

### Committed to investing in people development

Our investment in people goes beyond mere legislative adherence. We believe in the importance and value of continuous personal development. Our People Development Philosophy and Framework was developed in 2010 to guide our organisation on how best to structure our environment to improve the return on our training and development investment.

As a result of this ongoing skills development investment commitment, in 2015 we recorded an average of 47,5 hours (2014: 43 hours) of training per employee, which represents a significant increase on the previous year.

### Creating opportunities through coaching

Our coaching framework, which was launched in 2010 with the aim of developing an effective coaching capability across our organisation, continues to go from strength to strength. The framework has been updated to include group coaching, team coaching and mentoring. As a result, coaching has become a way of life within Nedbank, with most line managers having been trained as informal coaches. We also have access to 91 qualified and experienced career coaches that can be accessed by individuals, teams and business units across the organisation.

### BANKSETA learnerships

These are leveraged as key vehicles by which we can address the skills shortage. The programmes allow for current Nedbank employee, unemployed graduate and matriculant participation resulting in SAQA accredited qualifications within a period of 12 to 18 months. Learners receive ongoing support from the business for the duration of their learnerships.

Learnership attendees are also allocated dedicated coaches who are integrally involved in their learning process. In 2015, 20 learnerships and one internship was implemented. These

were attended by a total of 2 283 learners (2014: 2 271).

### The Nedbank Graduate Development Programme

We continue to invest in graduate recruitment with the view of establishing a talent pipeline of young people who will become future leaders and fill scarce-skill roles within the organisation. The Nedbank Graduate Development Programme has employed a total number of 704 graduates from 2009 to 2015 and has retained approximately 68% of graduates.

### Thuthuka Bursary Fund

The objectives of the fund, through the SA Institute of Chartered Accountants (SAICA), are to grow the pipeline of prospective chartered accountants in SA and to transform the profession to match the country's demographic profile. The fund offers bursaries to qualifying grade 12 learners to pursue a career as a chartered accountant but lack the financial means. Nedbank has supported the fund since 2010 by covering the cost of tuition, accommodation, books and a monthly allowance for students. In 2015 Nedbank made it possible for 45 eligible students to begin their tertiary education journey. Nedbank is the largest contributor to the fund in the financial services sector.

## PREFERENTIAL PROCUREMENT

We have transformed our procurement spend into a highly effective vehicle for transformation investment, business support and community development. Our relationship with our suppliers is seen as a unique opportunity to tangibly express our commitment through a values-driven approach built on trust, collaboration and innovation.

Our forward-thinking procurement practices go beyond mere compliance with legislative requirements, targets and scorecards. Instead, the various procurement functions across our group work closely with our suppliers to promote and enable shared growth, foster strong and lasting relationships, and ensure the sustainability of our entire supply chain. This integrated approach to procurement has been validated by government's stated objective to foster the creation of a sustainable economy by increasing local business transformation in SA.

Our Supplier Transformation and Development team proactively implements strategies aimed at sustainably increasing spend with BO and BWO suppliers as well as other providers of goods and services that meet the various empowerment criteria set out by the dti.

### Training investment in 2015

	As at 31 Dec 2015
Total basic payroll (Rbn)	11,17
Total training spend (Rbn)	0,37
Training spend as % of basic payroll	3,3%
Training spend for black staff as % of basic payroll	2,5%
Training spend for black female staff as % of basic payroll	1,5%
Training spend for black staff with disabilities as % of basic payroll	0,05%
Training spend for black female staff with disabilities as % of basic payroll	0,03%

As part of our mandate to develop our suppliers, we also incorporate comprehensive sustainability criteria into our assessment of, and relationships with, our suppliers.

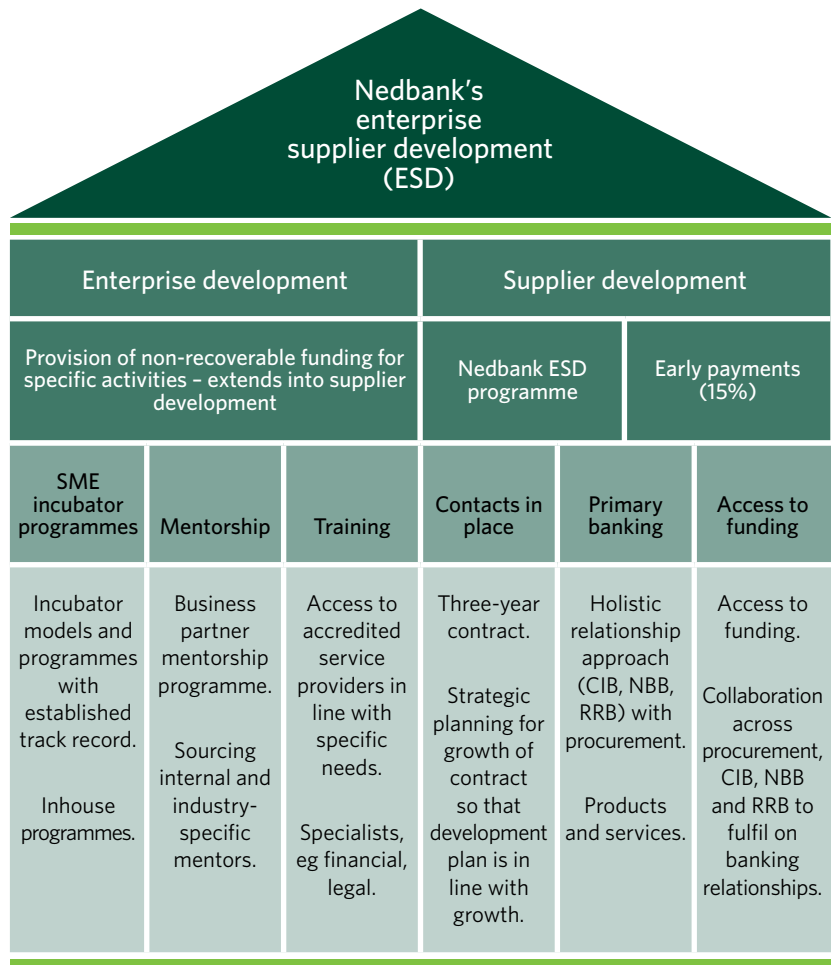
For the year to 31 December 2015 we increased our group procurement spend with BO suppliers to 15,54% of total procurement spend – up from 11,42% in 2014. We have almost tripled spend

with BWO suppliers from 3,86% of total spend in 2014 to 8,21% of total spend in 2015.

### ENTERPRISE DEVELOPMENT

Effective enterprise development must balance the provision of pure financial support with comprehensive business building initiatives, which includes

### OUR ENTERPRISE AND SUPPLIER DEVELOPMENT PROPOSITION



**CASE IN POINT**  
**UNLOCKING MUTUAL BENEFIT WITH A BWO TECHNOLOGY CONSUMABLES COMPANY**

A BWO technology consumables company was selected by Nedbank as a supplier after a rigorous request for proposal process. The company operates in a notoriously challenging industry; however, due to the relationship it was able to establish with Nedbank, it has enjoyed steady growth. Nedbank Procurement worked with the company to establish strategic partnerships and teaming agreements with other IT consumables distributors, thereby ensuring security of quality supply for our bank as well as a sustainable business model for the supplier.

While there were some initial concerns regarding the potential for a smaller IT firm to charge higher prices than its larger counterparts, these proved unfounded and, due to the partnership-based approach, the company has helped Nedbank to unlock savings without compromising on quality and service excellence.

‘Women and minority-owned businesses have often been overlooked. But Nedbank’s ESD programme has been a pioneer in fostering and promoting a collaborative environment, one on which my business thrives. Their support in building my organisation shows their commitment to job creation.’

*Managing Director*



training, capacity building, mentorship and specialist business guidance.

To give effect to this philosophy we not only invest directly into the growth and development of businesses across the country, but we also partner with programmes and initiatives that focus on ensuring that small and medium businesses in SA have the best possible chance of survival to be able to thrive and become key contributors to economic growth and employment creation.

The objective behind this multi-dimensional approach to enterprise development, which extends far beyond finance, is to make a real contribution towards ensuring the sustainability of the businesses we support by capacitating their growth and laying foundations for ongoing expansion with a view to creating more jobs.

In 2015 we continued to invest significantly in an extensive variety of strategic enterprise development interventions, providing support to the value of R79m that directly impacted 682 small and medium enterprises (SMEs) across the country. Some of these initiatives and programmes included:

### Branson Centre for Entrepreneurship

The Branson Centre for Entrepreneurship, based in Braamfontein, Johannesburg, is a SME hub offering infrastructure, training and mentorship to small and medium-sized businesses. The centre works with businesses at various stages of their existence and offers its services across a broad spectrum of industries and business life cycle stages. Nedbank has supported the Branson Centre since 2012 through:

- The provision of grant funding to enable entrepreneurs to participate in training, mentorship and networking opportunities.
- Specialised banking products and services aimed at SMEs.
- Supplementary training programmes, including financial management training.
- The facilitation of procurement opportunities with Nedbank.

In 2015 numerous businesses in the Construction, Engineering, Fashion Design, Food and Beverage, Information Technology and other industries benefited from the programmes offered by the Branson Centre. The training and support they received, combined with the access to business-building banking and finance products resulted in many experiencing tangible growth. As a

direct result 90 jobs were created in the year under review.

### The Nedbank Municipality Programme

We believe in collaboration between the public and private sector as the means to transforming SA's economy. In 2015 we continued our Nedbank Municipality Programme, engaging and partnering with various municipalities across the country. This culminated in a five-day workshop that covered seven municipal areas and delivered practical training and support to around 200 SMEs.

The workshop unpacked the current micro and macro environment, and highlighted the various opportunities available to qualifying SMEs through legislation, opportunistic or strategic prospects. It also helped the SME owners to develop business and strategic insights that would allow them to tap into potential markets and opportunities available within the public sector. The businesses were given tools and guidance around diversification and expansion, with practical action plans to take them to the next level of success and sustainability.

### Durban Chamber of Commerce Enterprise Development Initiative

Nedbank provided grant funding for The Durban Chamber of Commerce Business Plan intervention, which extended across various local chambers in KwaZulu-Natal. A total of 76 entrepreneurs applied to participate and 20 businesses were selected to receive comprehensive development support. This included customised training, mentorship, marketing, branding and extensive networking. The business owners were also exposed to specialists and experts across a range of industries and sectors.

### Expanded Public Works Programme (EPWP)

EPWP is a programme coordinated by the National Department of Public Works (NDPW) with a mandate to implement government's objective of alleviating poverty, providing income, work experience and skills development through the creation of work opportunities. The work undertaken is within the infrastructure development area and is aimed at assisting municipalities in accelerating service delivery. We have been appointed as the preferred banking partner for the implementation of the EPWP Vuk'uphile Learnership programme. To date 24 municipalities have signed up for the EPWP with the Department of Public

Works. A total of 2 977 job opportunities have been created by this programme in the construction industry and 554 learner contractors have acquired skills and started businesses through the EPWP. Nedbank has extended R41m in overdraft facility funding to the learner contractors.

### Supplier Development Programme

South Africa's National Development Plan recognises supplier development as a key platform for sustainable business growth in SA. In the spirit of this objective we have fully embraced the principles of transformational procurement and supplier development through our Supplier Development Programme. The programme sees Nedbank business and procurement specialists working with selected supplier businesses to deliver a uniquely crafted business strategy designed to define a clear growth path over time. This is augmented through coaching and mentoring to ensure that the business and business owner are growing simultaneously for a sustainable future. In 2015 various Nedbank suppliers benefited from inclusion in the Supplier Development Programme, which will be extended to more businesses in our supply chain in the coming year.

## EMPOWERMENT FINANCING

Nedbank recognises the responsibility it has to create real economic opportunities for black businesses and partner with them in their aspiration to become productive, successful and sustainable participants in the economic and social development of SA. Our empowerment financing model encompasses a holistic approach to delivering such economic opportunities, and ranges from the provision of funding for transformational infrastructure projects to affordable housing, black agriculture and BSME and BBEE transaction financing.

### Transformational infrastructure

Nedbank's dedicated Infrastructure, Energy and Telecommunications (IET) business unit focuses on infrastructure development such as roads, rail, ports and water, as well as government public private partnerships (PPPs). These projects complement the SA electricity grid and contribute to the long-term growth of the country. Each project is expected to contribute a percentage of their revenue to the economic development of the local community. The overriding condition is that the construction companies must involve a percentage of local ownership in the project. In addition to this, the content of the supplies used for construction must be produced in SA and have a percentage of SA ownership.

### Affordable housing

In 2015 the Nedbank Affordable-housing Unit continued on its growth path, leveraging good client relationships with leading affordable-housing developers. This is an essential component of the unit's effectiveness in expanding its business and growing its

lending book to aid the creation of much needed affordable housing stock in SA.

Over the financial period under review, the unit disbursed R1 billion towards new affordable-housing developments and received more than R949 million in repayments from sales. A number of the unit's key clients have been awarded 'Mega Project Status' by the Human Settlements Departments of local governments as part of their initiative to accelerate the delivery of affordable housing stock in SA.

This business has grown from a startup basis with breakeven profitability in 2008 to a now profitable unit with a sustainable business pipeline. This profitability is a key ingredient to ensure the sustainability of Nedbank's affordable-housing commitment. Since 2008 the development finance provided by the unit has directly created more than 45 000 new affordable-housing opportunities, with an estimated positive impact on around 150 000 people.

The following were just some of the initiatives undertaken in the affordable-housing arena in 2015:

- *Development Bank of SA (DBSA) Green Fund* - The partnership between Nedbank and the DBSA was formalised in October 2015. This lending collaboration is valued at R120m and will create a 'green' facility that will help to offset the additional cost of incorporating efficiency measures for around 400 units of affordable housing. Below-market interest rates will be offered on these loans in exchange for building to the green specifications of Excellence in

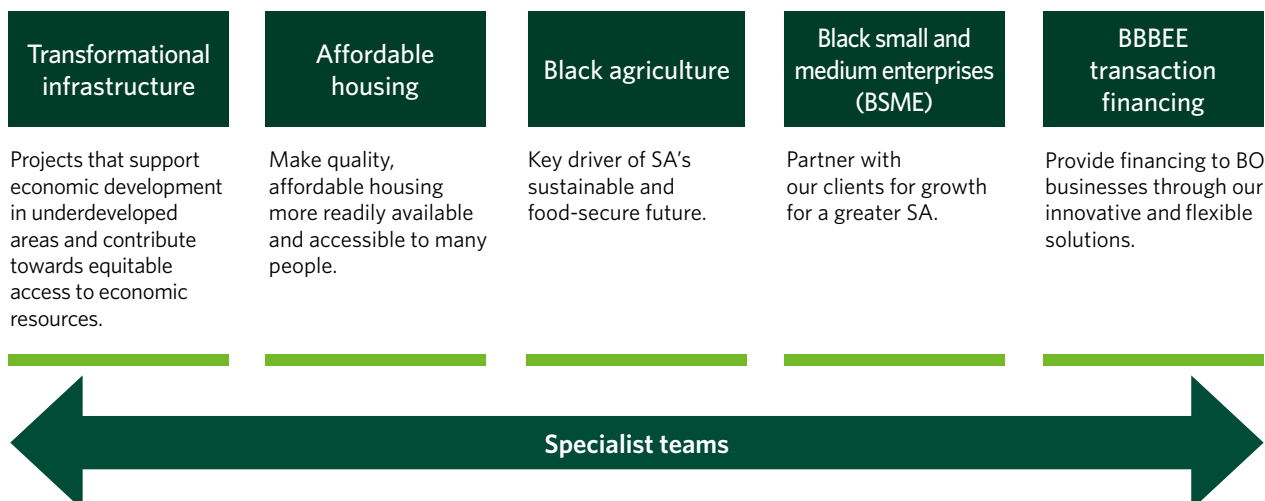
Design for Greater Efficiencies (EDGE).

- *IFC-CITICC* - Discussions are underway regarding a potential collaboration between Nedbank and the IFC-CITICC - a Chinese multinational construction company that works with local housing companies to develop affordable housing projects.
- *KfW Development Bank* - This funding provider, linked to the German Federal Government, is seeking to encourage energy efficiency in the affordable-housing sector in SA. The project team is in the process of finalising financing structures that are practical and economical to implement in SA.

The growing demand for affordable housing, which is resulting from government's intensified focus on this vital aspect of social development in the country, provides a key business opportunity for the Nedbank Affordable-housing Unit going forward.

As part of its commitment to helping deliver quality education outcomes for all, Nedbank's Property Finance Division partnered with a number of developers to focus on developing innovative solutions to the student housing shortage, including a set of lending criteria unique to this distinctive asset class. In 2015 loans amounting to more than R1,3 billion were approved and accepted for student accommodation developments across the country at major universities.

## OUR EMPOWERMENT FINANCING APPROACH





**CASE IN POINT**

**DRIVING BROAD-BASED EMPOWERMENT THROUGH MINING FINANCE**

Nedbank played a key role in a transformational mining finance project that saw a BBBEE SPV acquire a 20% stake in Tendele Coal Mining (Pty) Ltd (TCM). TCM is a wholly owned subsidiary of Petmin, which operates the Somkhele mine that is SA's largest producer of metallurgical anthracite.

While Petmin is an empowered organisation at corporate level, it took the strategic decision to ensure long-term stable BEE ownership at TCM through a direct shareholding. The BBBEE SPV is 80% owned by a community trust and 20% by an employee trust, and was specifically established to enable the community and employees to subscribe for shares in TCM equivalent to 20% of the issued share capital valued at R350m.

Nedbank Corporate was the sole arranger for a R270m preference share and R230m revolving credit facility, as well as a R190m general banking facility. In addition to delivering significant broad-based equity to diverse shareholders, the transaction was strategically relevant to Nedbank as it has fostered a strong relationship with Petmin, which is very active in the mining sector both in SA and abroad.

**Agriculture finance and support**

Macroeconomic factors such as the performance of the SA rand against the US dollar and other key monetary units continue to impact both the cost of inputs and the price of outputs in the agricultural sector. Global cost pressures will increase, mainly due to high oil prices, increased socioeconomic pressures and rising energy costs.

Farming units and agribusinesses that do not possess critical economies of scale will come under increasing pressure. The numbers of commercial farmers continue to decline while farm size continues to grow, due to increased corporatisation of the farming sector seeking greater economies of scale. The agriculture industry is still characterised by narrow profit margins, which continue to be managed through a combination of increased intensification and the adoption of technology as well as sustainable farming practices to boost competitiveness.

Agriculture accounts for about 60% of the country's water demand. SA typically experiences drier weather during El Niño, but the droughts in 2015 have been particularly severe, and has exposed weaknesses in the country's water infrastructure. Reservoirs and dams have run down, and businesses have experienced rolling outages to their water supplies. Worst affected are KwaZulu-Natal, the Free State, Limpopo, North West and the Northern Cape, where farmers growing white maize, yellow maize, soya beans and sunflowers have incurred major losses.

Against this backdrop our position has been to proactively engage with, and monitor, our clients who are impacted by the drought in order to evaluate the degree of severity on their respective businesses. Our strength lies in the fact that we have diversified regional teams specialising in agriculture. This, together with our industry knowledge and

understanding of how clients have previously overcome such challenges, will prove to be beneficial in managing the future situation.

**Black SME financing**

SMEs are a key catalyst for economic growth and sustainable job creation in SA. We are 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 advisors 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.

**BBBEE transaction financing**

The evolving landscape of BBBEE in SA means that the number of empowerment transactions available for finance continues to decline significantly. We are continuously looking 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 BEE transactions in the sector. Regulatory uncertainty has also led to a decline in BBBEE deals.

## SOCIOECONOMIC DEVELOPMENT

Our Corporate Social Investment (CSI) efforts are directed at strengthening the social fabric of SA and are underpinned by our culture of active citizenship and social upliftment.

In 2015 CSI spend across the group again exceeded the compliance requirement. This includes CSI by the various Nedbank business units as well as our primary group CSI arm, the Nedbank Foundation. CSI support was also delivered through the Nedbank Affinity Programme, the Eyethu Community Trust, the Nedbank Private Wealth Charitable Foundation, and the External Bursary Fund.

### A focus on education

Education remains a key focus area in our CSI strategy and we consistently invest over 50% of our CSI budget in improving outcomes in this vital area. Over the years our holistic approach to education has contributed at all education stages and across multiple levels including: teacher development programmes; learner and student support; research and infrastructure development.

Breakdown of our education investment in 2015	(R)
<b>Basic education</b>	<b>34m</b>
<b>Tertiary education</b>	
Academic chairs	7,5m
Students bursaries managed by Nedbank	11,0m
Student bursaries managed by universities	5,2m
Research support grants	5,2m
Support for tertiary initiatives	3,1m
<b>Total tertiary</b>	<b>32m</b>
<b>Total in basic and tertiary education</b>	<b>R66m</b>

## Nedbank External Bursary Fund

This bursary programme funds students who are performing academically and show potential, but do not have the financial means to study towards a first degree. Bursaries are primarily awarded with a view to addressing scarce skills in the banking sector as well as for fields of study ranging from medicine to the performing arts. In 2015 we issued Nedbank bursaries to 111 undergraduate students, across 19 SA public universities and universities of technology. The total cost amounted to R11,2m. The bursaries cover registration and tuition fees, prescribed text books, accommodation and meals, and gives students a R700 monthly stipend. This year, for the first time, first-year students also received funding for a laptop or tablet to aid their studies.

In addition to the Nedbank bursaries, funding for students is also provided via the Nedbank Eyethu Community Trust. Established in 2005, the trust supports institutions of higher learning and research. In 2015 the bursaries managed by Nedbank Eyethu Community Trust included the following:

Institution	Number of beneficiaries
Rhodes University	Three Bachelor of Science students.
Wits University	Ten postgraduate students in Accounting Science, Economics, Mathematics, Statistics, Law and Commerce.
Cape Winemakers Guild	Nine protégés.
Tsiba Education	Two hundred students from disadvantaged communities studying towards a higher certificate in Business Administration and a certificate in Practical Business Administration.



## CASE IN POINT

### UMTHOMBO YOUTH DEVELOPMENT FUND

The shortage of health care workers is an international problem and SA is not immune. There is a significant shortage of medical personnel in the SA public sector and this problem is even worse in rural hospitals, where most health professionals choose not to practice. Vacancy rates in the order of 60% are not uncommon in rural hospitals for positions such as doctors, radiographers and pharmacists. This impacts negatively on healthcare services to rural communities, which have high disease burdens. At the same time rural youth have very few education and employment opportunities due to lack of money, information and poor rural schooling.

The Umthombo Youth Development Fund represents a concerted effort to deliver a solution to all these problems. Since it was established in 1999 the scheme has grown to the point where it now supports 230 youth. 253 qualified healthcare professionals have been produced, 77 of whom are medical doctors, while the others cover 15 different health science disciplines. In honouring their year-for-year work-back contracts, these graduates have helped to address the shortages of staff at participating hospitals and, in some cases, new services have even been added to rural hospitals as a result.

Nedbank has supported the Umthombo Youth Development Fund since 2013, and in 2015 provided support to eight healthcare professionals.



### Investing in early-childhood development

Research shows that, by 2020, two-thirds of jobs will require more than a matric qualification. Development of the skills required to attain a degree begins during the first few years of childhood. According to research an individual's potential to obtain a matric pass increases fourfold if he or she is able to read at grade level by third grade. The chances of reading at grade level are doubled if children start school ready to learn. This places priority on quality early-childhood development interventions in order to prepare the next generation of SA learners and students to achieve the qualifications they will require later in life.

Nedbank has long been committed to ensuring the best possible early-childhood development interventions, facilitated mainly by giving practitioners in the field access to good training and education. In 2015 Nedbank trained 125 early-childhood development practitioners. Over and above this early-childhood development training, we donated mobile classrooms with a wide range of learning materials and aids. We also donated 22 mobile libraries and books to 11 secondary schools and 11 primary schools throughout the country.

### Building a healthier nation

As a bank that is highly involved in the communities we serve, Nedbank seeks

to improve access to healthcare services, especially in the rural areas, by providing essential healthcare to learners from underprivileged communities across the country. Nedbank's health interventions can be broadly classified into primary healthcare, education and advocacy. Through our health initiatives, we aim to contribute continuously towards the National Development Plan goal of enabling good health outcomes for economic growth.

### The Nedbank Affinity programme

The highly effective Nedbank Affinity programme allows us to partner with our clients in supporting causes close to their hearts – at no cost to them. The programme includes four Nedbank Affinities:

- The Nedbank Children's Affinity – supports needy children in partnership with the Nelson Mandela Children's Fund.
- The Nedbank Green Affinity – supports conservation, the environment and climate change-related projects through the WWF Nedbank Green Trust.
- The Nedbank Sport Affinity – supports sport development in SA through The Sports Trust.
- The Nedbank Arts Affinity – supports arts and cultural development through the Arts & Culture Trust.

### Fair Share 2013

Fair Share 2030 represents Nedbank's strategy to get money working for the future we want. It provides an annual flow of funding to be channelled through new products, services and projects that promise to deliver an intentional non-financial impact. The outcomes of this funding should be 'additional' – in terms of quality, quantity and timing to ensure that we actively contribute to closing the gap to the future we want.

In 2015 we provided approximately R1,4bn of new lending, enabled by the Fair Share 2030 strategy. This was in support of green affordable housing, student accommodation and embedded energy, particularly to farmers.

### ACCESS TO FINANCIAL SERVICES

The vital link between access to affordable financial services and poverty alleviation and economic growth is well understood. As a bank for all, we are committed to doing our part to drive sustainable economic and social transformation in SA by making it possible for all individuals, irrespective of their financial circumstances, to enjoy the benefit of having access to the financial services they need to improve their situations in life.

Our Access to Financial Services approach is multifaceted, and can best be represented as follows:

<b>Products</b>	<p><b>Electronic access</b></p> <p>Enabling access to finance through any client-owned or third-party infrastructure, eg internet banking, cellphone banking, telephone banking or any new electronic product and/or technology.</p> <p>Focus on clients who have transacted in the last 180 days.</p>	<p><b>Affordable housing</b></p> <p>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).</p>	<p><b>Access qualifying products (AQP)</b></p> <p>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.</p>
<b>Access</b>	<p><b>Geographic access</b></p> <p>Physical point of presence where a client can transact and also fulfil various administrative functions, eg point-of-sale (POS) devices, ATMs and branches.</p>	<p><b>Banking densification</b></p> <p>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.</p>	
<b>Education</b>	<p><b>Consumer financial education</b></p> <p>Programmes that are aimed at empowering consumers with the knowledge to enable them to make informed decisions about their finance and lifestyles.</p>		





**CASE IN POINT**  
**BUILDING BRANCHES TO ENSURE BANKING ACCESS FOR ALL**

Ga Motgotlane opened as a 'branch in a box' during 2006 as part of the FSC. The branch performance picked up over time and we were the only bank in the community.

Zebediela Plaza, a 15 000 m<sup>2</sup> development funded by Nedbank and developed by Masingita Property Investment Holdings, opened in 2014 and created the first retail presence at scale in this area.

Our 'branch in a box' with three staffmembers relocated into the new mall during August 2014 and has grown to eight staffmembers. We now have 7 923 clients at this branch and this number is growing. A retail node has been established in an area that was previously a dusty four-way stop and it all started through Nedbank's investment.

In 2015 we continued to grow our national banking footprint through the rollout of traditional branches and ATMs, as well as various innovative banking opportunities aimed specifically at underserved communities.

At the end of December 2015 36% of our points of presence were in the new format. We have grown our ATM network by 98% since 2009. Through our focused expansion plans we have achieved 86% coverage on staffed outlets within 30 km of where a client lives and 82% coverage on devices within 15 km of where clients live.

**Consumer Financial Education (CFE)**

In 2015 more than 250 000 adults and learners have been financially empowered through Nedbank's face-to-face CFE programme. The CFE Unit participated in eight Nedbank branch launches nationally and conducted training workshops in various surrounding communities.

CFE also plays a key role in the Nedbank public sector forum, where it delivers expert financial education and training to public sector employees.

**Teach Children to Save**

In 2015 a total of 201 Nedbank staffmembers underwent training in order to volunteer as facilitators in the Teach Children to Save initiative. These volunteers then went on to reach more than 51 000 learners in schools across the country with the important message to develop a savings habit.

**Sustainability education**

Sustainability training was provided to almost 15 000 learners and community members as part of the Nedbank Caring for Communities initiative. Most of this training took place as part of branch launches and were accompanied by the donation of vegetable garden tunnels to schools and communities.

**LOOKING FORWARD**

Remaining at the forefront of transformation is a strategic priority for Nedbank as we believe that this will enable us to achieve our vision to be Africa's most admired bank by our staff, clients, shareholders, regulators and communities.

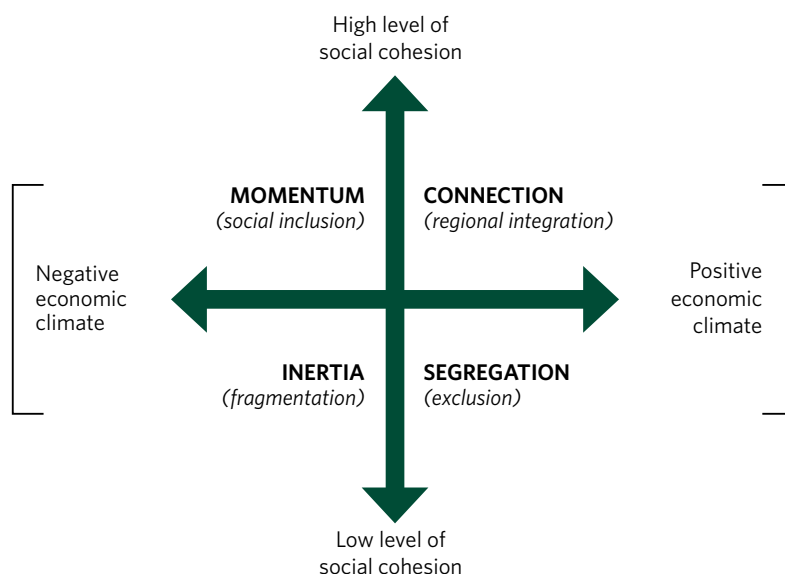
Given the changing BBBEE landscape and the fundamental shifts required to intensify our transformation efforts, we conducted a scenario planning exercise in Q1 2015 to better inform our journey ahead. We considered a five-year view of transformation within the context of the socioeconomic landscape overlaid by the group's strategic positioning.

Four possible scenarios were developed based on the level of social cohesion (considering social capital, social inclusion and social mobility) and the state of the economic climate (considering GDP, prime rate and CPI).

These four scenarios are:

**INERTIA (negative economic climate and low level of social cohesion)**

- The word 'inertia' is defined as a tendency to do nothing or remain unchanged. In this scenario positive growth is impossible as a result of the double blow of a negative economic climate and low levels of social cohesion. Government intervention is escalating while business is increasingly expected to deliver in terms of upskilling and social responsibility. There are low levels of trust and high levels of social unrest and inequality. The



The country is uncompetitive in the global market, with high levels of unemployment and poor quality of education. The banking sector continues to be subjected to future disintermediation. Business is expected to spend more on social responsibility, providing access to finance and assisting the informal sector.

**SEGREGATION (positive economic climate and low level of social cohesion)**

Despite a positive economic climate offering new opportunities for the competitive and opportunistic, a socialist agenda still prevails. There is a call for increasing ownership and control by black people in the economy and developing suppliers. Service delivery protests escalate as a consequence of a widening gap between the 'haves and havenots'. A culture of exclusion prevails. However, there is growth in startups, providing possible opportunities for business development. Technology continues to drive the need for different business models. Companies need to be innovative to survive.

**MOMENTUM (negative economic climate and high level of social cohesion)**

- The market is gaining impetus after being revived by the arrival of a new leader with a clear and inspirational vision. Despite a negative economic climate, the national mood and market sentiment is positive. Unemployment is still high, but there is collaboration with business, communities and government to create new jobs, support corporate social responsibility and assist small businesses to survive. Stakeholder activism is on the rise. There is greater access to education, but the level of skills is still inadequate.

**CONNECTION (positive economic climate and high level of social cohesion)**

- SA has got it right. The government has taken advantage of a positive economic climate by ensuring education and labour regulation is feeding the changing demands of business in the new economy. It is also providing a balanced regulatory framework that encourages growth of both small and big business. There is cooperation between government and businesses. Partnerships have been developed with neighbouring countries, boosting regional growth and cementing the country's position as

'From the outset we knew that 2016 would require an extraordinary effort from everyone in a difficult economic environment as we reenergise our drive to win in 2020. At the end of January, I had the privilege of joining world leaders and political minds at the 2016 World Economic Forum in Davos, Switzerland. Davos proved to be a vital meeting for SA as the groundwork was laid for subsequent discussions with President Zuma, the Minister of Finance Pravin Gordhan and other government officials regarding how business and government can work together to prevent a sovereign rating agency downgrade and put the country's economy back on a path of inclusive growth.'

*Mike Brown, Nedbank Group CE*

a sound foreign direct-investment destination. This is the best-case scenario.

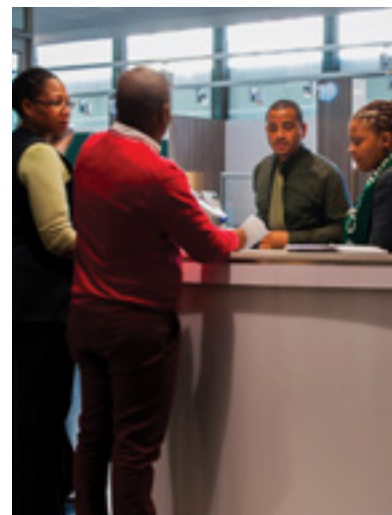
Some key considerations to arrive at the four scenarios included the more stringent BBBEE legislative environment; requirements of the National Development Plan, for example 90% financial inclusion by 2030; the triple challenge of poverty, unemployment and inequality; the national skills shortage; low GDP growth; and high inflation.

On 10 February, business leaders presented President Jacob Zuma with an eight-point plan that they believe will save SA from a damaging sovereign ratings downgrade to junk status and long-term decline. The plan was drawn up by the country's top CEOs under the leadership of Old Mutual CEO in charge of emerging markets, Ralph Mupita, and Nedbank Group CE Mike Brown. It includes concrete measures such as overdelivery on fiscal consolidation; more effective management of state-owned enterprises, by appointing for example professionals to their boards; accelerated public-private partnerships; a review of legislative implementation to ensure consistency and certainty; ensuring that labour legislation contributes to inclusive growth, especially of the youth; and the appointment of a standing anticorruption committee to combat graft in both the public and private sectors.

The plan includes a commitment by business to support the government in the tough actions needed to tackle its fiscal challenges and unite behind a cohesive narrative and plan, thereby enabling us to move from INERTIA to CONNECTION and mitigating against SEGREGATION. We will continue to monitor key flags, including the SA GDP

growth rate, prime rate, inflation rate, level of social unrest, level of skills, unemployment rate and the outcome of the next election to mention a few, while deepening our engagement with government and labour as we acknowledge that the current challenges we face require meeting of the minds and greater collaboration by all.

Although Nedbank has achieved industry leadership according to the BBBEE codes, we are also aware that stricter legislation will lead to an industry rebasing with lower BBBEE levels projected going forward. We remain committed to doing our share, not only to address this socioeconomic imbalance directly through our own transformation efforts by focusing on the priority elements and our culture of inclusion, but also by using our influence and financial and non-financial resources to work with government, business and communities to bring about real and lasting economic transformation to create a better life for all South Africans.



## DEFINITIONS

### BBBEE recognition level

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

Contributor level	BBBEE score (%)	BBBEE recognition level %
1	> 100	135
2	85 - < 100	125
3	75 - < 85	110
4	65 - < 75	100
5	55 - < 65	80
6	45 - < 55	60
7	40 - < 45	50
8	30 - < 40	10
<b>Non-compliant</b>	<b>&lt; 30</b>	<b>0</b>

### 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 Youth Commission Act.
- Black persons with disabilities as defined in the Code of Good Practice on employment of people 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.

### 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)

EAP as determined by StatsSA and annually published in the Commission for Employment Equity Report in terms of the Employment Equity regulations.

### Employment Equity Act

Means the Employment Equity Act, 55 of 1998, as amended.

### Exempted microenterprise (EME)

EME is 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)

QSE is 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.

## CONTACT DETAILS

### NEDBANK GROUP LIMITED

Incorporated in the Republic of SA  
Registration number 1966/010630/06

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(Pty) Ltd  
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2001, SA  
PO Box 61051, Marshalltown, 2107, SA

### Namibia

Transfer Secretaries (Pty) Ltd  
Robert Mugabe Avenue No 4  
Windhoek, Namibia  
PO Box 2401, Windhoek, Namibia

## INSTRUMENT CODES

### Nedbank Group ordinary shares

Company Secretary: TSB Jali  
Reg no: 1966/010630/06  
JSE share code NED  
NSX share code NBK  
ISIN ZAE00004875  
Sponsors in SA: Merrill Lynch SA  
(Pty) Ltd  
Nedbank Corporate  
and Investment  
Banking

Sponsor in Namibia: Old Mutual  
Investment Services  
(Namibia) (Pty) Ltd

### Nedbank Ltd non-redeemable non-cumulative preference shares

JSE share code NBKP  
ISIN ZAE000043667

### Contact details

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**OLIVER**  
EMPOWERMENT AWARDS  
— 2015 —

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Ralf Fletcher  
**Associate Publisher**

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