

Remuneration Report 2016

FOR THE YEAR ENDED 31 DECEMBER

‘Using our financial
expertise to do good’

see money differently

NEDBANK

A Member of the  **OLDMUTUAL** Group

Remuneration Report



Our remuneration report sets out the Nedbank Group Remuneration Policy (the 'policy') and its implementation during 2016, as well as any subsequent events in 2017.

The policy and its implementation is reviewed annually by external independent advisors to ensure alignment with required changes in remuneration practice and applicable legislation and regulation.

The policy is presented for a non-binding advisory vote at the 2017 annual general meeting and carries the recommendation of the Group Remuneration Committee (Group Remco).

REMUNERATION POLICY

We define total reward as a combination of various types of reward, including financial and non-financial, indirect and direct, and intrinsic and extrinsic rewards. The policy provides a framework for the management of total reward in the group, and supports the Nedbank employee value proposition (EVP).

Scope of the policy

The policy is board-approved and forms part of our operating philosophy, policies and standards. It sets out how total remuneration must be managed in the group and is supported by detailed operating policies, procedures and practices at cluster level.

The policy applies to all entities in Nedbank Group, including wholly owned subsidiaries and subsidiaries or joint ventures in which we have a majority interest, and excludes companies in which we have only a private-equity investment. The policy applies uniformly in all such jurisdictions, except where it is in conflict with either local statutes or regulations, in which case such statutes or regulations will apply. Where a particular operating jurisdiction has a more onerous regulatory or statutory framework, the local standards of governance in that jurisdiction will apply.

Aims of the policy

Our reward arrangements should:

- enable us to attract, motivate and retain people of high calibre, with the right mix of experience, skill and knowledge to deliver on the strategy;
- support and reinforce our desired culture and encourage behaviour consistent with our values, thereby stimulating employee engagement;
- create appropriate balance and alignment between the needs, expectations and risk exposures of our stakeholders, including our staffmembers, clients, shareholders, regulators and communities, to ensure the creation of sustainable long-term value for each of these;
- incentivise employees to deliver sustained high levels of performance and excellent execution of our strategic priorities, while being cognisant of the impact this delivery has on the risk profile and exposure of the organisation;
- enable appropriate transparency in the development of remuneration programmes and the allocation of individual remuneration to ensure equity and fairness based on valid and appropriate external and internal benchmarks; and
- align with the principles of good corporate and remuneration governance, ensuring an appropriate share of value for the relevant stakeholders in its business.

Nedbank's fixed and variable remuneration is aimed at enabling it to remain competitive, which encompasses market relativity, sustainability and commercial sensibility in the allocation and delivery of remuneration.

Remuneration governance

We comply with the relevant remuneration governance codes that apply in our various operating jurisdictions. These include groupwide compliance with the International Financial Stability Board (IFSB) Principles for Sound Compensation Practice. In SA we comply with the provisions of King III™ and the requirements of regulations 39 and 43 of the Banks Act, as well as section 64C of the Banks Amendment Act. For group operations domiciled in the UK the provisions of the Prudential Regulatory Authority (previously the Financial Services Authority) Remuneration Code apply.

Our Group Remco is mandated by the board to oversee and govern all aspects of remuneration and operates according to an approved charter. Outcomes of all Group Remco meetings are reported to the board.

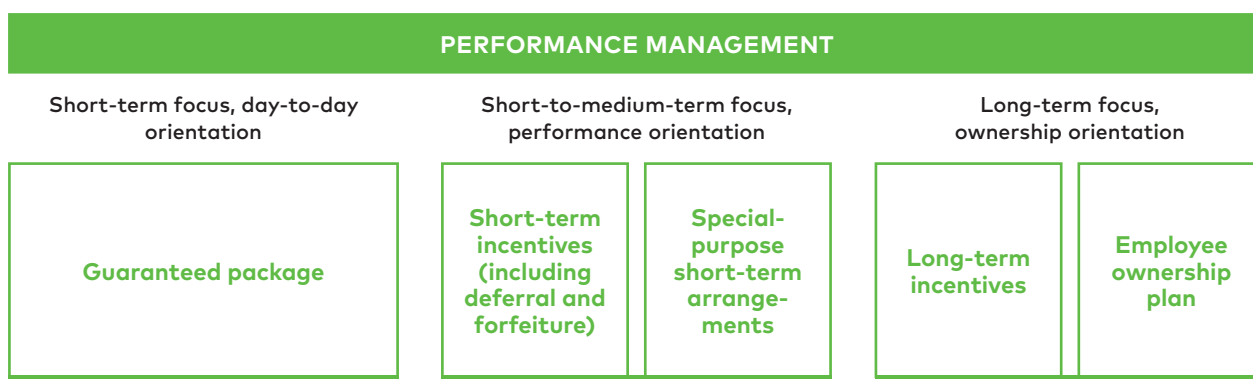
Group Remco also conducts an annual self-assessment of its effectiveness and has independent advisors, both in SA and internationally, who provide strategic input and advice on international and local best practice and benchmarking. Group Remco is further supported by the Group Reward and Performance function.

Group Remco works closely with the Group Risk and Capital Management Committee (GRCMC) to ensure a comprehensive approach to risk and reward.

We publish a comprehensive annual Remuneration Report as part of our overall governance requirements.

Nedbank Remuneration Framework

Our Remuneration Framework is made up as follows:



Performance management

The aim of our performance management process is to promote alignment of individual, team and cluster performance objectives with those of the group. This enables translation of our strategic focus areas into individual action plans.

The core principles of our performance management process are as follows:

- Performance management is consistently applied across the group to ensure effective alignment of strategic objectives and individual outputs.
- Performance objectives are based on a scorecard of metrics featuring both financial and non-financial indicators, which align with our strategic imperatives.
- Performance management is an ongoing process.
- Performance outcomes are appropriately differentiated to reflect the different levels of contribution made by employees to the success of the group. Where performance deficits are identified, these are dealt with actively, with the primary objective of returning the employee to full performance.
- Performance management is a primary input into our remuneration programmes, with the aim, among others, of ensuring appropriate differentiation in remuneration based on contribution.

The rollout of a refreshed approach to performance management commenced in 2017 at senior levels, with the intention of a full rollout in 2018. The main aim of the refreshed approach is to better support our strategic objectives.

Guaranteed remuneration

Guaranteed remuneration comprises salary and employee benefits and is delivered to employees in a form determined by local market conditions. Guaranteed remuneration usually reflects the prevailing 'rate for the role' within an earnings range, with actual remuneration being distributed about the median of the range.

In SA, and in some non-SA operations, this will take the form of a guaranteed package (GP). This represents the fixed cost of employment and, depending on local market practice, comprises a combination of the following:

- Cash salary.
- Retirement benefits.
- Medical benefits.
- Death and disability benefits.
- Contributions towards postretirement medical funding where applicable.
- Motor vehicle benefits.

A core principle under a GP approach is that changes to benefit contribution levels are cost neutral to the group – changes to benefit pricing result in a corresponding increase or decrease in the monthly cash salary of the individual.

Where appropriate, local market conditions may necessitate a basic-salary-plus-add-on-benefit approach. In these instances the salary is fixed, with benefit costs being a function of utilisation (ie if the benefit is not used, there is no cash compensation in lieu of the benefit). The group carries the risk of increases in the cost of benefits.

The primary determinant of guaranteed remuneration is market-relatedness. We conduct annual benchmarking against comparable firms in the relevant jurisdictions to assess market competitiveness. The combination of distribution of guaranteed remuneration within the earnings ranges and the market relativity of our guaranteed remuneration is a primary input into the annual salary review process, but in all instances subject to affordability and appropriate consideration of the sustainability of our remuneration practices.

In support of remuneration benchmarking there is a robust process of job profiling. This enables consistency in the sizing of roles, and the associated benchmarking of guaranteed-remuneration levels.

At an individual decisionmaking level performance is used as a determinant of the extent of an individual's progression within an earnings range. Thus, performance and individual market position are used concurrently when remuneration increases are determined.

Adjustments to guaranteed remuneration outside the annual review process are typically exceptional and are linked to changes in responsibility or the intention to retain specific talent. These are subject to appropriate approval based on the relevant delegations of authority.

All employee benefits, whether offered on a cost-to-company or a basic-salary-plus-add-on basis, are subject to appropriate oversight and governance to ensure that the financial and reputational risks associated with the provision of employee benefits are effectively and prudently managed.

Short-term incentives, including deferrals

Short-term incentives (STIs) are delivered through our discretionary STI arrangements. Where appropriate, and subject to appropriate governance and approval, bespoke plans may be implemented, subject to Group Remco oversight.

The aim with STIs is to drive the achievement of sustainable results within an agreed risk appetite framework and to encourage behaviours that are consistent with our values and aligned with the best interests of our stakeholders. STI schemes are structured to reward collaborative work across different clusters. As a general rule, all STI plans are funded from our overall STI pool. Bespoke plans will therefore result in a 'drawdown' of the pool. Where there is a specific dispensation to exclude a bespoke plan from the overall STI pool (usually in cases of low-guaranteed/high-variable remuneration models), Group Remco approval for such exclusion is required.

We do not operate any individual 'line of sight' schemes that could encourage inappropriate risk-taking or increase the risk

of moral hazard. In the case of commission-type arrangements (usually in respect of low-risk income-generating sales roles), appropriate safeguards are included to mitigate any potential moral hazard.

STI participation is discretionary and therefore there is no right to a performance incentive award in any given year. At an individual level STIs are determined primarily on the basis of performance, with the overall objective of exceptional reward for exceptional performance. Furthermore, employees performing below a minimum acceptable level are not typically eligible for consideration for an STI award. Group Remco may, at its discretion, impose clawback provisions on any cash incentive paid for up to three years from the payment date.

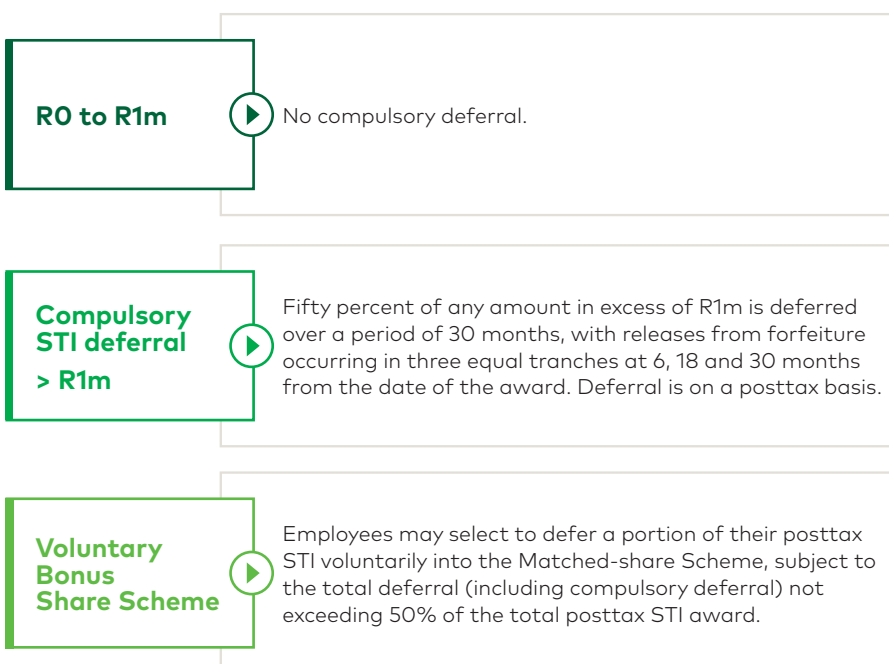
STIs are typically in the form of cash and employees must be in service on the date of payment. However, in accordance with global financial services governance and prudent risk management principles, we have an arrangement of compulsory deferral into shares of STI awards paid in excess of a threshold approved by Group Remco from time to time, which has been effective since 2010. Such deferrals may be subject to forfeiture at the discretion of Group Remco. Where forfeiture applies, we will not retest conditions or extend the period over which shares must be held. For deferred STI awards made from 2016 onwards, any awards already released from forfeiture are subject to clawback for up to three years from the original award date, if any of the following have occurred, as set out in the rules of the Nedbank Group (2005) Employee Share Scheme:

- Gross misconduct.
- Loss to the group due to failure to observe risk management policies.
- Presentation or publication of misleading or misstated financial results.

Specific Group Remco approval is required for all individual STI awards that exceed 200% of guaranteed remuneration.

The current deferral thresholds and periods for the compulsory and voluntary deferral schemes are set out below:

Deferral of STIs



Matched-share Scheme

In terms of the approved long-term incentive (LTI) plan we may offer a share-matching arrangement on compulsory STI deferrals, subject to the participant's retention of the award in the plan for a minimum period of 36 months (which is longer than the maximum deferral of 30 months), and subject to the release of the awards from potential forfeiture. Additional matching is further subject to the fulfilment of a specific group performance condition.

The Matched-share Scheme also provides a vehicle for employees to participate in the scheme by voluntary investment, subject to the fulfilment of specified conditions.

The current thresholds and conditions for matching are set out in the table below:

	STI payment	Conditions for matching	Match
Compulsory deferral	> R1m, where deferral takes place on a posttax basis on 50% of any amount exceeding R1m	In service on vesting date: three years after the allocation date	50%
		ROE*, excluding goodwill > COE** + 2%	50%
Voluntary Bonus Share Scheme	≤ 50% of total posttax STI (including any compulsory deferral)	In service on vesting date: three years after the allocation date	50%
		ROE*, excluding goodwill > COE** + 2%	50%

* Return on equity.

** Cost of equity.

For employees with earnings falling within the highest tax bracket, the total STI has the potential to increase by 27,5% in the event that the performance condition in the Matched-share Scheme is met.

Special-purpose short-term variable remuneration arrangements

On an exceptional basis we use special-purpose short-term variable remuneration arrangements to help attract and retain key talented employees and holders of scarce skills. These include signon awards and deferred short-term incentive (DSTI) arrangements, both of which are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.

We are cognisant of the regulatory concerns raised regarding so-called 'guaranteed variable remuneration' and the potential downside of such payments. A high level of governance is therefore applied to the operation of these programmes. In this regard a specified pool is approved by Group Remco for each financial year for each of the programmes. This pool is placed under the direct control of the Chief Executive (CE) and is subject to review by Group Remco at each meeting.

As a core principle, guaranteed variable remuneration awards are highly exceptional and used primarily in the context of the appointment or retention of key, critical talent. Furthermore, participants can typically receive an award under the respective plans only once during their tenure with the group.

The group does not award guaranteed bonuses.

Employee ownership plans

We offer two types of employee ownership plans: broad-based participation based on local statutory or regulatory requirements (these include broad-based black economic empowerment arrangements and 'indigenisation' or 'localisation' programmes) and employee subscription arrangements, where employees may invest a portion of their posttax STI in Nedbank shares, with the possibility of matched shares.

Broad-based schemes operate in jurisdictions where local regulations or statutes require specific economic participation by employees, usually by means of ownership of a stake in the business. In most instances these plans are put in place to redress past imbalances in participation in the respective country's economy. Participation in such plans may therefore be limited to certain employees, based on demographic specifications. Further, failure to adhere to the requirements may have material legal or regulatory implications for the relevant business. Broad-based schemes are typically implemented at zero cost to employees.

Employee subscription arrangements are typically voluntary and give employees the opportunity to invest in Nedbank, currently on a posttax basis, over a stipulated period. This allows employees to participate in both potential share price appreciation and the application of matching arrangements if the shares are retained in the plan for a period of 36 months. This opportunity is provided through the aforementioned voluntary STI deferral scheme, namely the Voluntary Bonus Share Scheme, which allows eligible participants to receive matching shares, provided such shares remain in the programme for 36 months.

All employee ownership plans are subject to board approval (and may, subject to the nature of the transaction, require regulatory, stock exchange or shareholder approval). Accordingly, strict governance and approval processes apply.

Long-term incentive plans

Our shareholders have approved the implementation of a restricted-share plan (RSP), through which LTI awards are made.

LTIs are awarded with the joint aim of aligning with the interests of stakeholders and of retaining key employees. The criteria and quantum of allocations are benchmarked to the market annually. All LTIs are discretionary and motivated by the Group Executive Committee (Group Exco) and approved by Group Remco members in their capacity as trustees of the Nedbank Group (2005) Employee Share Scheme Trust. Specific Group Remco approval is also required for all LTI awards greater than 100% of GP.

Where deemed necessary to address local taxation and exchange control issues, cash-settled phantom RSP arrangements have been implemented to ensure that operations outside SA may also participate in LTI arrangements linked to the group's share price performance, and therefore ensure appropriate alignment of the interests of executives based abroad with those of the group's shareholders.

LTI awards are based on the following eligibility criteria:

- Individuals key to driving the business strategy.
- Talent management strategy and succession planning.
- Retention of key talent and scarce skills.
- Transformation objectives.
- Potential and performance.
- Leadership.

The following are the core principles applicable to the group RSP arrangements (including phantom RSPs):

- Awards under the relevant RSPs may typically be made at only two intervals per year – the annual pay review (typically March) and the once-off cycle award (typically August). All awards are subject to the necessary governance and approval processes.
- Awards are subject to corporate performance targets (CPTs) on at least 50% of the total award (with awards for executive directors being subject to performance conditions on 100% of the award).
- Awards subject to CPTs may be lapsed in full or in part in the event that the conditions are not met. There is also appropriate upward leverage to a maximum of 130% in the event that conditions are exceeded. Where awards are lapsed because of non-fulfilment of the CPTs, the CPTs will not be retested.
- Awards are subject to vesting over a period of no less than three years from the date of the grant.
- Where awards are lapsed, there is no replacement compensation issued.
- Employees may not take steps to hedge or otherwise insure themselves against potential losses in respect of their LTI participation prior to vesting.
- The pool available for allocation under our LTI arrangements is approved in advance by Group Remco.
- Group Remco assesses and confirms the CPT outcomes, ensuring that the interests of all stakeholders are appropriately considered.
- Awards from 2016 onwards will be subject to clawback provisions for a period of up to five years from the original date of the award if any of the following have occurred, as set out in the rules of the Nedbank Group Share Incentive Scheme:
 - Gross misconduct.
 - Loss to the group due to failure to observe risk management policies.
 - Presentation or publication of misleading or misstated financial results.

- On-appointment restricted shares may be awarded at the discretion of Group Remco to new senior managers and also on an exceptional basis to employees who have been appointed to more senior positions and have been recommended for an allocation by Group Exco.
- On-appointment allocations may take place biannually (and by exception on the date of appointment with specific approval), with awards based on the volume-weighted average share price using the three trading days from the announcement of the annual or interim financial results (as applicable).

Changes to remuneration arrangements

The group reserves the right, subject to compliance with the relevant legislation or collective agreements, to change or withdraw any aspect of its Remuneration Framework.

Recognition

The group recognises excellence among its employees with a comprehensive formal and informal recognition programme.

The core principles of the recognition programme are as follows:

- Recognition should be timely and spontaneous.
- Recognition should be specific in that employees must know what behaviours were found desirable and what actions should be repeated.
- Business units determine how recognition will be conducted in their area within specified guidelines.
- The recognition programme incorporates both informal and formal processes. These processes run throughout the year and support the achievement of the group's business objectives.
- Any awards made under the recognition programme are compliant with the relevant tax legislation.

Minimum shareholding requirements

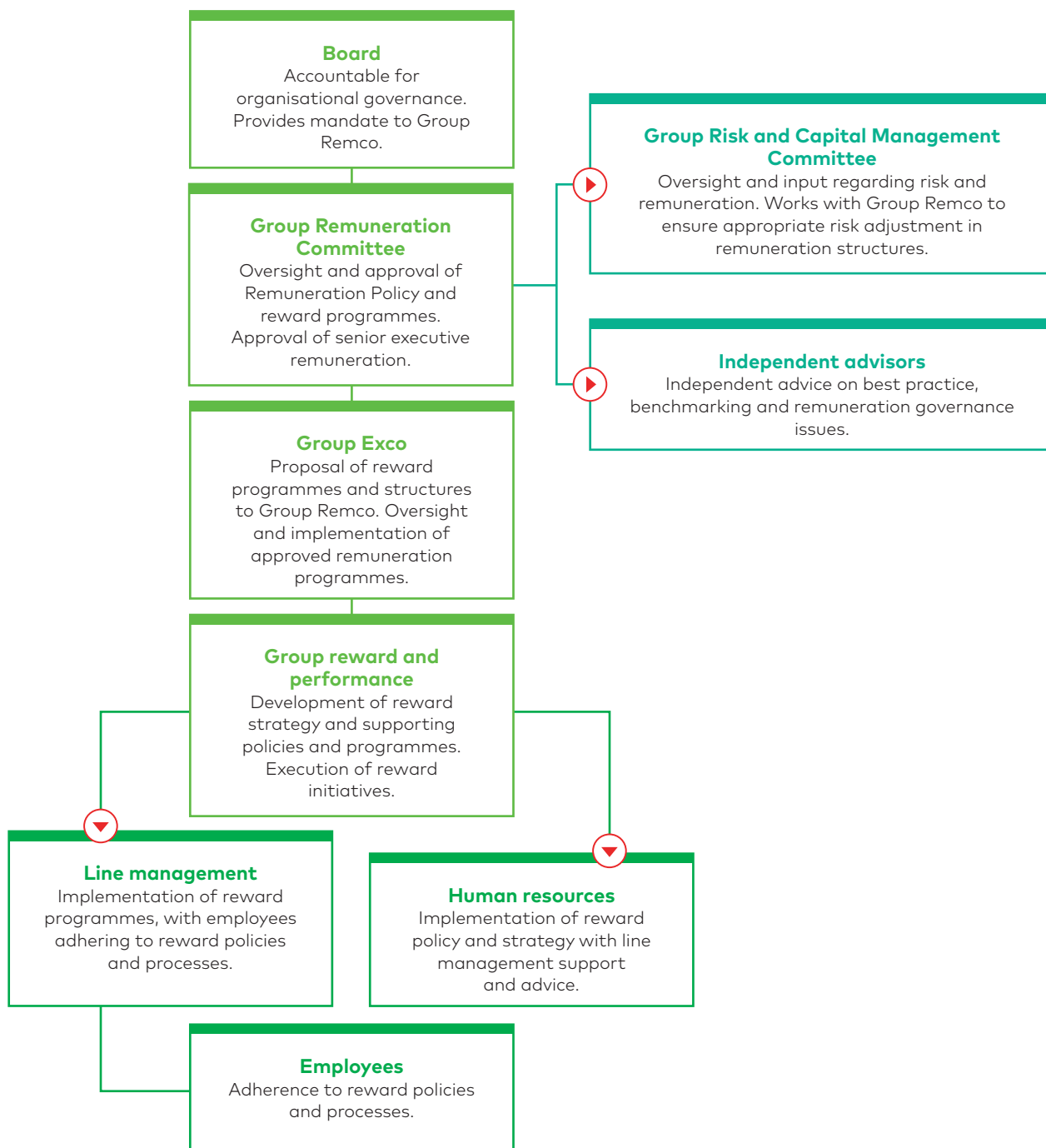
As approved by Group Remco in 2012, members of Group Exco are subject to minimum shareholding requirements. The following minimum requirements must be met within five years from the date of the March 2013 LTI awards or five years from the date of appointment to Group Exco if later:

Chief Executive	2 times guaranteed package
Executive directors and prescribed officers	1,5 times guaranteed package
Other members of Group Exco	1 times guaranteed package

Non-executive directors' fees

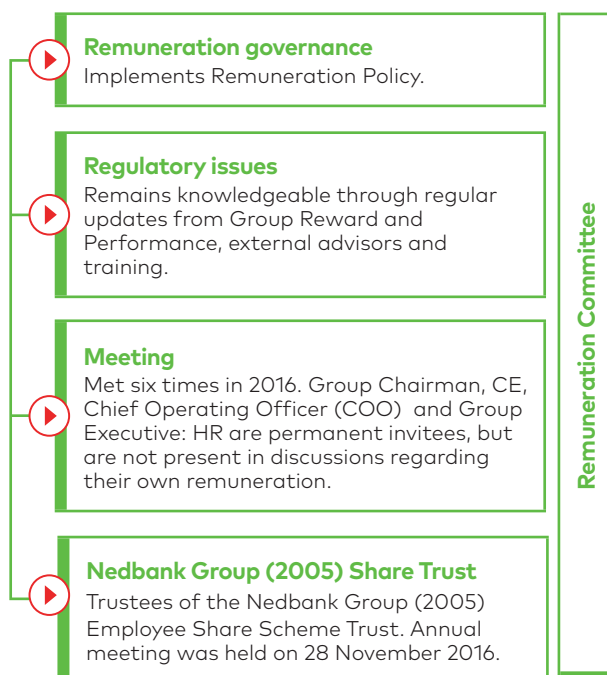
The fees of non-executive directors are reviewed annually and are subject to approval in advance by shareholders at the annual general meeting. Changes to fees, where approved, become applicable on 1 July of each year.

Roles and accountabilities



REMUNERATION GOVERNANCE

Remuneration Committee



Group Remco applies the guiding principles enunciated in the Remuneration Policy, but retains the right to apply discretion to deviate from this policy in exceptional circumstances. Consistent with the past several years, there were no requirements for such discretion in 2016.

Composition of Group Remco

Group Remco currently consists of four members, including an independent chair. The majority of the members are independent non-executive directors.

Name	Directorship status	Current membership
Bruce Hemphill	Non-executive Director	Current member
Mpho Makwana	Independent Non-executive Director	Current member and Chair of Group Remco
Nomavuso Mnxasana	Independent Non-executive Director	Current member
Malcolm Ian Wyman	Senior Independent Non-executive Director	Current member

There were no material issues identified in the committee's self-assessment in 2016, which was undertaken to evaluate its effectiveness against the objectives of its charter.

REMUNERATION ELEMENTS

Specified below are the overall outcomes of our core remuneration elements in 2016.

Guaranteed remuneration increases

At 31 December 2016 a total of approximately 52% of our employees were covered under collective bargaining agreements with Sasbo: The Finance Union. In April 2016 a total pool of 7,5% of the guaranteed remuneration for employees in the bargaining unit was made available for annual increases, compared with 5,5% and 5% for the non-bargaining unit and executives respectively.

The minimum GP for permanent, fulltime employees in SA was increased to R133 500 per annum, which is at the higher end of financial services and significantly higher than the minimum wage in South Africa.

Collective bargaining arrangements also exist in our subsidiaries in Lesotho, Namibia, Swaziland and Zimbabwe. Care is taken that salary increase settlements in respect of these are appropriate within the context of local market and economic conditions. We accordingly continue to remunerate our employees in the bargaining unit appropriately relative to the industry and continue to seek measures to reduce any pay differentials.

Variable remuneration

STIs

The total STI pool approved for distribution by Group Remco in respect of the 2016 financial year was R2 381m (2015: R2 162,5m). In accordance with its charter, Group Remco also approved 34 individual STI payments (2015: 24) in excess of 200% of GP.

SPECIAL-PURPOSE SHORT-TERM VARIABLE REMUNERATION

The group offers preapproved special-purpose short-term variable remuneration arrangements only in exceptional circumstances, which is typically in the context of hiring senior and key employees.

Scheme type	Scheme description	Number of awards
Signon bonus	Cash awards made to prospective employees on joining the group, typically awarded to compensate for loss of certain accrued benefits or to make these employees whole in terms of their existing contractual obligations.	25 awards (2015: 20), totalling R12,8m (2015: R19,7m). Included in this are awards made on appointment to key revenue-generating employees.
DSTI awards	DSTI awards are cash-based awards, comprising an upfront payment (typically 40% of the award), with a deferred component (the remaining 60%) payable subject to minimum time-based and individual performance conditions.	29 awards (2015: 20) totalling R23,9m (2015: R15,7m). The increase in the number and value of awards approved is in relation to a number of senior and highly specialist appointments made in 2016, and the need to implement specific retention initiatives in certain scarce-skills environments.

Scheme governance is set out in the policy.

Long-term incentives

Set out below are the various LTI schemes. The operation of the international Long-term Incentive Plan (LTIP) is aligned with the Nedbank Group (2005) scheme, but on a phantom basis.

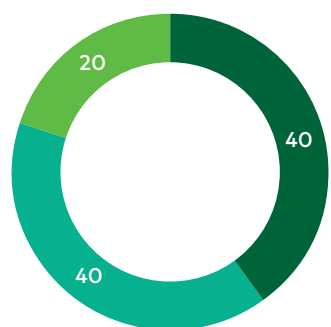
Share option scheme

No awards have been made since 2007 and there are no unvested awards in this scheme.

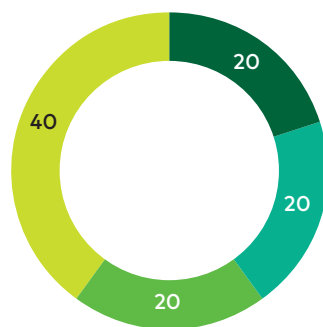
Restricted-share plan

Group Remco awards restricted shares with a three-year vesting period (including on-appointment allocations) to eligible participants. The weighting of the respective performance conditions for awards from 2015 is as follows:

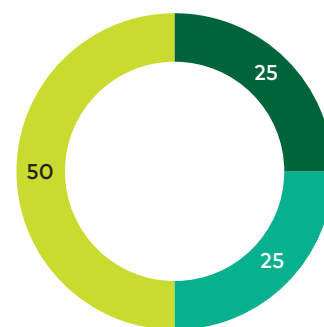
Executive directors



Group Exco/Cluster exco



Other LTIP participants



■ ROE ■ Strategic initiative
■ Fini 15 ■ No target

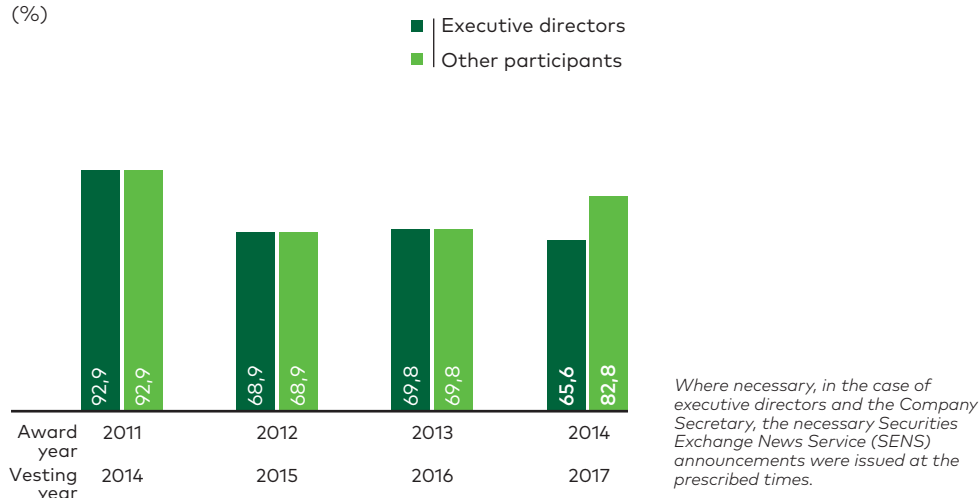
Further details of the actual CPTs applicable to these conditions are set out on page 12 of this report.

Vesting of share awards in 2017

Group Remco issued awards in March and August 2014 with vesting linked in full to performance conditions for executive directors and equal proportions of time and performance conditions for other participants. The vesting will take place as shown in the chart below, with the historical vesting over the period 2014 to 2016 included for comparison:

Overall vesting outcomes

(%)



Full details of the number and value of awards granted during the year in terms of our share-based plans are included in the Nedbank Group 2016 Consolidated Annual Financial Statements, available at nedbankgroup.co.za.

Matched-share Scheme

This scheme provides a vehicle for compulsory deferral of STI awards and for employees to participate in the scheme by voluntary investments, subject to the fulfilment of specified conditions as set out in the policy on page 4 of this report.

Phantom cash-settled restricted-share plan

For our international and Rest of Africa operations LTIs are made on a phantom basis, which schemes mirror the Nedbank (2005) Group Employee Share Scheme in design and structure. The phantom scheme will also be subject to the *malus* and clawback provisions similar to the Nedbank 2005 scheme.

Nedbank Eyethu employee schemes

We implemented our black economic empowerment employee schemes in August 2005. The following scheme made awards in 2016:

Scheme name	Scheme details	New awards during 2016	Beneficiaries at 31 December 2016
Evergreen Trust	This scheme was created with the specific purpose of improving the living standards and personal circumstances of black permanent employees at lower-income levels by providing grants or benefits to qualifying employees	Education Certificates in Business Administration and Core Banking (NQF04)	250 (once-off awards made)

Other employee ownership/empowerment schemes

Set out below are the ownership/empowerment schemes approved in our international and rest of Africa operations:

Nedbank operation	Ownership/Empowerment scheme	Scheme details
Namibia	Ofifiya Black Management Scheme	The purpose of the scheme is to enable us to facilitate black economic empowerment in terms of the framework established by the financial sector in Namibia. Vesting period: Four years A cash dividend was declared and paid on 12 September 2016.
Swaziland	Sinakekelwe Management Share Scheme	The purpose of the scheme is to align interests of Nedbank and the beneficiaries to attract, retain and reward a skilled high-performing workforce.
Malawi	Phantom empowerment scheme, using Nedbank Group shares as reference point	The purpose of the scheme is to build local employee ownership or similar financial interest in Nedbank Malawi.

Nedbank operation	Ownership/Empowerment scheme	Scheme details
Zimbabwe	Nedbank MBCA Employee Share Ownership Scheme	The purpose of this scheme is to give effect to the indigenisation plan.
Lesotho	Phantom empowerment scheme, using Nedbank Group shares as reference point	The purpose of this scheme is to facilitate economic empowerment for local employees in Nedbank Lesotho. Vesting period: Three years The final vesting for this scheme was in August 2016.

Retirement schemes

The majority of our retirement schemes are of a defined-contribution nature, except where the benefits according to the rules of the old defined-benefit scheme are still applicable to members and where local legislative and regulatory conditions provide otherwise. The majority of our SA employees are members of the Nedgroup Defined-contribution Pension and Provident Funds, which were transitioned into the Old Mutual Superfund (an umbrella fund) in 2015. Set out below are the details of the current funds as well as the number of members at 31 December 2016:

Retirement fund	Number of active members
Defined-contribution Pension Fund	10 795
Defined-contribution Provident Fund	17 598
Nedgroup Defined-benefit Pension Fund ¹	196
Postretirement Medical Funding (PRMF) arrangements ²	21 502

¹ Has an actuarial surplus, and remains a standalone fund.

² Provides qualifying employees in SA with a postretirement medical aid subsidy. This benefit is fully provided for as set out in note H1 of the consolidated financial statements.

Our non-SA operations have a variety of defined-contribution and legacy defined-benefit schemes, and where the defined-benefit schemes are in deficit, the appropriate steps to manage the financial impact thereof are in place.

RISK AND REMUNERATION

There is cooperation between Group Remco and the GRCMC to ensure the overall risk environment is considered when making remuneration decisions. This is implemented through formal discussion between the Group Remco Chair and the GRCMC Chair of the risk aspects of remuneration. This reflects our commitment to achieving a balance between the prudent management of remuneration within the context of both our risk appetite and risk profile, and the need to attract, retain and motivate key talent to enable the delivery of our strategic objectives. The manner in which risk is taken into account in the remuneration process is set out briefly below.

Current and future risks in remuneration outcomes

We are involved in retail, wholesale and investment banking operations, as well as wealth management and other financial services predominantly in SA and the rest of Africa. We use a three-year budgeting, forecasting and planning process, which is integrated with our strategic objectives, risk appetite and capital, enabling us to have a forward-looking view of the strategic, financial and risk outcomes of remuneration policies and outcomes. The mandatory STI deferral of up to 30 months and the three-year vesting of LTI share awards (with at least half subject to performance conditions) align with this forward-looking business cycle. The deferral period provides for risk-based outcomes to be monitored over the three-year period subsequent to the deferral and enables *malus* or clawback to be applied.

The STI scheme is designed to incentivise a combination of profitable returns, appropriate risk-taking and growth. It is driven by economic profit (EP) and headline earnings (HE) growth versus targets, using risk-based capital allocation as set out in the Risk and Balance Sheet Review, available online.

We have a comprehensive internal capital adequacy assessment process that addresses the nature and type of risk incorporated into the overall framework. The framework integrates with our STI pool arrangements and individual performance scorecard assessments, which in turn inform the distribution of STIs from the derived STI pools. The STI pools incorporate *ex ante* or 'before the fact' risk adjustments, which is incorporated into the pool allocation process set out below.



Total group pool

- This is approved by Group Remco relative to benchmarks. It includes targeted group pools for delivery of target headline earnings and economic profit.



Headline earnings and economic profit performance

- The allocation of the Group Remco-approved group pool to each cluster is done by the CE, with input from Group Exco.
- 50% of the cluster pools is based on year-end EP performance relative to target.
- 50% of the cluster pools is based on year-end HE performance relative to target.
- There is a 10% limit set for the bottomup cluster pools relative to the overall group pool.



Balanced scorecard

- The financially determined pools (topdown and bottomup) are adjusted by a maximum of approximately 15% based on the non-financial elements of Group Exco members' scorecards.
- Risk metrics are included in the relevant scorecards and aligned with the group five-year plan and risk frameworks.



Bonus pool adjustments

- The CE makes discretionary adjustments to quantitatively determined cluster pools based on judgements and non-quantifiable metrics.
- Group Remco makes discretionary adjustments to the group pool to effect any required corrections based on non-quantifiable metrics, including risk assessment.



Individual bonus proposals

- Individual bonus proposals are discretionary and no fixed formulaic approach is used by the bank. All cluster executive bonus proposals are analysed by Group Exco and the necessary adjustments are made to ensure appropriate consistency across the bank.
- All Group Exco bonuses are individually motivated and approved by Group Remco.
- The CE bonus requires Nedbank board approval and approval by the Old Mutual plc Remco.
- All senior functional bonuses (including risk, finance and compliance) are reviewed and ratified by the relevant Group Exco member.
- All proposed bonuses in excess of 200% of GP require motivation and Group Remco approval.

The board has absolute discretion as to the quantum and nature of any forfeiture, *malus* or clawback triggers relating to compulsory STI deferrals. In this regard the deferred amount will be forfeited should the employee resign or be dismissed before the end of the release of the outstanding forfeiture obligations, as well as in cases where, at the sole discretion of the board, material irregularities or misrepresentation of financial results come to light during the deferral period. The board has absolute discretion as to the nature of any action to be taken against the individual or group of individuals who may have transgressed. The deferral policy is reviewed annually.

The following categories of employees are excluded from the STI distribution process:

- Stockbrokers, since they are paid on a six-monthly basis from a bespoke STI arrangement based on predetermined contractual arrangements (certain business risk elements are included in the formulaic determination for the stockbrokers' pool). The pool allocated is included in the overall Nedbank Wealth pool.
- Analysts in Nedbank Corporate and Investment Banking, since their STIs are predominantly determined using *Financial Mail*-published ratings.
- Participants in the private-equity 'locked box' remuneration scheme, which is the market norm for private-equity collective-investment performance-based remuneration, based on a sharing of 'carried interest' on realised investments.

Application of performance conditions

A key consideration regarding the ongoing appropriateness of our LTI scheme is the continued application of appropriate corporate performance conditions on a substantial portion of the total award.

To avoid the consequences of inappropriate performance conditions, which include extended periods in which no LTI vesting takes place, awards made from 2010 onwards are subject to at least 50% performance conditions and the

balance on a time-based vesting arrangement. Specifically, for members of the Group Exco and cluster excos, this percentage is 60%, and for executive directors the full award is subject to performance conditions, as set out in the table below.

It is a key principle in our Remuneration Policy that there should be appropriate sharing of value among stakeholders. Therefore, while employees should not be prejudiced as a result of remuneration design issues, remuneration programmes should equally not be designed to favour or benefit employees at the expense of other stakeholders.

We have also been unequivocal about our adherence to other aspects of good corporate governance in relation to share plans. In this regard share awards in either the Restricted-share Plan or the Matched-share Scheme are not, under any circumstances, backdated. Further, no retrospective adjustments are made to performance conditions to mitigate the impact of weak performance.

LTI performance conditions and CPTs

The LTI performance conditions are aligned with both the group three-year medium-to-long-term published ROE (excluding goodwill) target of COE plus 5% (absolute internal target), the relative performance of the share price (relative external target) and selected strategic initiatives from time to time.

The weighting of the respective performance conditions for 2017 awards is set out below:

LTI performance condition	Executive directors	Group Exco and cluster exco members	All other Nedbank LTI participants
ROE (excluding goodwill) vs COE	40%	20%	25%
Share price vs FINI 15 Index	40%	20%	25%
Strategic initiative: Benefits from the target operating model (TOM)	10%	10%	–
Strategic initiative: Growing the transactional banking franchise	10%	10%	–
% of awards issued with vesting conditions	100%	60%	50%
% of awards issued without vesting conditions	0%	40%	50%
Total	100%	100%	100%

The following CPTs and vesting ranges were applied to awards made in 2016:

For the ROE (excluding goodwill) vs COE target, vesting was based on the simple-average published ROE (excluding goodwill) over a three-year period, compared with the simple-average COE over the same timeframe, according to the following sliding scale (ie there is a straight-line vesting arrangement based on the actual performance relative to the target).

Vesting ratios based on ROE (excluding goodwill):

	+0% or worse	+1,25%	+2,5%	+3,75%	+5%	+6%	+7%	+8% or better
ROE performance above COE								
Vesting ratio	0%	25%	50%	75%	100%	110%	120%	130%

For the Nedbank relative share price performance, vesting will be measured against the FINI 15 Index over the same three-year period, where the starting and end values of the Nedbank share price are calculated based on a 30-day volume-weighted average price (VWAP) and the FINI 15 Index is based on a 30-day simple average.

Vesting ratios based on share price relative to the FINI 15 Index:

Share price performance against FINI 15	-20% or worse	-15%	-10%	-5%	0%	+10%	+20%	+30% or better
Vesting ratio	0%	25%	50%	75%	100%	110%	120%	130%

As with the ROE target, there is a straight-line vesting (on a basis of actual achievement along the continuum as set out in the table above) arrangement based on the actual performance relative to the target.

The strategic initiatives element in respect of 2016 awards was aligned with an African Collaboration target, which is standard across the Old Mutual Group, comprising the following:

- A single measure of the run rate on benefits realised in regard to African Collaboration. This target was selected in support of achieving a target of R1bn pretax synergies across the Old Mutual Group by the end of 2017.
- This target will be evaluated on a run rate basis at the end of 2017 as follows:

Total benefits realised	Minimum	Target	Maximum
African Collaboration synergy target (Rm)	600	1000	1200
Vesting ratio	0%	100%	130%

Straight-line vesting will apply between the points in the above table.

The combined vesting percentage, based on achievement relative to the target, will be applied to awards vesting in March and August 2019. This is consistent with the evaluation time horizons of the current CPT metrics outlined above.

The evaluation of the total synergies achieved is, however, subject to a precondition that Nedbank achieves benefits of at least R170m. Should we not achieve benefits equal to or better than this threshold, this portion of the award will not vest, irrespective of the total synergies achieved.

The following CPTs and vesting ranges will be applied to awards made in 2017:

- The ROE (excluding goodwill) and share price performance targets will remain unchanged from 2016. Two new strategic initiatives, with equal weighting of 10% each, replace the African Collaboration synergy target since this initiative only has one more year to run.
- The two new strategic initiatives will be:
 - benefits from the TOM; and
 - growing the transactional banking franchise, where this comprises two underlying metrics:
 - grow household transactional accounts by client numbers; and
 - grow commercial transactional deposits by value.

The vesting ratios and targets for these two strategic initiatives are set out below:

BENEFITS FROM CHANGES TO THE TOM

Net benefits (both revenue and costs) resulting from the changes to the TOM measured at 31 December 2019 relative to a baseline set for 31 December 2016

	Minimum	Target	Maximum
Net benefits realised	R600m	R1,0bn	R1,2bn or more
Vesting ratio	0%	100%	130%

Straight-line vesting will apply between the points in the above table.

GROWING THE TRANSACTIONAL BANKING FRANCHISE

Grow household transactional accounts by client numbers at 31 December 2019

	Minimum	Target	Maximum
Market share	13% or less	15%	17% or more
Vesting ratio	0%	100%	130%

Straight-line vesting will apply between the points in the above table.

Grow commercial transactional deposit market share by value at 31 December 2019

	Minimum	Target	Maximum
Market share	15% or less	16,5%	18% or more
Vesting ratio	0%	100%	130%

Straight-line vesting will apply between the points in the above table.

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Prescribed officers

The managing executives of the three frontline, income-generating clusters are included in the disclosures set out below. The board has approved these executives to be regarded as prescribed officers.

Increase in guaranteed package

The revised GPs of the CE and other executive directors and prescribed officers were considered and recommended to the board by Group Remco, with a further approval by Old Mutual plc for the CE.

The following adjustments to GP were approved by Group Remco for implementation on 1 April 2017. The 2017 increases to GP were informed by multiple remuneration benchmarking exercises, including that conducted with GRS/Mercer SA in 2016 in respect of each individual executive director and prescribed officer. This alignment to market has ensured that we were appropriately placed in 2017, typically necessitating only standard adjustments. Where appointment to a new role applied, appropriate market adjustments are made.

	Guaranteed package*			Year-on-year movement	
	New GP effective April 2017 (R000)	GP at April 2016 (R000)	GP at April 2015	2016–2017% change	2015–2016% change
Mike Brown	8 275	7 875	7 500	5,1	5,0
Mfundo Nkuhlu	5 520	5 250	5 000	5,1	5,0
Raisibe Morathi ¹	5 000	4 500	4 200	11,1	7,1
Philip Wessels ²			4 650		
Ciko Thomas ^{3,4}	4 625				
Brian Kennedy	4 625	4 410	4 200	4,9	5,0
Iolanda Ruggiero ⁴	3 750	3 570		5,0	

* Audited

¹ Adjustment to guaranteed remuneration made to address gap with peer group based on market benchmarks.

² Philip Wessels retired as an employee of the bank on 31 March 2016.

³ Ciko Thomas was appointed as Group Managing Executive, Retail and Business Banking, effective 1 April 2016.

⁴ Comparative year-on-year percentage not given for items that reflect part-year service in the role.

Service contracts

Service contracts of executive directors and prescribed officers are aligned with the general conditions of service applicable to all group employees based in SA, except for specific provisions relating to notice periods, which are set out below.

	Notice period	Retirement age
Chief executive	12 months	60
Executive directors	6 months	60
Prescribed officers	6 months	60

All Group Exco members have been placed on a standard six-month notice period, which will continue to be the case for all new appointments in future.

All executive directors and prescribed officers are members of the Nedgroup Defined-contribution Pension or Provident Fund. There are no defined-benefit liabilities in respect of the executive directors and prescribed officers. Contributions to the retirement funds form part of the GP.

Termination arrangements

Executive directors and prescribed officers are entitled to severance pay equal to two weeks' GP per completed year of service if their services are terminated by the company on a no-fault basis. Contractual notice (where applicable) and accrued leave will also be paid out in the normal course.

Treatment of any unpaid bonus, unvested deferrals or unvested LTI awards will be dealt with in accordance with the rules of the various schemes, and will in all instances be subject to Group Remco and board oversight and approval. There are no special termination arrangements or golden-parachute agreements in place.

STI targets

STI awards for 2016 to all executive directors and prescribed officers were based on a combination of performance against preagreed targets in respect of the level of group and respective cluster EP, HE and performance against their individual performance scorecards, incorporating financial and non-financial measures.

The dimensions used to measure performance were:

Theme	Broad objectives	Linkage to strategic focus areas	Outcomes achieved in 2016
Financial and business	Delivering sustainable financial outperformance.	Optimise to invest. Strategic portfolio tilt. Pan-African banking network.	Solid performance driven by strong revenue growth as well as excellent credit risk management. Group performance impacted by a challenging macro environment and the loss from Ecobank Transnational Incorporated (ETI). Excluding ETI, headline earnings increased 16,2% – a good performance by Nedbank's managed operations. Including ETI, headline earnings increased 5,9%. The impairment provision of R1bn raised against the carrying value of ETI was also appropriately considered.
Client and relationships	Investing for growth by expanding into the entry-level and middle markets, the public sector and business banking, and implementing the rest of Africa strategy. Improving our client relations by empowering our clients through delivery of affordable banking. Leading as a corporate citizen.	Client-centred innovation. Growing transactional banking franchise. Pan-African banking network.	Successfully grew the transactional banking franchise. Main-banked client gains across all businesses and strong growth in transactional non-interest revenue. A number of new digital solutions as well as innovative products and services delivered.
Management and internal processes	Enhancing productivity and execution. Managing risk as an enabler. Growing regulatory and government relationships. Growing stakeholder relations.	Strategic portfolio tilt.	The Regulatory Change Programme, including anti-money-laundering (AML) programmes, ended 2016 in good shape. Managed credit risks well, despite a difficult economic environment and commodity cycle. Focus and commitment to capital and liquidity management ensured that Nedbank's balance sheet strengthened.
Organisational learning, leadership and transformation	Accelerating transformation in support of achieving our transformation targets, objectives and behaviours. Building an innovative and differentiated culture and becoming an employer of choice by creating a great place to work.	Optimise to invest.	The Nedbank leadership continues to be a highly regarded, effective team with high levels of employee engagement. Transformation remains top of mind as Nedbank maintained level 2 under the Financial Sector Code (FSC).

For more information on the progress made on the group's strategic focus areas refer to pages 46 to 47 of the Nedbank Group 2016 Integrated Report.

The performance dimensions outlined above are broadly consistent with the dimensions applied in 2015, except that certain metrics will have been updated to reflect the evolving group strategy. The outcomes achieved in 2016 in respect of the performance dimensions have also been included.

The following table represents the way in which STI awards have been determined, based on the assessment of the group and cluster HE and EP performance, as well as the performance of the executive director and prescribed officer against his or her agreed individual performance scorecard:

	On-target STI % of GP	Maximum target STI% of GP	% of GP achieved for group and cluster financial measures	% of GP achieved for individual performance and discretion	Final STI as % of GP	Final STI as % of on-target STI
	A		B	C	D = B + C	E = D/A
Executive directors						
Mike Brown	150	250	168	16	184	123
Mfundo Nkuhlu	150	250	168	(11)*	157	105
Raisibe Morathi	150	250	168	15	183	122
Prescribed officers						
Brian Kennedy	250	400	335	65	400	160
Ciko Thomas	150	250	175	13	188	125
Iolanda Ruggiero	150	250	147	24	171	114

* The strong performance from managed operations was largely offset by the lower-than-expected results from Rest of Africa. Therefore, Group Remco exercised a downward discretionary adjustment, resulting in a 2,9% lower STI compared with that of 2015.

Minimum shareholding requirements

The following members of Group Exco have already met the minimum shareholding requirements, which are required to be met by 31 March 2018 or five years from date of appointment to Group Exco if later:

- Mike Brown
- Thulani Sibeko
- Thabani Jali

TOTAL REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED*)

Executive directors R000	Mike Brown			Mfundo Nkuhlu			Raisibe Morathi		
	2016	2015	%	2016	2015	%	2016	2015	%
Cash portion of package	6 680	6 374		4 415	4 258		3 654	3 405	
Other benefits	148	141		137	130		105	100	
Defined-contribution retirement fund	953	910		635	613		666	621	
Guaranteed remuneration	7 781	7 425	4,8	5 187	5 000	3,7	4 425	4 125	7,3
Cash performance incentive	7 750	8 250		4 625	4 750		4 625	4 500	
Cash performance incentive (delivered in shares)	6 750	7 250		3 625	3 750		3 625	3 500	
Total STI ¹	14 500	15 500	(6,5)	8 250	8 500	(2,9)	8 250	8 000	3,1
Total remuneration ²	22 281	22 925	(2,8)	13 437	13 500	(0,5)	12 675	12 125	4,5
Value of share-based awards (face value at award)³									
	2016	2015	%	2016	2015	%	2016	2015	%
	14 500	13 500	7,4	9 250	8 750	5,7	8 000	7 500	6,7

REMUNERATION REPORT (continued)

Prescribed officers R000	Brian Kennedy			Iolanda Ruggiero ^{4,5}		
	2016	2015	%	2016	2015	%
Cash portion of package	3 819	3 620		3 011	1 934	
Other benefits	233	239		84	54	
Defined-contribution retirement fund	305	291		432	262	
Guaranteed remuneration	4 357	4 150	5,0	3 527	2 250	
Cash performance incentive	9 320	8 625		3 550	3 500	
Cash performance incentive (delivered in shares)	8 320	7 625		2 550	2 500	
Total STI ¹	17 640	16 250	8,6	6 100	6 000	
Total remuneration ²	21 997	20 400	7,8	9 627	8 250	

Value of share-based awards (face value at award) ³	2016	2015	%	2016	2015	%
	8 500	7 500	13,3	6 500	6 000	8,3

Prescribed officers R000	Philip Wessels ^{5,6}			Ciko Thomas ^{5,7,8}		
	2016	2015	%	2016	2015	%
Cash portion of package	1 036	4 146		2 513		
Other benefits	29	113		78		
Defined-contribution retirement fund	98	391		4 10		
Guaranteed remuneration	1 163	4 650		3 001		
Cash performance incentive		4 875		4 250		
Cash performance incentive (delivered in shares)		3 875		3 250		
Total STI ¹		8 750		7 500		
Total remuneration ²	1 163	13 400		10 501		

Value of share-based awards (face value at award) ³	2016	2015	%	2016 ⁸	2015	%
		8 000		12 000		

¹ In terms of the rules of the Matched-share Scheme this amount may increase by up to 27,5% (before share price movement), subject to fulfilment of the CPTs, and the amount remaining invested in the scheme for 36 months.

² Total remuneration is the sum of guaranteed remuneration and total STI.

³ This is the value of share-based awards made in the following financial year.

⁴ Iolanda Ruggiero became a prescribed officer on 1 May 2015.

⁵ Comparative year-on-year percentage not given for items that reflect part-year service in the role.

⁶ Philip Wessels retired from the bank on 30 March 2016. Amounts therefore reflect part-year service.

⁷ Ciko Thomas was appointed as a prescribed officer on 1 April 2016.

⁸ Awards include on-appointment awards made in respect of appointment to more senior roles.

ADDITIONAL REGULATION 43/PILLAR 3 DISCLOSURES

Most of the disclosures required in respect of regulation 43 of the Banks Act are set out elsewhere in this report.

Specific disclosures relating to senior managers and material risktakers, the quantum of the remuneration paid in the year, signon awards, guaranteed bonuses, severance payments and the amount of remuneration subject to adjustment are set out below:

Aggregate remuneration of senior managers and material risktakers

Senior manager	Material risktaker
Includes executive directors and prescribed officers, members of Group Exco, as well as other members of the group's senior management with executive responsibility for a material part of the group's business.	Includes employees whose individual actions have a material impact on the risk exposure of the group, as well as those responsible for setting and monitoring trader mandates and risk and stop-loss limits.

	2016			
	Senior managers		Material risktakers	
	Unrestricted	Deferred	Unrestricted	Deferred
Total value of remuneration in the 2016 financial year ¹				
Fixed remuneration (Rm)	115,8		33,9	
Variable remuneration – cash award (Rm)	120,4		32,9	
Variable remuneration – deferred performance incentive (Rm)		85,4		20,9
Variable remuneration – long-term incentive awards (Rm)		142,7		34,6
Total 2016 remuneration (unrestricted and deferred remuneration) (Rm)	236,2	228,1	66,8	55,5
Total number of employees		39		17

	Senior managers	Material risktakers
Value of outstanding deferred remuneration at 31 December 2016		
Compulsory bonus share scheme (Rm)	138,0	29,6
Restricted-share scheme (Rm)	461,4	89,9
Total deferred remuneration outstanding (Rm)	599,4	119,5
Value of deferred remuneration paid out during 2016 (Rm)	129,9	25,0
Value of deferred remuneration forfeited during 2016 (Rm) ²	31,1	5,84

	2015			
	Senior managers		Material risktakers	
	Unrestricted	Deferred	Unrestricted	Deferred
Total value of remuneration in the 2015 financial year ¹				
Fixed remuneration (Rm)	117,0		33,8	
Variable remuneration – cash award (Rm)	134,2		37,1	
Variable remuneration – deferred performance incentive (Rm)		91,4		20,1
Variable remuneration – long-term incentive awards (Rm)		172,2		35,8
Total 2015 remuneration (unrestricted and deferred remuneration) (Rm)	251,2	263,6	70,9	55,9
Total number of employees		42		17

	Senior managers	Material risktakers
Value of outstanding deferred remuneration at 31 December 2015		
Compulsory Bonus Share Scheme (Rm)	104,4	23,1
Restricted-share Scheme (Rm)	379,6	73,3
Total deferred remuneration outstanding (Rm)	484,0	96,4
Value of deferred remuneration paid out during 2015 (Rm)	153,1	30,9
Value of deferred remuneration forfeited during 2015 (Rm) ²	55,3	11,3

¹ The amounts reflected in the tables above relate to actual awards made or remuneration received in the period from 1 January to 31 December.

² Forfeiture of deferred remuneration due to non- or partial fulfilment of performance conditions for share awards.

Remuneration subject to adjustment in 2016

The total amount of outstanding deferred remuneration exposed to *ex post* explicit and/or implicit adjustments as indicated in the following table:

Year	Amount	
FY2016	R2 588m	This is a combination, at 31 December of each year, of the following:
FY2015	R1 977m	<ul style="list-style-type: none"> ■ All unvested RSP awards ■ All unvested CBSS awards

RSP = Restricted-share Plan

CBSS = Compulsory Bonus Share Scheme

The total amount of reductions during the financial year due to *ex post* explicit adjustments (adjustments as a consequence of non-fulfilment of specified performance conditions) is indicated in the following table:

Year	Amount	
FY2016	R171,2m	Value of RSP awards lapsed due to non- or partial
FY2015	R258,0m	fulfilment of CPT conditions

There were no clawbacks or reductions during the financial year due to *ex post* implicit adjustments (adjustments as a

consequence of specific forfeiture or clawback decisions, either based on individual or group considerations).

Remuneration of risk, finance and compliance specialists

Consistent with good corporate governance and related local and international regulations, special attention is paid to the process of remunerating risk, finance and compliance specialists within the group. This serves to ensure that individuals in these functions remain sufficiently independent from the functions or the businesses they serve.

The remuneration of senior risk, finance and compliance specialists is not determined within the relevant business unit alone. Initial proposals are made by the business unit management, however, Group Exco members with overall accountability for the specific control function (the Chief Risk Officer, Chief Financial Officer and the Chief Governance and Compliance Officer) have scope to influence the remuneration outcomes of senior employees within the respective control functions. The final outcomes are presented to Group Remco, thereby providing a layer of independent oversight.

We will continue to review this process, and any amendments or additional enhancements will be applicable to risk, finance and compliance specialists for remuneration payable in 2018.

Other remuneration disclosures

Further disclosures specifically required in terms of regulation 43 of the Banks Act are set out below:

Other remuneration disclosures	2016		2015	
	Rm	Number of employees	Rm	Number of employees
Number of employees who received variable remuneration during the year		25 435		24 921
Total guaranteed bonuses	–		–	
Total signon awards	12,8	25	19,7	20
Total severance awards ¹	4,03	4	2,69	15

¹ For the purpose of this disclosure 'severance payments' mean payments that exceed the bank's contractual redundancy payment.

Our policy is not to award guaranteed bonuses and accordingly no such payments have been made. Where specific compensation is indicated for new employees for the loss of an accrued benefit, the forfeiture of a performance bonus or in respect of a specific outstanding contractual obligation, a signon or DSTI award may be made. This is subject to time and, in the case of DSTI awards, ongoing individual performance conditions.

NON-EXECUTIVE DIRECTORS

Approach for non-executive director fees

The fees of the Group Chairman and the non-executive directors reflect the specific responsibilities relating to their membership of the board and, where applicable, board committees. The Group Chairman receives a single

fee for his role. Non-executive directors are paid a fixed fee for board membership and receive additional fees for their participation in the board committees. Neither the Group Chairman nor the boardmembers receive any performance-related remuneration or any employee benefits.

Non-executive directors are accountable for decisions made regardless of attendance at meetings. Non-executive directors are also required, as a matter of course, to represent stakeholders and to make the necessary preparations for meetings and other engagements. Group Remco is satisfied that the fee structure applied in respect of non-executive directors remains appropriate.

Non-executive director remuneration (audited*)

Non-executive director remuneration for the years ended 31 December 2015 and 31 December 2016 was as follows:

Non-executive director	Note	Nedbank and Nedbank Group board fees (000)	Committee fees (000)	2016 (R000)	2015 (R000)
David Adomakoh	1,6	428	144	572	514
Tom Boardman	2,6	1 194	1 238	2 432	2 233
Brian Dames		428	290	718	663
Mustaq Enus-Brey	8				273
Ian Gladman	7	428	363	791	732
Errol Kruger	3	188	158	346	
Paul Hanratty	4,7	81	56	137	600
Bruce Hemphill	7	428	207	635	59
Reuel Khoza	8				1 623
Mpho Makwana	6	428	853	1 281	1 140
Mantsika Matooane		428	289	717	623
Nomavuso Mnxasana		428	832	1 260	1 078
Vassi Naidoo		4 875		4 875	3 043
Joel Netshitenzhe	6	428	277	705	628
Rob Leith	5,7	98	83	181	
Julian Roberts	7				476
Gloria Serobe	8				235
Stanley Subramoney		428	533	961	205
Malcolm Wyman	6	599	1 112	1 711	1 481
Total		10 887	6 435	17 322	15 606

1 David Adomakoh resigned as member of the Group Credit Committee and Large-exposure Approval Committee with effect from 1 August 2016. He was appointed as a member of the Group Transformation, Social and Ethics Committee on 28 October 2016.

2 Tom Boardman sits on the board of Nedbank Private Wealth (Isle of Man). His board fees are inclusive of the Nedbank Private Wealth (Isle of Man) fees of £39 000.

3 Errol Kruger was appointed as a director of Nedbank Ltd and Nedbank Group Ltd with effect from 1 August 2016 and as a member of the Group Credit Committee, Large-exposure Approval Committee and Capital Management Committee.

4 Paul Hanratty resigned as a director of Nedbank Ltd and Nedbank Group Ltd and all the committees on 12 March 2016.

5 Rob Leith was appointed as a director of Nedbank Ltd and Nedbank Group Ltd, a member of the Group Credit Committee and of the Group Risk and Capital Management Committee on 13 October 2016.

6 Joel Netshitenzhe, Tom Boardman, Mpho Makwana, David Adomakoh and Malcolm Wyman were appointed members of the Group Related-party Transactions Committee on 11 May 2015.

7 Fees for Ian Gladman, Paul Hanratty, Bruce Hemphill, Rob Leith and Julian Roberts were paid to Old Mutual plc.

8 Resigned during 2015.

Non-executive director fees for 2017

The non-executive director fee proposals, as set out below, were evaluated by an independent board committee consisting of Mike Brown and Bruce Hemphill, with advice from independent experts. Such evaluation was conducted from a number of perspectives, including peer group comparisons, effective rates per committee and year-on-year increases.

Increases to the Chairman's fee, board fees and several committee fees have been proposed at between 5,6% and 25%.

The proposed increases to board fees represent a total increase in the cost of operating the board of 7,6%.

	2017 (R) Proposed	2016 (R)	%
Boards			
Chairman of the board	5 355 000	5 000 000	7,1
Lead Independent Director premium	40% of board fee	40% of board fee	5,6
Nedbank Group Ltd	258 500	245 000	5,5
Nedbank Ltd	216 500	205 000	5,6
Committees			
Group Audit Committee			
Chair	687 500	650 000	5,8
Member	275 000	260 000	5,8
Group Remuneration Committee			
Chair	400 000	350 000	14,3
Member	160 000	140 000	14,3
Group Risk and Capital Management Committee			
Chair	475 000	450 000	5,6
Member	190 000	180 000	5,6
Group Credit Committee			
Chair	530 000	500 000	6,0
Member	212 000	200 000	6,0
Group Directors' Affairs Committee			
Chair	210 000	196 250	7,0
Member	84 000	78 500	7,0
Group Information Technology Committee			
Chair	312 500	250 000	25,0
Member	125 000	100 000	25,0
Group Transformation, Social and Ethics Committee			
Chair	312 500	250 000	25,0
Member	125 000	100 000	25,0
Group Related-party Transactions Committee			
Chair	80 000	75 000	6,7
Member	32 000	30 000	6,7

The above increases are effective from 1 July 2017, subject to shareholders' approval at the annual general meeting on 18 May 2017.

DIRECTORS' INTERESTS (AUDITED*)

At 31 December 2016 the directors' interests in ordinary shares in Nedbank Group Ltd and preference shares in Nedbank Ltd were as follows:

	Beneficial direct 2016	Beneficial direct 2015	Beneficial indirect 2016	Beneficial indirect 2015
Number of shares				
David Adomakoh				
Tom Boardman	4 012	4 012	10 988	10 988
Mike Brown	216 087	140 421	286 375	268 517
Brian Dames				
Ian Gladman				
Paul Hanratty*				
Bruce Hemphill				
Errol Kruger**				
Rob Leith**	44			
Mpho Makwana				
Mantsika Matooane	2 261	2 261		
Mantsika Matooane (Nedbank Limited preference shares)	11 000	11 000		
Nomavuso Mnxasana			7 420	7 420
Raisibe Morathi	119 876	72 641	118 197	156 916
Vassi Naidoo			45 785	43 575
Joel Netshitenzhe				
Mfundo Nkuhlu	8 178		165 527	149 962
Stanley Subramoney			2 300	2 300
Malcolm Wyman				
Total ordinary shares	350 458	219 335	636 592	632 258
Total preference shares	11 000	11 000		

No change in the above interests occurred between 31 December 2016 and 1 March 2017.

* Resigned/Retired during 2016.

** Appointed during 2016.

Share-based payments to executive directors and prescribed officers (audited)*

Payments from prior years' deferred bonuses, LTIs and outstanding share plan awards, including participation in the group's empowerment arrangements:

Executive directors	Opening balance at 1 January 2016				Number of restricted shares/ options	Awards made during 2016				Awards vesting/lapsing during 2016					Dividends	Closing balance at 31 December 2016				
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date		Date of issue/ inception	Issue price (R)	Final vesting/ exercise date		Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing (R)	Total value of dividends paid in respect of all plans ⁷ (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date		
MWT Brown																				
Nedbank restricted shares	28 962	07/03/2013	189,90	08/03/2016						11 440	17 522	181,00	2 070 640	(3 171 482)						
	28 962	08/03/2013	189,90	09/03/2016						28 962	–	181,00	5 242 122							
	62 200	06/03/2014	209,00	07/03/2017												62 200	31/12/2016	07/03/2017		
	50 826	12/03/2015	255,77	13/03/2018												50 826	31/12/2017	13/03/2018		
					70 851	17/03/2016	190,54	17/03/2019								70 851	31/12/2018	17/03/2019		
Compulsory Bonus Share Scheme	16 099	31/03/2013	195,66	01/04/2016		01/04/2016	191,00	01/04/2016		32 198	–	191,00	6 149 818	–						
	16 141	31/03/2014	223,03	01/04/2017												16 141	31/12/2016	01/04/2017		
	16 435	31/03/2015	251,29	01/04/2018												16 435	31/12/2017	01/04/2018		
					22 563	31/03/2016	189,58	01/04/2019								22 563	31/12/2018	01/04/2019		
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016		3 066	–	191,00	585 606	–						
	Own shares	31/03/2014	223,03	01/04/2017																
	Own shares	31/03/2015	251,29	01/04/2018																
					Own shares	31/03/2016	189,58	01/04/2019												
Total value of dividends														2 862 859						
Total														14 048 186		(3 171 482)		2 862 859		
MC Nkuhlu																				
Nedbank restricted shares	19 747	07/03/2013	189,90	08/03/2016						7 801	11 946	181,00	1 411 981	(2 162 226)						
	19 747	08/03/2013	189,90	09/03/2016						19 747	–	181,00	3 574 207	–						
	20 334	06/03/2014	209,00	07/03/2017												20 334	31/12/2016	07/03/2017		
	20 334	07/03/2014	209,00	08/03/2017												20 334	31/12/2016	08/03/2017		
	45 939	12/03/2015	255,77	13/03/2018												45 939	31/12/2017	13/03/2018		
					45 922	17/03/2016	190,54	17/03/2019								45 922	31/12/2018	17/03/2019		
Compulsory Bonus Share Scheme	2 556	31/03/2013	195,66	01/04/2016	2 556	01/04/2016	191,00	01/04/2016		5 112		191,00	976 392	–						
	8 743	31/03/2014	223,03	01/04/2017												8 743	31/12/2016	01/04/2017		
	8 511	31/03/2015	251,29	01/04/2018												8 511	31/12/2017	01/04/2018		
					11 670	31/03/2016	189,58	01/04/2019								11 670	31/12/2018	01/04/2019		
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016		3 066		191,00	585 606							
	Own shares	01/04/2014	223,03	02/04/2017																
	Own shares	31/03/2015	251,29	01/04/2018																
					Own shares	31/03/2016	189,58	01/04/2019												
Total value of dividends														2 090 646						
Total														6 548 186		(2 162 226)		2 090 646		

Share-based payments to executive directors and prescribed officers (continued)

	Opening balance at 1 January 2016					Awards made during 2016				Awards vesting/lapsing during 2016					Dividends	Closing balance at 31 December 2016			
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date		Number of restricted shares/ options	Date of issue/ inception	Issue price (R)		Final vesting/ exercise date	Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing (R)	Total value of dividends paid in respect of all plans ⁷ (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
Executive directors																			
RK Morathi																			
Nedbank restricted shares	15 797	07/03/2013	189,90	08/03/2016						6 240	9 557	181,00	1 129 440	(1 729 817)					
	15 797	08/03/2013	189,90	09/03/2016						15 797		181,00	2 859 257						
	33 492	06/03/2014	209,00	07/03/2017												33 492	31/12/2016	08/03/2016	
	27 368	12/03/2015	255,77	13/03/2018												27 368	31/12/2017	09/03/2016	
					39 361	17/03/2016	190,54	17/03/2019								39 361	31/12/2018	17/03/2019	
Compulsory Bonus Share Scheme	7 666	31/03/2013	195,66	01/04/2016	7 666	01/04/2016	191,00	01/04/2016		15 332		191,00	2 928 412	–					
	7 936	31/03/2014	223,03	01/04/2017												7 936	31/12/2016	01/04/2017	
	7 924	31/03/2015	251,29	01/04/2018												7 924	31/12/2017	01/04/2017	
					10 892	31/03/2016	189,58	01/04/2019								10 892	31/12/2018	01/04/2018	
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016		3 066		191,00	585 606						
	Own shares	01/04/2014	223,03	02/04/2017															
	Own shares	31/03/2015	251,29	01/04/2018															
					Own shares	31/03/2016	189,58	01/04/2019											
Eyethu restricted shares	6 800	03/03/2010	–	04/03/2016						6 800		181,00	1 230 800						
Eyethu restricted options	20 400	03/03/2010	121,08	04/03/2016						20 400		178,02	1 161 576						
Total value of dividends															1 763 175				
Total														9 895 091	(1 729 817)	1 763 175			
Prescribed officers																			
P Wessels																			
Nedbank restricted shares	14 481	07/03/2013	189,90	08/03/2016						5 720	8 761	181,00	1 035 320	(1 585 741)					
	14 481	08/03/2013	189,90	09/03/2016						14 481		181,00	2 621 061						
	16 746	06/03/2014	209,00	07/03/2017												16 746	31/12/2016	07/03/2017	
	16 746	07/03/2014	209,00	07/03/2017												16 746	31/12/2016	07/03/2017	
	10 898	12/11/2014	229,39	12/11/2017												10 898	31/12/2016	12/11/2017	
	10 898	13/11/2014	229,39	13/11/2017												10 898	31/12/2016	13/11/2017	
	12 902	12/03/2015	255,77	13/03/2018												12 902	31/12/2017	13/03/2018	
	8 601	13/03/2015	255,77	14/03/2018												8 601	31/12/2017	14/03/2018	
					25 191	17/03/2016	190,54	17/03/2019								25 191	31/12/2018	17/03/2019	
					16 794	18/03/2016	190,54	18/03/2019								16 794	31/12/2018	18/03/2019	
Compulsory Bonus Share Scheme	7 666	31/03/2013	195,66	01/04/2016	7 666	01/04/2016	191,00	01/04/2016		15 332		191,00	2 928 412	–					
	7 936	31/03/2014	223,03	01/04/2017												7 936	31/12/2016	01/04/2017	
	8 217	31/03/2015	251,29	01/04/2018												8 217	31/12/2017	01/04/2018	
					12 059	31/03/2016	189,58	01/04/2019								12 059	31/12/2018	01/04/2019	
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016		3 066		191,00	585 606						
	Own shares	01/04/2014	223,03	02/04/2017															
	Own shares	31/03/2015	251,29	01/04/2018															
					Own shares	31/03/2016	189,58	01/04/2019											
Total value of dividends															1 826 975				
Total														7 170 399	(1 585 741)	1 826 975			

Share-based payments to executive directors and prescribed officers (continued)

Prescribed officers	Opening balance at 1 January 2016				Number of restricted shares/ options	Awards made during 2016				Awards vesting/lapsing during 2016					Dividends	Closing balance at 31 December 2016			
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date		Date of issue/ inception	Issue price (R)	Final vesting/ exercise date		Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing (R)	Total value of dividends paid in respect of all plans ⁷ (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date	
B Kennedy																			
Nedbank restricted shares	15 797	07/03/2013	189,90	08/03/2016						6 240	9 557	181,00	1 129 440	(1 729 817)					
	15 797	08/03/2013	189,90	09/03/2016						15 797		181,00	2 859 257						
	16 746	06/03/2014	209,00	07/03/2017												16 746	31/12/2016	07/03/2017	
	16 746	07/03/2014	209,00	08/03/2017												16 746	31/12/2016	08/03/2017	
	22 285	12/03/2015	255,77	13/03/2018												22 285	31/12/2017	13/03/2018	
	14 857	13/03/2015	255,77	14/03/2018												14 857	31/12/2017	14/03/2018	
					23 617	17/03/2016	190,54	17/03/2019								23 617	31/12/2018	17/03/2019	
					15 744	18/03/2016	190,54	18/03/2019								15 744	31/12/2018	18/03/2019	
Compulsory Bonus Share Scheme	15 026	31/03/2013	195,66	01/04/2016	15 026	01/04/2016	191,00	01/04/2016		30 412		191,00	5 808 692	–					
	16 141	31/03/2014	223,03	01/04/2017												16 141	31/12/2015	01/04/2017	
	17 609	31/03/2015	251,29	01/04/2018												17 609	31/12/2016	01/04/2018	
					23 730	31/03/2016	189,58	01/04/2019								23 730	31/12/2017	01/04/2019	
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016		3 066		191,00	585 606						
	Own shares	01/04/2014	223,03	02/04/2017															
	Own shares	31/03/2015	251,29	01/04/2018															
					Own shares	31/03/2016	189,58	01/04/2019											
Total value of dividends														1 955 659					
Total														10 382 995	(1 729 817)	1 955 659			
C Thomas																			
Nedbank restricted shares	9 873	07/03/2013	189,90	08/03/2016						3 900	5 973	181,00	705 900	(1 081 113)					
	9 873	08/03/2013	189,90	09/03/2016						9 873		181,00	1 787 013						
	10 287	06/03/2014	209,00	07/03/2017												10 287	31/12/2016	07/03/2017	
	10 287	07/03/2014	209,00	08/03/2017												10 287	31/12/2016	08/03/2017	
	10 204	12/03/2015	255,77	13/03/2018												10 204	31/12/2017	13/03/2018	
	6 803	13/03/2015	255,77	14/03/2018												6 803	31/12/2017	14/03/2018	
					14 957	17/03/2016	190,54	17/03/2019								14 957	31/12/2018	17/03/2019	
					9 971	18/03/2016	190,54	18/03/2019								9 971	31/12/2018	18/03/2019	
					14 169	11/08/2016	211,87	11/08/2019								14 169	31/12/2018	11/08/2019	
					9 447	12/08/2016	211,87	12/08/2019								9 447	31/12/2018	12/08/2019	
Compulsory Bonus Share Scheme	1 345	31/03/2014	223,03	01/04/2017						1 345		222,35	299 061						
	2 973	31/03/2015	251,29	01/04/2018						1 487		222,35	330 634			1 486	31/12/2016	01/04/2018	
					6 846	31/03/2016	189,58	04/10/2019		2 282		222,35	507 403			4 564	31/12/2017	01/04/2019	
Voluntary Bonus Share Scheme					Own shares	31/03/2016	189,58	01/04/2019		1 556		222,35	345 977						
Total value of dividends														1 100 619					
Total														3 975 988	(1 081 113)	1 100 619			

Share-based payments to executive directors and prescribed officers (continued)

Prescribed officers	Opening balance at 1 January 2016				Number of restricted shares/ options	Awards made during 2016				Awards vesting/lapsing during 2016					Dividends	Closing balance at 31 December 2016		
	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date		Date of issue/ inception	Issue price (R)	Final vesting/ exercise date		Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing (R)	Total value of dividends paid in respect of all plans ⁷ (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
I Ruggiero																		
Nedbank restricted shares	3 949	07/03/2013	189,90	08/03/2016						1 560	2 389	181,00	282 360	(432 409)				
	3 949	08/03/2013	189,90	09/03/2016						3 949		181,00	714 769					
	4 186	06/03/2014	209,00	07/03/2017												4 186	31/12/2016	07/03/2017
	4 186	07/03/2014	209,00	08/03/2017												4 186	31/12/2016	08/03/2017
	4 457	12/03/2015	255,77	13/03/2018												4 457	31/12/2017	13/03/2018
	2 971	13/03/2015	255,77	14/03/2018												2 971	31/12/2017	14/03/2018
	7 959	12/08/2015	263,84	13/08/2018												7 959	31/12/2017	13/08/2018
	5 306	13/08/2015	263,84	14/08/2018												5 306	31/12/2017	14/08/2018
					18 893	17/03/2016	190,54	17/03/2019								18 893	31/12/2018	17/03/2019
					12 595	18/03/2016	190,54	18/03/2019								12 595	31/12/2018	18/03/2019
Compulsory Bonus Share Scheme	2 299	31/03/2013	195,66	01/04/2016	2 299	01/04/2016	191,00	01/04/2016		4 598		191,00	878 218	–				
	3 093	31/03/2014	223,03	01/04/2017												3 093	31/12/2016	01/04/2017
	3 110	31/03/2015	251,29	01/04/2018												3 110	31/12/2017	01/04/2018
					7 780	31/03/2016	189,58	01/04/2019								7 780	31/12/2017	01/04/2019
Voluntary Bonus Share Scheme	Own shares	31/03/2013	195,66	01/04/2016	1 533	01/04/2016	191,00	01/04/2016		3 066		191,00	585 606					
	Own shares	01/04/2014	223,03	02/04/2017														
	Own shares	31/03/2015	251,29	01/04/2018														
					Own shares	31/03/2016	189,58	01/04/2019										
Total value of dividends															957 908			
Total													2 460 953	(432 409)	957 908			

¹ Matching on the Compulsory Bonus Share Scheme occurs only on shares in the scheme at the vesting date. If CPTs are met, a 100% matching occurs, otherwise a 50% matching occurs.

² Restricted share awards with time-based vesting only.

³ Match occurred at one shares for each in the Compulsory Bonus Share Scheme and Voluntary Bonus Share Scheme at the vesting date.

⁴ For the Voluntary Bonus Share Scheme employees invest their own Nedbank shares into the scheme. After three years, if the corporate targets are met, a 100% matching occurs, otherwise a 50% matching occurs.

⁵ Value determined based on number of shares lapsing multiplied by the market share price on scheduling vesting date.

⁶ Eyethu restricted options have a lifespan of seven years from the date of issue.

⁷ Plans excludes Voluntary Bonus Share Scheme, which are own shares.